

# Pecyn Dogfen Gyhoeddus



Swyddog Cyswllt:  
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At: Cyng Chris Dolphin (Cadeirydd)

Y Cynghorwyr: Janet Axworthy, Geoff Collett, Andy Dunbobbin, Patrick Heesom,  
Paul Johnson ac Arnold Woolley

**Aelodau Cyfetholedig:**

Sally Ellis ac Allan Rainford

Dydd Iau, 3 Medi 2020

Annwyl Gynghorydd

**HYSBYSIAD O GYFARFOD ANGHYSBELL**  
**PWYLLGOR ARCHWILIO**  
**DYDD MERCHER, 9FED MEDI, 2020 AM 10.00 AM**

Yn gywir

Robert Robins  
Rheolwr Gwasanaethau Democrataidd

Sylwch: Oherwydd y cyfyngiadau presennol ar deithio a'r gofyniad am gadw pellter corfforol, ni chynhelir y cyfarfod hwn yn y lleoliad arferol. Bydd hwn yn gyfarfod rhithiol a bydd 'presenoldeb' yn gyfyngedig i Aelodau'r Pwyllgor yn unig. Bydd y cyfarfod yn cael ei recordio.

Os oes gennych unrhyw ymholiadau, cysylltwch ag aelod o'r Tîm Gwasanaethau Democrataidd ar 01352 702345.

## 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 5 - 12)

**Pwrpas:** I gadarnhau, fel cofnod cywir gofnodion y cyfarfod ar 23 Gorffennaf 2020.

### 4 DATGANIAD CYFRIFON 2019/20 (Tudalennau 13 - 178)

Adroddiad Rheolwr Cyllid Corfforaethol - Aelod Cabinet dros Gyllid

**Pwrpas:** Cyflwyno fersiwn derfynol wedi'i harchwilio o Ddatganiad Cyfrifon 2019/20 i gael eu cymeradwyo.

### 5 CYNLLUN ARCHWILIO SWYDDFA ARCHWILIO CYMRU 2020 (Tudalennau 179 - 192)

Adroddiad Rheolwr Cyllid Corfforaethol -

**Pwrpas:** Mae Swyddfa Archwilio Cymru, sy'n archwiliwr allanol y Cyngor, wedi paratoi cynnal archwiliad ar gyfer 2020 i'r Cyngor a'r Cronfa Bensiynau Clwyd, sydd yn gosod eu gwaith archwilio arfaethedig ar gyfer y flwyddyn ynghyd ag amserlenni, costau a'r timau archwilio sydd yn gyfrifol am gyflawni'r gwaith.

### 6 TYSTYSGRIF GRANTIAU A FFURFLENNI 2018/19 (Tudalennau 193 - 212)

Adroddiad Rheolwr Cyllid Corfforaethol -

**Pwrpas:** Hysbysu Aelodau o'r ardystiad hawl grant gan Swyddfa Archwilio Cymru ar gyfer y flwyddyn a ddaeth i ben ar 31 Mawrth 2019.

### 7 SICRWYDD RHEOLEIDDIO ALLANOL (Tudalennau 213 - 224)

Adroddiad Prif Weithredwr -

**Pwrpas:** Cefnogi'r crynodeb o'r holl adroddiadau rheoleiddio allanol a dderbyniwyd yn ystod 2018/19 ynghyd ag ymateb y Cyngor.

8 **SAFONAU ARCHWILIO MEWNOL Y SECTOR CYHOEDDUS** (Tudalennau 225 - 282)

Adroddiad Rheolwr Archwilio Mewnol -

**Pwrpas:** Rhoi gwybod i'r pwyllgor am ganlyniadau'r asesiad mewnol blynyddol mewn perthynas â chydymffurfio â Safonau Archwilio Mewnol y Sector Cyhoeddus.

9 **CYNLLUN STRATEGOL ARCHWILIO MEWNOL** (Tudalennau 283 - 306)

Adroddiad Rheolwr Archwilio Mewnol -

**Pwrpas:** Cyflwyno'r Cynllun Archwilio Mewnol arfaethedig ar gyfer 2020/21 - 2022/23 er ystyriaeth yr Aelodau.

10 **ADRODDIAD BLYNYDDOL ARCHWILIO MEWNOL** (Tudalennau 307 - 328)

Adroddiad Rheolwr Archwilio Mewnol -

**Pwrpas:** Rhoi gwybod i'r aelodau am ganlyniad yr holl waith archwilio a gynhaliwyd yn ystod 2019/20 a rhoi'r farn Archwilio Mewnol flynyddol ar safon rheolaeth fewnol, rheoli risg a llywodraethu yn y Cyngor.

11 **Y WYBODAETH DDIWEDDARAF CHWARTEROL AR YR YMATEB I'R PANDEMIG** (Tudalennau 329 - 336)

Adroddiad Prif Weithredwr, Prif Swyddog (Llywodraethu) - Arweinydd y Cyngor ac Aelod Cabinet Addysg

**Pwrpas:** I roi gwybod i Aelodau am yr ymateb sy'n datblygu i'r pandemig.

12 **OLRHAIN GWEITHRED** (Tudalennau 337 - 342)

Adroddiad Rheolwr Archwilio Mewnol -

**Pwrpas:** Rhoi gwybod i'r Pwyllgor am y camau gweithredu sy'n codi o'r pwyntiau a godwyd mewn cyfarfodydd Pwyllgor Archwilio blaenorol.

13 **RHAGLEN GWAITH I'R DYFODOL** (Tudalennau 343 - 352)

Adroddiad Rheolwr Archwilio Mewnol -

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

Mae'r dudalen hon yn wag yn bwrpasol

# Eitem ar gyfer y Rhaglen 3

## AUDIT COMMITTEE 23 JULY 2020

Minutes of the meeting of the Audit Committee of Flintshire County Council held as a remote attendance meeting on Thursday, 23 July 2020

### **PRESENT: Councillor Chris Dolphin (Chairman)**

Councillors: Janet Axworthy, Geoff Collett, Andy Dunbobbin, Councillor Heesom (present for part of the meeting), Paul Johnson and Arnold Woolley  
Co-opted members: Sally Ellis and Allan Rainford

**APOLOGY:** Internal Audit Manager

### **IN ATTENDANCE:**

Councillor Glyn Banks (Cabinet Member for Finance), Billy Mullin (Cabinet Member for Corporate Management and Assets), Chief Executive, Chief Officer (Governance), Corporate Finance Manager, Interim Finance Manager (Technical Accounting), Principal Auditor, Principal Accountant, Team Leader - Democratic Services and Democratic Services Officer

Matt Edwards and Gwilym Bury of Audit Wales

## **60. DECLARATIONS OF INTEREST**

The following declared personal interests on the Draft Statement of Accounts (agenda item 4):

Councillor Axworthy - Board member of NEW Homes

Councillor Dunbobbin - Chair of Governors at Connah's Quay High School (21<sup>st</sup> Century Schools Programme)

## **61. MINUTES**

The minutes of the meeting held on 29 January 2020 were approved, as moved by Councillor Dunbobbin and seconded by Councillor Johnson.

### **RESOLVED:**

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

## **62. DRAFT STATEMENT OF ACCOUNTS 2019/20**

The Corporate Finance Manager presented the Draft Statement of Accounts 2019/20 (subject to audit) for information only at this stage. These comprised the Group accounts, including its wholly owned subsidiaries, and the Annual Governance Statement to be considered later on the agenda. The Committee would receive the final audited accounts for approval on 9 September, ready for publication by the statutory deadline of 15 September.

The Corporate Finance Manager and Interim Finance Manager (Technical Accountancy) gave a joint presentation covering the following:

- Purpose and Background of the Accounts
- Contents and Overview
- Responsibility for the Accounts
- Accounts Governance Group
- Links to Budget Monitoring
- Headlines - Council Fund, Revenue Reserves, Capital and Housing Revenue Account (HRA)
- Changes to the Accounts for 2019/20
- Group Accounts
- Impact of COVID-19
- Timeline and Next Steps
- Impact of Earlier Deadlines
- Clwyd Pension Fund Accounts

Allan Rainford asked about public inspection of the accounts and was advised that if such requests could not be accommodated electronically then an appointment would be made at one of the Council's buildings, in accordance with physical distancing guidelines. When asked about the challenges in producing the accounts during the emergency period, the Corporate Finance Manager said that agile working was part of normal business practice and that teams had adapted to an extension of this arrangement. On the accuracy of figures, he gave assurance that there had been no change to estimating techniques and that the robust quality assurance process had been strengthened by other teams providing verification of figures.

Matt Edwards of Audit Wales gave assurance that there had been regular engagement with the Finance team throughout the process to deal with emerging issues in order to mitigate the risks and challenges arising from the emergency situation.

In response to questions from Sally Ellis on short-term debtors, officers explained that the figures reflected the position at that stage in the process. The increase in the category marked 'Other' comprised an additional amount for Parc Adfer along with a number of individual debtors with low balances outstanding at that particular time. On the NHS debt, the Chief Executive reported positive progress with the matter due to be reviewed again during the Autumn to enable the national pandemic to take priority. The Corporate Finance Manager said that whilst that the figure in the accounts was the position at that time, an update would be provided in a written response to the Committee.

To prepare for the challenges around the 2020/21 accounts, Sally Ellis asked that the Committee be kept informed of any emerging issues to help carry out its role. The Corporate Finance Manager advised that preparations were underway and that achieving the early timeline for this year's accounts amidst challenging circumstances reflected positively on the process for next year.

In response to questions from Allan Rainford, the Corporate Finance Manager referred to the Council's robust and transparent protocol for setting reserve levels, which had been maintained at a base level of £5.8m (around 2% of the budget) for some years and reviewed annually. In addition to this amount, Contingency Reserves were used to create capacity to address unforeseen significant risks in-year. The allocation of £3m of Contingency Reserves to mitigate the financial impacts from the pandemic had helped to protect the base level of reserves. Criteria for capital grants had been tracked as a key corporate risk, however the flexibility introduced by Welsh Government (WG) meant that the Council was able to submit a claim to account for expenditure for the period from April to June.

The Interim Finance Manager agreed to provide a separate response to the Committee on the amount of £374k on note 28 for related parties (officers). He would also share information on Sally Ellis' question regarding the fluctuation in management and supervision costs on the HRA - Income and Expenditure and Movement on Reserve Statements.

Councillor Johnson asked about the Committee's role in respect of the issues arising from the emergency situation. The Chief Executive said that accounting retrospectively for the additional spend would need to form part of the narrative and separated from the accounts as extraordinary spend of scale. The presentations later on the agenda gave an oversight of actions taken to respond to the pandemic.

The Chief Executive's suggestion for a quarterly report on how the Council was proportionately responding and its approach to making risk-assessed decisions was welcomed by Councillor Axworthy.

In thanking officers for the presentation and report, Councillor Banks referred to the opportunity for Members to discuss any aspect of the accounts with Audit Wales. To facilitate this, contact details would be shared.

The recommendations in the report were moved and seconded by Councillors Dunbobbín and Johnson.

**RESOLVED:**

- (a) That the draft Statement of Accounts 2019/20 (which includes the Annual Governance Statement) be noted; and
- (b) That Members note the opportunity to discuss any aspect of the Statement of Accounts with officers or Audit Wales from July to September, prior to the final audited version being brought back to the Committee for final approval on 9 September 2020.

**63. SUPPLEMENTARY FINANCIAL INFORMATION TO DRAFT STATEMENT OF ACCOUNTS 2019/20**

The Interim Finance Manager (Technical Accountancy) presented the supplementary financial information to accompany the draft Statement of Accounts 2019/20 as requested by the Notice of Motion approved by the Council in 2013.

Whilst the Chief Executive welcomed the reduction in the number of consultants employed, he raised concerns about costs relating to two posts, one a Council employee and the other an interim arrangement, which he said had not received sufficient managerial oversight. In recognising the difficulties in recruiting to social care and with high costs relative to the grading of posts, he said that both cases had been challenged and assurances received that robust advice had been given to supervising managers to prevent reoccurrence. As a further step, Human Resources colleagues were to monitor any further instances of poor oversight of agency placement management in social care.

The recommendation was moved by Councillor Johnson and seconded by Councillor Dunbobbin.

**RESOLVED:**

That the report be noted.

**64. ANNUAL GOVERNANCE STATEMENT 2019/20**

The Chief Executive presented the Annual Government Statement (AGS) 2019/20 to accompany the Statement of Accounts. The report set out the process for preparing the AGS and the intended approach which was not possible due to the national emergency. The report also indicated that Audit Committee Member participation would be an integral part of the 2020/21 process.

The Chief Executive spoke about the importance of the AGS in helping to manage risks year on year by taking mitigating actions to address significant strategic issues. Examples were the increase in residential care capacity to manage the crisis, support given to rough sleepers and the Council's ability to set a balanced budget despite the challenges.

In response to a question from Councillor Johnson on reviewing mitigating actions to respond to the national emergency, the Chief Executive acknowledged that impacts on 2020/21 would be significant, for example on challenging debt levels for Council Tax and rent arrears. He said that the Council's Recovery Strategy would be recommended to the cross-party Member Recovery Board seeking agreement that Overview & Scrutiny committees meet at the end of September to assess the impacts across all portfolios and mitigating actions.

Sally Ellis asked that the AGS reflect the commitment for more Member involvement on the AGS which had not been possible during the crisis. The Chief Executive agreed and said that the process and timescale to enable this engagement in Quarter 4 would be shared with the Committee during the Autumn.



In response to questions on outcomes from the crisis, the Chief Executive said that work on the risk approach was well advanced with quality, comprehensive risk assessments to aid risk mitigation and help manage the emergency. The six recovery risk registers supposed by business plans would be shared with the Committee following the meeting. The Principal Auditor spoke about the benefits of effective working relationships with performance and risk teams with clearly defined roles and responsibilities. On the need for a balance between reactive and preventative actions to respond to significant events, officers said that the resilience of Business Continuity Plans - including a 'dry run' of testing for a pandemic scenario in the previous year - as part of the regional Emergency Planning service had useful in preparing for the challenge.

Allan Rainford asked about independent verification of areas of effectiveness in the Council's governance framework. The Chief Executive spoke about the Council's track record on implementing feedback from peer challenges, as regularly reported to the Committee. He highlighted regional partnership working which had been a particular strength of the Council for some time, evidenced in regulatory reports from partners such as Audit Wales, Estyn and Care Inspectorate Wales. The Council's lead role in implementing the North Wales Test Trace Protect (TTP) scheme had been recognised as good practice exemplar by Welsh Government.

The recommendation was moved and seconded by Councillor Dunbobbin and Sally Ellis.

**RESOLVED:**

That the Annual Governance Statement 2019/20 includes the commitment to increase Member involvement from next year, and be endorsed and attached to the Statement of Accounts for adoption.

**65. PANDEMIC EMERGENCY RESPONSE: GOVERNANCE AND CONTROL ARRANGEMENTS**

**AND**

**ASSURANCE AND THE INTERNAL CONTROL ENVIRONMENT**

The Chief Executive gave a presentation on the governance arrangements in place during the emergency response phase. The presentation covered the following areas:

- National Chronology
- Local Chronology
- Command Structure - Hierarchy / People and Groups
- Decision-making and Risk Management
- Financial Risk Management
- Recovery Planning
- Reflections

An overview of the governance structure showed the interaction between the Emergency Management Response Team (EMRT) (Gold) and underlying tactical (Silver) and operational (bronze) groups, including Health & Social Care and Poverty whose work had been recognised at national level. Financial risk management was a significant area involving tracking and monitoring of all revenue and capital risks including loss of income. The Council was working closely with Welsh Government (WG) on financial risk profiling and accessing national emergency funding. Significant risks in approaching Quarter 2 were dependent upon new funding streams from WG and there were particular concerns about pressures arising from the Winter period such as those in the health sector. As part of recovery planning, the Member Recovery Board would receive the Recovery Strategy prior to normal democratic structure arrangements re-commencing in September.

The Principal Auditor gave a presentation on risk management and maintaining the internal control environment in respect of changes to services during the emergency period. The presentation covered:

- Pre-Coronavirus - context
- Risk Management - current context
- Three Lines of Defence - relevance
- Internal Audit Response - thus far
- Emergency Management Assurance (EMA)
- Risk Method Statement Challenge Project
- Internal Audit Response - future

Although the Audit Plan for 2020/21 had been prepared at the start of the year, a revised Plan would need to be shared in September to incorporate risks arising from the emergency period. The presentation highlighted a number of key controls that were vital to the recovery process and required a different way of working.

In acknowledging the need for officers to respond to the crisis, the Internal Audit team had focussed on completing 2019/20 advisory and assurance work, along with the Annual Governance Statement. The team had added value in a number of areas, including representation on the EMRT and the Test Trace and Protect scheme. Audit work carried out for 2020/21 included the '5 Key Financial Decisions' review which looked at the use of emergency reserves and care home capacity, concluding that strong controls were in place. Audit work on the Emergency Management Assurance (EMA) mechanism provided assurance on support for the first line of defence and had been shared with Audit Wales.

The Chairman thanked the Chief Executive for sharing regular updates with Members on the Council's response throughout the emergency period.

In praising the Council's response and emergency arrangements, Sally Ellis said that that similar assurance would be required on recovery management as a potential area of risk. The Chief Executive said that regular updates on the continuing response were reported to the Member Recovery Board and that open

risks were recorded in the interim Recovery Strategy which was due to be finalised by September prior to the committee structure resuming. On the consolidation of learning, senior officers were due to consider various outcomes including safe working practices and all Silver tactical groups would be preparing closing reports with recommendations for future implementation. On the potential for an increase in fraud during the pandemic, officers gave examples of proactive work by Internal Audit in performing due diligence checks on grant eligibility. In addition, work on the EMA indicated that finance systems working remotely during the period were unchanged and provided assurance on fraud prevention.

In response to a question from Allan Rainford, officers provided clarification on the key role of the Internal Audit Manager on the Rainbow Hospital project. The Chief Executive gave a brief overview of the current position on the project.

Councillor Banks took the opportunity to commend the Chief Executive and Chief Officer team for their work in response to the pandemic.

The Chairman also commended the officers for the emergency response phase work.

**66. TREASURY MANAGEMENT ANNUAL REPORT 2019/20 AND TREASURY MANAGEMENT UPDATE QUARTER 1 2020/21**

The Interim Finance Manager (Technical Accountancy) presented the draft Treasury Management Annual Report 2019/20 for review and recommendation to Cabinet. The Quarter 1 update on matters relating to the Treasury Management Policy, Strategy and Practices 2020/21 was also shared for information, along with the reporting cycle.

In preparation for approving the Treasury Management Strategy 2020/21, all Members would be invited to the annual training session in December facilitated by the Treasury Management Advisors. Details of how the training would be delivered would be shared at a later stage. Key areas of the Annual Report 2019/20 were summarised, such as the continued low level interest rates and yield on investments. Borrowing activity included the allocation of loans to NEW Homes to fund the Council house building programme.

On the Quarter 1 update for 2020/21, despite the challenges from the emergency situation, treasury management was in a relatively strong position due to the work undertaken by the Finance team. Whilst the investment strategy with the Debt Management Office (DMO) reflected priority given to security of funds, the Council had recently started to invest again with Money Market Funds which offered a better yield.

Allan Rainford was pleased to note there had been no breaches against the Council's strategy. In response to questions on interest rates, the Interim Finance Manager advised that an increase in short-term rates was not expected soon. On borrowing, regular monitoring took place to assess long and short-term borrowing with a monthly review to discuss requirements.

On short-term borrowing, Councillor Johnson commented on the difference in brokerage fees from local authorities since the previous year. The Interim Finance Manager would look into this and provide a separate response.

The recommendations were moved by Allan Rainford and seconded by Councillor Johnson.

**RESOLVED:**

- (a) That the draft Treasury Management Annual Report 2019/20 be noted, with no matters to be drawn to the attention of Cabinet in September; and
- (b) That the Treasury Management 2020/21 first quarter update be noted.

**67. ATTENDANCE BY MEMBERS OF THE PRESS**

There were no members of the press in attendance.

The meeting commenced at 10am and finished at 12.20pm

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**Chairman**

# Eitem ar gyfer y Rhaglen 4



## AUDIT COMMITTEE

<b>Date of Meeting</b>	Wednesday, 9 <sup>th</sup> September 2020
<b>Report Subject</b>	Statement of Accounts 2019/20
<b>Report Author</b>	Corporate Finance Manager

### EXECUTIVE SUMMARY

The report presents the;

- Final version of the Council's Statement of Accounts 2019/20, incorporating those changes agreed with Audit Wales (AW) during the course of the audit, for approval.
- AW report on the audit of the Statement of Accounts 2019/20.
- Letter of Representation for the Council.

### RECOMMENDATIONS

1	Members are requested to approve the final version of the Statement of Accounts 2019/20.
2	Members are requested to consider the AW report, Audit of the Financial Statements – Flintshire County Council.
3	Members are requested to approve the Letter of Representation.

## REPORT DETAILS

<b>1.00</b>	<b>EXPLAINING THE STATEMENT OF ACCOUNTS</b>
1.01	The Audit Committee received the draft Statement of Accounts 2019/20 on 23 <sup>rd</sup> July 2020, for information only at that stage. The Accounts and Audit (Wales) Regulations 2018 specify the statutory deadline for the approval of the Statement as 15th September.
1.02	The audit of the Statement of Accounts 2019/20 is now substantially complete, although the audit continues up until the point at which the accounts are signed off by the auditors.
1.03	A copy of the Statement of Accounts 2019/20 incorporating those changes agreed with AW during the course of the audit and up to the point of writing this report is attached at Appendix 1.
1.04	Various questions/queries were raised by Members in connection with the draft Statement of Accounts as presented at Audit Committee on 23 <sup>rd</sup> July. A letter outlining the queries raised and the responses given has been circulated to all Members. A query was subsequently raised by a Councillor in respect of the Group Accounts which has been responded to.
	<b><u>Audit Wales' audit of the Statement of Accounts</u></b>
1.05	Under the International Standards on Auditing (ISA) 260, AW is required to communicate relevant matters relating to the audit of the Statement of Accounts to those charged with governance, which for the Council is the Audit Committee.
1.06	Officers from AW will be in attendance to present their findings at the meeting. In previous years this has taken the form of a presentation to the Committee. However, due to the impact of the COVID-19 pandemic, AW has taken the decision to include a written report for this year. This can be found at Appendix 2 to this report.
1.07	It is usual within the course of the audit of any organisation that items will be brought to the attention of the body being audited. Audit findings have been discussed in detail with AW and where considered appropriate adjustments have been made to the draft Statement of Accounts.
1.08	The AW report includes details of any significant issues arising from the audit, together with recommendations and a summary of adjustments made to the draft Statement of Accounts.
1.09	A Letter of Representation is included at Appendix 3. This requires the Council to confirm the accuracy of the audit. In this letter, the Council confirms to AW that all the information contained within the Statement of Accounts is true and accurate and that all information has been disclosed.

	<b><u>Timscales and the impact of COVID-19</u></b>
1.10	It is reassuring that AW are reporting that the Council's draft Statement of Accounts was prepared to a good standard. The statutory deadline for producing the draft Statement of Accounts for 2019/20 was 15 <sup>th</sup> June 2020, and this deadline was met, despite the impact of the COVID-19 pandemic. The deadline for publishing the final audited version is 15 <sup>th</sup> September 2020, which the Council is on target to meet. However, with effect from the financial year 2020/21 these deadlines are being brought forward to 31 <sup>st</sup> May and 31 <sup>st</sup> July respectively. The Council believes it is able to meet these deadlines and has already started planning in conjunction with AW. The new deadlines will need to be incorporated into the Committee timetable for 2020/21.
	<b><u>Issues from the 2019/20 accounts</u></b>
1.11	One issue which is brought to the attention of the Committee is the issue raised by AW in respect of the lack of review of asset lives of Council buildings during the valuation process. Whilst this did not lead to a material misstatement of asset valuations, it is an issue which the Council will address during the valuation process for 2020/21.
1.12	The main impact of COVID-19 on the Statement of Accounts has been in relation to the valuation of pension assets, which has resulted in an adjustment to the draft Statement of Accounts. Some illiquid assets (27%) held by the Clwyd Pension Fund are subject to a delay in the production of quarter end valuations. As a result, where March valuations are not available, valuations from December updated by actual cash flows to March are included in the overall valuation upon which the Fund's Actuary base their International Accounting Standards (IAS) 19 reports to the Council. Normally, updated March valuations do not materially differ from these earlier valuations, but the impact of COVID-19 has led to larger differences and hence a material difference in the IAS 19 position of the Council. The Council has received an updated IAS 19 schedule to reflect these more recent valuations of the assets, and this has led to the need to adjust the accounts.
1.13	In addition, uncertainty in the valuation of Pooled Property Funds held by Clwyd Pension Fund and in the valuation of the Council's property as a result of the impact of COVID-19 is reflected in additional disclosures in the Council's accounts.
	<b><u>Progress on the Clwyd Pension Fund Accounts</u></b>
1.14	Clwyd Pension Fund's draft Statement of Accounts was signed by the Section 151 Officer on 15 <sup>th</sup> June 2020. These Accounts would normally have been reported to the June meeting of the Pension Committee but due to the COVID-19 pandemic this was not possible.
1.15	The Statement of Accounts is included in the Clwyd Pension Fund Annual Report. A draft Annual Report including the Statement of Accounts and an additional financial report was circulated to members of the Pension Committee on 5 <sup>th</sup> August 2020 inviting comments and questions.

1.16	<p>Issues raised by members of the Pension Committee on the Statement of Accounts and supporting financial information included the following:</p> <ul style="list-style-type: none"> <li>- The budget of the Pension Board</li> <li>- Risks posed by COVID-19 to the value of particular types of assets</li> <li>- Variances in fund management and custody fees</li> <li>- The position in relation to cash balances</li> <li>- Variances in the overall net investment assets</li> <li>- The level of investment income.</li> </ul> <p>A full response has been circulated to members of the Pension Committee.</p>
1.17	The Annual Report including the Statement of Accounts will now be audited and will be finalised and considered for approval by the Pension Committee on 7 <sup>th</sup> October 2020.

<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
2.01	There are no direct resource implications as a result of this report.

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

<b>4.00</b>	<b>RISK MANAGEMENT</b>
4.01	Actions will be taken in year (2020/21) to address recommendations from AW's report as outlined within the body of the report.

<b>5.00</b>	<b>APPENDICES</b>
5.01	<ol style="list-style-type: none"> <li>1. Statement of Accounts 2019/20</li> <li>2. AW ISA 260 Report.</li> <li>3. Flintshire County Council Letter of Representation.</li> </ol>

<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
6.01	None



<b>7.00</b>	<b>CONTACT OFFICER DETAILS</b>
7.01	<p><b>Contact Officer:</b> Paul Vaughan – Interim Strategic Finance Manager.  <b>Telephone:</b> 01352 702289.  <b>E-mail:</b> <a href="mailto:paul.vaughan@flintshire.gov.uk">paul.vaughan@flintshire.gov.uk</a></p>

<b>8.00</b>	<b>GLOSSARY OF TERMS</b>
8.01	<p><b>Financial Audit:</b> The annual external audit of the Council’s Statement of Accounts.</p> <p><b>Financial Year:</b> the period of 12 months commencing on 1 April.</p> <p><b>Material:</b> A concept used to inform judgements regarding the accuracy of the Council’s Statement of Accounts. The basis could be quantitative with an assigned value or qualitative and affected by issues that are legal, regulatory, or politically sensitive.</p> <p><b>Statement of Accounts / Final Accounts / Financial Accounts or Statements:</b> The Council’s annual finance report providing details of the Council’s financial performance and position at the end of the financial year. The format is prescribed to enable external comparison with other public and private entities.</p> <p><b>Audit Wales:</b> works to support the Auditor General as the public sector watchdog for Wales. They aim to ensure that the people of Wales know whether public money is being managed wisely and that public bodies in Wales understand how to improve outcomes.</p>

Mae'r dudalen hon yn wag yn bwrpasol

# STATEMENT OF ACCOUNTS

**2019-20**





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## **NARRATIVE REPORT**

### **INTRODUCTION**

This narrative report summarises Flintshire County Council's Statement of Accounts for 2019/20 and details income and expenditure on service provision for the financial year 1<sup>st</sup> April 2019 to 31<sup>st</sup> March 2020 and the value of the Council's assets and liabilities as at 31<sup>st</sup> March 2020. The Group Accounts included incorporate the Council's Financial Statements with those of its wholly owned subsidiaries North East Wales Homes Ltd (NEW Homes), Newydd Catering and Cleaning Ltd and Theatr Clwyd Productions Ltd.

The Accounts have been prepared during the national emergency situation arising from the global COVID-19 pandemic and reference will be made to any known impacts of this as required within the document. As required, the Accounts have been prepared in accordance with the 2019/20 Code of Practice on Local Authority Accounting which is based on International Financial Reporting Standards (IFRS).

As always the production of this comprehensive and complex set of accounts has required an enormous effort from many people across the Council, both within finance and within service portfolio areas. Despite the challenges arising from the global pandemic the Council has prepared and submitted the Accounts to the Council's External Auditors by the legislative deadline of 15<sup>th</sup> June 2020.

The Council set its budget for the 2019/20 financial year in the context of a continuing reduction in public sector funding and rising demand for its services. Despite facing significant challenges, the Council managed to achieve 90% of its budgeted efficiencies and was able to limit spending to £439k less than its approved budget, due to a combination of one-off savings and good financial management and control which included a specific in-year review of non-essential spend.

The revenue outturn position, explained below, is important to residents and rent payers, as it records only those expenses which statute allows to be charged against the Council's annual budget and amounts collected from council tax and rents. Revenue outturn differs from the Comprehensive Income and Expenditure Statement (CIES) as the CIES includes charges for items such as depreciation, impairment, capital grants and pension charges which are accounting adjustments not included in the outturn.

In addition to meeting the statutory deadline for producing the Accounts, the finance service also aspires to develop a Statement of Accounts that is more accessible to users. Flintshire County Council is a large and diverse organisation and the information contained in these Accounts is technical and complex. The aim of this narrative statement, therefore, is to provide a general guide to the items of interest and highlights some of the more significant matters that have contributed to the final position for the financial year ending 31<sup>st</sup> March 2020.

### **COUNCIL PERFORMANCE DURING THE YEAR**

The Council Plan is the overarching document that helps the Council to focus its resources and drive improvement. Whilst the Council plan sets a vision and framework for a five year period, it is also updated each year with targets and actions for the next twelve months. The Council Plan for 2019/20 set the Council's priorities for the year, identifying the areas where service change or focus was needed. The Plan has six themes and a number of supporting priorities dependent upon the focus of attention for the year. The plan is published on the Council's website and is a user friendly document which clearly explains for each priority why it is a priority, what we intend to achieve and how we will measure those achievements. A separate linked document is also published which describes in more detail the actual measures and milestones in making improvements or change throughout the year.

Public reports which measure our progress against this document are published quarterly, with the outturn for the year scheduled to be reported to Cabinet in July 2020. Due to the impact of the COVID-19 pandemic the Council is still in the process of updating year end data and the end of year report is scheduled to be published in October 2020.

## NARRATIVE REPORT

### FINANCIAL PERFORMANCE DURING THE YEAR

The revenue budget covers the Council's day-to-day expenditure and income on such items as salaries and wages, running costs of services and the financing costs of capital expenditure. The capital programme covers expenditure on the acquisition of significant assets which will be of use or benefit to the Council in providing its services beyond the year of account, such as the enhancement or replacement of roads, buildings and other structures.

The budget is monitored closely throughout the year and the revenue position reported monthly and the capital position reported quarterly. All reports are scrutinised by Corporate Resources Overview and Scrutiny Committee prior to being taken to the Council's Cabinet.

Approximately 70% of the budget requirement for Council services comes from Welsh Government through Aggregate External Funding (Revenue Support Grant and Non Domestic Rates). In 2019/20, there was a decrease in funding of 0.3% which was combined with significant cost pressures from factors outside of the Council's control such as policy directions or new legislation from UK and Welsh Government. These unfunded pressures are expected to be met by the Council without extra funds being set aside by Government and include; inflation, demographic growth, additional workforce cost pressures and a general increase in demand for Council services. The impact of funding not keeping pace with increasing costs has significant consequences and is expected to do so in future years so will continue to be a key consideration in our Medium Term Financial Strategy (MTFS).

Despite this financial challenge, portfolio business plans and corporate financing options enabled us to plan for £913k of new efficiencies in our 2019/20 budget, enabling the Council to invest in priorities such as school budgets, social care and providing resources to re-shape services.

The overall final outturn position and the impact on levels of Reserves is set out below.

#### **Revenue outturn compared to budget**

The Council Fund budget for 2019/20 was set at £271,350k and was approved by Council on 19<sup>th</sup> February 2019. Budget monitoring information was reported to Cabinet on a monthly basis throughout the year, with final outturn reported on 16<sup>th</sup> June 2020.

The budget strategy for 2019/20 was based on an organisational strategy to reduce costs to shield and protect local services. It included a package of measures and proposals which combined corporate financing options, portfolio level business plan proposals, review of pressures, as well as the maximisation of income generation and a review of reserves and balances.

Total net expenditure for 2019/20 amounted to £271,319k against the budget of £271,350k.



## NARRATIVE REPORT

	2019/20 Budget £000	2019/20 Actual £000	Variance £000
Corporate Services :			
Chief Executive	2,760	2,529	(231)
People and Resources	4,439	4,475	36
Governance	9,171	9,003	(168)
	<u>16,370</u>	<u>16,007</u>	<u>(363)</u>
Social Services	71,244	72,122	878
Housing and Assets	15,766	15,217	(549)
Streetscene and Transportation	30,441	32,063	1,622
Planning, Environment & Economy	5,897	5,929	32
Education and Youth	104,222	104,230	8
Strategic Programmes	4,678	4,678	0
<b>Net expenditure on services</b>	<b>248,618</b>	<b>250,246</b>	<b>1,628</b>
Central loans and investment account	12,388	11,803	(585)
Central and Corporate Finance	12,565	11,490	(1,074)
<b>Total net expenditure</b>	<b>273,571</b>	<b>273,540</b>	<b>(31)</b>
Contribution from reserves	(2,221)	(2,221)	0
<b>Budget requirement</b>	<b>271,350</b>	<b>271,319</b>	<b>(31)</b>
<b>Financed by</b>			
Council tax (net of community council precepts expenditure)	82,369	82,777	(408)
General grants	139,276	139,276	0
Non-domestic rates redistribution	49,704	49,704	0
<b>Total resources</b>	<b>271,350</b>	<b>271,758</b>	<b>(408)</b>
<b>Net variance - (underspend)</b>	<b>0</b>	<b>(439)</b>	<b>(439)</b>

The underspend of £31k, increased to £439k by way of additional Council Tax income of £408k, combined with other agreed funding transfers to produce year-end Council fund revenue reserves of £11,025k.

## NARRATIVE REPORT

The table below shows the position for the Housing Revenue Account (HRA) for the year:

	2019/20 Budget £000	2019/20 Actual £000	Variance £000
Estate Management	1,707	1,661	(47)
Landlord Services	1,429	1,408	(22)
Repairs & Maintenance	8,560	7,850	(710)
HRA Projects	120	143	23
Finance & Support	1,170	1,163	(7)
Revenue contributions to fund Capital Expenditure	13,717	14,776	1,059
<b>Net expenditure on services</b>	<b>26,704</b>	<b>27,000</b>	<b>296</b>
Central loans and investment account	8,380	7,719	(661)
Support Services	1,191	1,188	(3)
<b>Total net expenditure</b>	<b>36,275</b>	<b>35,907</b>	<b>(368)</b>
Contribution from reserves	239	668	429
<b>Budget requirement</b>	<b>36,514</b>	<b>36,575</b>	<b>61</b>
<b>Financed by</b>			
Rents	35,444	35,452	(8)
Grants and Other Income	1,070	1,123	(53)
<b>Total resources</b>	<b>36,514</b>	<b>36,575</b>	<b>(61)</b>
<b>Net variance</b>	<b>0</b>	<b>0</b>	<b>0</b>

2019/20 was the 5<sup>th</sup> year of a 6 year programme of capital schemes to improve the quality of its housing stock and achieve the Welsh Housing Quality Standard (WHQS) which is in part funded by revenue contributions. The planned WHQS capital programme increased during the year. The increased expenditure was mitigated by underspends on other budget headings. A contribution of £668k was made to HRA reserves bringing the total HRA reserves as at 31<sup>st</sup> March 2020 to £2,889k.

Flintshire County Council is taking a proactive approach to monitoring the impact of the COVID-19 pandemic on the loss of Housing Rent income. It is hoped that the early intervention and support being offered to tenants by the Council will help to keep arrears cases to a minimum, with those customers who are experiencing difficulties being signposted to the various routes of support that are available to them. The HRA maintains a prudent level of reserves and a Bad Debt Provision which should be sufficient to mitigate any losses in 2020/21.

### Capital Programme Budget, Outturn and Financing

Each year the Council approves a programme of capital works, which provides for investment in assets such as land, buildings and road improvements. The 2019/20 Capital Programme was approved in the sum of £61,959k (Housing Revenue Account £34,208k and Council Fund £27,751k); this figure increased during the course of the year to a final programme total of £71,394k, (Housing Revenue Account £29,783k and Council Fund £41,611k). Capital Programme budget monitoring information was reported to Cabinet on a quarterly basis throughout the year, with final outturn reported on 16<sup>th</sup> June 2020.

## NARRATIVE REPORT

Expenditure incurred is set out in the table below presented on the basis of those 'service blocks' used by Welsh Government in collecting capital data by way of the Capital Outturn Return (COR) forms, for its published Local Government Finance Statistics. Schemes and projects include; investment in the Council's housing stock as part of the plan to achieve the WHQS and the 21<sup>st</sup> Century Schools building programme which includes works to Connah's Quay High School and the amalgamation of schools in Penyffordd.

	<b>2020</b>
	<b>£000</b>
Education	12,457
Social services	2,666
Transport	6,178
Housing	35,407
Libraries, culture and heritage	1,226
Agriculture and fisheries *	35
Sport and recreation	594
Other environmental services	4,450
<b>Outturn</b>	<b>63,013</b>

\* Incorporating land drainage and flood prevention/coast protection (to which the Council's expenditure relates)

The programme was financed as follows -

	<b>2020</b>
	<b>£000</b>
Supported borrowing	4,094
Other borrowing (including Salix loans)	12,774
Capital receipts	236
Capital grants and contributions	30,603
Capital reserves/capital expenditure funded from revenue account	15,306
<b>Core financing</b>	<b>63,013</b>

The pandemic has delayed a number of the Council's capital schemes due to contractors closing sites, supply chain limitations and UK Government restrictions on movement, this has led to schemes needing to be rephased into the 2020/21 capital programme. The Council will closely monitor and consider the impacts of the delays on expenditure and available financing throughout 2020/21 and beyond.

The Council will also monitor the potential for inflationary construction costs where cost certainty had already been established on approved schemes which could result in new pressures to the programme. This, along with any potential loss in external funding, will mean the Council has to consider alternative funding such as prudential borrowing or the re-phasing or withdrawal of planned schemes.

The Council has a prudent policy of allocating its own capital receipts to fund capital projects only when receipts are actually received rather than when it is anticipated the receipt will be received, and this position continues to be the case. The pandemic may lead to a delay in obtaining capital receipts as the timing of these receipts are subject to market forces outside of the Council's control. This will not impact the funding position of the three year programme set in January 2020 running from 2020/21 – 2022/23 as no allowance has been made for receipts not yet received. It may impact by limiting funding for future schemes.

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## NARRATIVE REPORT

### Capitalisation Direction – Mockingbird Family Model

The Council plans to transform its Fostering Service to meet the placement needs of looked after children and avoid the escalating costs of external care provision through a Mockingbird Family Model. The model replicates an 'extended family' around children and young people, promoting their sense of belonging and preventing placements breaking down. The costs of transforming the service gradually over a 3 year period will be funded by an interest free 'innovate to save loan' from Welsh Government which will be repaid from savings generated as a result. During the year £27k of revenue expenditure was incurred which was granted a capitalisation direction by Welsh Government as required under accounting practice for revenue expenditure to be funded by borrowing. The 'innovate to save' loan will start to be drawn down in 2020/21.

### Strategic Housing and Regeneration Programme (SHARP)

The Council has embarked on an ambitious house building programme as part of its Strategic Housing and Regeneration Programme (SHARP). Over a 5 year period 500 new homes will be built at a range of sites across the county, a mixture of new council houses and affordable homes, alongside commissioning a range of linked regeneration initiatives and community benefits.

During the year, the Council House building programme continued, all funded through the HRA. A total of 23 new homes were completed at Penyffordd (Holywell), 15 at the former depot site at Dobshell and 12 at Garden City, Deeside where Innovative Housing Grant was awarded. Total costs during the year equated to £5,576k (included within the housing figure in the Capital Outturn above). Planned works for 2020/21 include 41 properties at Nant Y Gro, due to start on site in June 2020 and 30 properties in Mostyn, subject to planning consent.

Affordable homes are being developed through the Council's wholly owned subsidiary North East Wales Homes (NEW Homes) in partnership with the Council. NEW Homes currently owns and manages 115 units across Flintshire. These are made up of a combination of new build schemes delivered through the Council's SHARP and properties acquired from developers through Section 106 agreements.

During the year the NEW Homes Board approved the development and purchase of 28 new affordable homes for rent in Saltney, Oakenholt, Bryn y Baal and Penyffordd (Buckley), with further schemes being considered. Following a thorough appraisal of capital funding options available the Board's preferred option was to seek approval to borrow the capital finance required directly from the Council. The Council has approved loans of up to £30,000k, in addition to a previous loan of £7,530k granted, of which £2,879k was drawn down during the year.

The Council are working closely with NEW Homes to consider the financial impact of COVID-19 on the company. Whilst COVID-19 is expected to cause some delays on site, potentially resulting in delays to the handover of some of the planned schemes, the NEW Homes Business Plan will be reviewed to prudently forecast for the next 12 months and beyond.

### Borrowing

The Council undertook £17,500k of long term borrowing from the Public Works Loan Board (PWLB) during 2019/20 to fund capital expenditure schemes including building new homes through the SHARP and the 21<sup>st</sup> Century Schools building programme. The balance sheet (long term) borrowing total of £279,597k includes, the sum of £3,822k relating to interest free loans from Salix Finance Ltd, an independent company funded by the Carbon Trust to help improve energy efficiency in the public sector buildings, and loans totaling £860k from Welsh Government for regeneration initiatives in Deeside under the Vibrant and Viable Places Scheme within the Capital Programme.

The Council has a future borrowing requirement to fund the approved Capital Programme. This will need to be kept under continuous review during the next financial year and beyond as the impact of the pandemic becomes clearer. Factors influencing the level of borrowing will include the impact on the capital programme itself, and the affordability and sustainability of associated borrowing on the revenue budget.

## NARRATIVE REPORT

### Financial Position at 31<sup>st</sup> March 2020

#### Reserves and Provisions

The Council sets funding aside to meet future liabilities and service developments in provisions and reserves held on the Balance Sheet as at 31<sup>st</sup> March 2020.

Provisions are based on past events that place an obligation on the Council which is likely to result in a future financial liability, but there is uncertainty over the timing and precise value of the liability. Provisions are disclosed in Note 19.

The Council has established a number of revenue reserves, falling outside the definition of a provision, which are summarised in the table below. The Council fund balance is a measure of the uncommitted reserves the Council holds prudently to meet cash flow requirements and unforeseen future events.

	2020	Net Underspend	Other	2019
	£000	£000	£000	£000
Council fund (unearmarked) balance	11,025	439	(3,434)	14,020
Earmarked council fund reserves	13,181	0	1,202	11,979
Locally managed schools	112	0	(1,223)	1,335
Housing Revenue Account reserves	2,889	668	0	2,221
<b>Total revenue reserves</b>	<u>27,207</u>	<u>1,107</u>	<u>(3,455)</u>	<u>29,555</u>

The Council has a policy of maintaining a base level of reserves of £5.8m to protect the Council against unplanned and unforeseen circumstances, and this is included within the Council Fund (unearmarked) balance in the table above. Reserves above the £5.8m, known as the contingency reserve and arising from prior year underspends, are available for consideration through Cabinet.

At an early stage in the response phase to the pandemic, the Council ringfenced £3m of the contingency reserve to provide for the potential impacts of additional costs and losses of income arising from the pandemic. It is anticipated that some of the financial impacts will be funded by national emergency grant funding streams.

#### Cash Flow Management

The Council uses purpose-built cash flow forecasting software to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis, with receipts under-estimated and payments over-estimated to minimise the risk of the Council being forced to borrow on unfavourable terms to meet its financial commitments. Limits on investments are set by reference to the Council's Medium Term Financial Plan and cash flow forecast in the Council's Treasury Management Strategy. The cash flow forecast is reviewed daily for investing purposes and weekly and monthly for borrowing purposes.

The pandemic is expected to initially have a significant impact on the Council's cash flow position with additional high level volumes of government grants needing to be paid to businesses quickly, increased service costs from providing additional services and a reduction in income from Council Tax, Business Rates and from services. This area will be closely monitored in the new financial year 2020/21.

The Council will work in partnership with other public sector organisations such as the Welsh Government, and Welsh Local Government Association, to ensure the stability of the Council's cash flow position.

## NARRATIVE REPORT

### **Pension Liability**

The pension deficit recorded in the balance sheet of £399,288k has decreased by £8,457k during the year, as a result of changes to the financial assumptions used by the pension fund Actuary. The main changes in financial assumptions relate to changes in the mortality rate, a reduction in the assumption of the level of inflation, and assumptions in relation to pay constraint in the public sector. These assumptions are determined by the Actuary and reflect their view of the market conditions at the balance sheet date.

A recent judgement called the McCloud judgement found that some transitional protections granted to members in response to changes in the scheme were unlawful. An estimated impact on the Council's pension deficit was included in the Council's accounts in 2018/19, and any changes to the estimated impact in 2019/20 have been included within the overall changes in the liabilities from year to year.

The potential impact of a judgement on Guaranteed Minimum Pension which requires a minimum level of pension to be paid some members of the pension scheme has been included for the first time as a past service cost in these accounts, in so far as it is currently expected to affect Local Government Pension Scheme (LGPS) employers.

The Council relies and places assurance on the professional judgement of the Clwyd Pension Fund's Actuary and the assumptions used to calculate the deficit. Disclosures in Note 42 are in accordance with International Accounting Standard 19 (IAS 19), accounting in full for the pension liability, that is the total projected deficit over the life of the fund. IAS 19 has no impact on Council tax levels or housing finance, but the liability does impact on the net worth of the Council as reflected in the balance sheet total of £56,362k (£58,992k as at 31st March 2019).

The potential impact of COVID-19 has been considered by the Fund's Actuary in their IAS 19 calculations. The most significant potential risk is around the accuracy of asset valuation. The Fund's Actuary has based their calculations on the most recent available valuations and consider that these valuations are as accurate as is possible given the time constraints involved in closing the accounts. There is a risk that the impact of COVID-19 on broader economic activity will affect the assumptions used to inform the calculation of assets and liabilities and therefore the pension deficit in the future.

### **Revaluation of Non-Current Assets**

All non-current assets must be revalued every five years. The Council meets this requirement by revaluing a proportion of the total asset portfolio each year and during 2019/20 (the fifth year of the current cycle, commencing 1<sup>st</sup> April 2015) 29% of operational non-dwelling assets were revalued. The exception to this arrangement is Council Dwellings which were all valued in 2015/16.

The Council anticipates that there will be an economic downturn as a result of the pandemic which will impact on various property markets. At this time it is too early to say what the overall impacts on property markets will be. Government restrictions on movement occurred so close to the year-end it is very unlikely that impacts would be felt by the balance sheet date, markets were effectively paused and therefore it is difficult to gather any data / evidence at the balance sheet date. The impacts are likely to be after the balance sheet date.

The majority of the Council's Non-Current Assets are operational assets used for service delivery which are valued at existing use and are therefore not expected to be particularly adversely affected in any case.

## NARRATIVE REPORT

### FINANCIAL OUTLOOK FOR THE COUNCIL

The MTFS forecasts the amount of resource that the Council is likely to have over the next 3 years and identifies any funding gap, which enables specific actions to be identified to balance the budget and manage resources.

It is clear that the current financial outlook for the Council, in terms of Welsh Government funding and support for both Revenue and Capital expenditure, is uncertain in the medium term. The Council also expects to see increasing demand for many of its services and the pandemic significantly increases this uncertainty.

The Council's response to the pandemic was to set up an internal command structure led by an Emergency Response Management Team (Gold Command) supported by a number of Silver Tactical Groups including a specific one for Finance. The Finance Group has a key role in ensuring that all financial impacts are captured, monitored and reported and that any appropriate claims for reimbursement are made from National funding announcements.

### Emergency Grant Funding

To date there have been four significant announcements in Wales that will provide funding to meet the financial impacts of the emergency situation, namely:

- COVID-19 Hardship Fund of £30m for various general costs for the period April – June 2020
- COVID-19 Hardship Fund for Social Care (Adults) of £40m for the period April – May 2020
- COVID-19 Hardship Fund for Free School Meals of £40m for the period April – August 2020
- COVID-19 Income loss funding of £78m – details to be confirmed

The Council responded to support local businesses by ensuring Retail Rate Reliefs and Business Support Grants funded by Welsh Government were awarded quickly. To date the Council has made business support grant payments of £29m and applied rate relief of £15m. Deferments of rate repayments were also agreed on a case-by-case basis to support larger businesses and this will result in short term cash-flow financial implications for the Council.

It is too early to know what the overall financial impact will be on the Council although all financial risks are included within the recovery plan for the Council and will need to be a key component of the review of the Council's MTFS which is being undertaken over the summer.

### PRINCIPAL RISKS AND UNCERTAINTIES

The Council has a comprehensive risk management policy and strategy. All the priority areas within the Council Plan identify the risks which may prevent or hinder successful delivery of our aims. These risks are assessed and then tracked throughout the year on a minimum quarterly basis. Risk management is also embedded within our ways of working – for example, through partnerships, business plan efficiency reports and within each report submitted to Cabinet or Overview and Scrutiny Committees.

The Audit Committee receives a summary of the Council's strategic risks at both mid-year and end of year.

The Council is currently undertaking detailed planning for the recovery phase of the pandemic and has a detailed recovery risk register which covers all key risks across the organisation.

Financial risks include the availability of funding to ensure the sustainability of the Council and its subsidiaries such as NEW Homes and Newydd and partner organisations such as Aura Leisure Libraries and Community Asset Transfers, as well as Council services such as the Theatre due to the income they have lost due to the need to close throughout the pandemic.

## **NARRATIVE REPORT**

### **CHANGES AND FUTURE CHANGES TO THE STATEMENT OF ACCOUNTS**

During the year no significant changes have been introduced to the Council's Statement of Accounts.

The Accounts and Audit (Wales) Regulations 2018 came into force on 14<sup>th</sup> March 2018. The regulations confirmed the new timetables for the publishing of statements of accounts in Wales. In 2018/19 the deadline for certification by the Section 151 Officer was brought forward to 15<sup>th</sup> June 2020, and for 2020/21 will be brought forward to 31<sup>st</sup> May 2020. The Council is actively preparing for having to produce its accounts earlier in conjunction with its external auditors.

### **CHANGE IN ACCOUNTING POLICIES**

Minor changes to accounting policies have been made during 2019/20 to reflect changes in the Code of Practice.

### **FURTHER INFORMATION**

The Statement of Accounts is available on the internet ([www.flintshire.gov.uk](http://www.flintshire.gov.uk)); with further information available on accounts and budgets available on request from the Corporate Finance Manager, Flintshire County Council, County Hall, Mold, CH7 6NA.



## STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

### THE COUNCIL'S RESPONSIBILITIES

The Council is required to :-

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, this is the Corporate Finance Manager as Chief Finance Officer;
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the statement of accounts.

**Signed :**

**Cllr Chris Dolphin  
Chair of the Audit Committee**

**Date :**

### THE CHIEF FINANCE OFFICER'S RESPONSIBILITIES

The Chief Finance Officer is responsible for the preparation of the Council's statement of accounts in accordance with the proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ("the Code").

In preparing this statement of accounts, the Chief Finance Officer has :-

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code.

The Chief Finance Officer has also :-

- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

The statement of accounts presents a true and fair view of the financial position of the Council at 31<sup>st</sup> March 2020, and its income and expenditure for the year then ended.

**Signed :**

**Gary Ferguson CPFA  
Corporate Finance Manager (Chief Finance Officer)**

**Date :**

## EXPENDITURE AND FUNDING ANALYSIS

for the year ended 31<sup>st</sup> March 2020

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's service portfolios. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2019/20	Net Portfolio Final Outturn Reported £000	Adjustments for Movements (to)/from Earmarked Reserves £000	Chargeable to C F / HRA Reserves £000	Adjustments between Funding & Accounting Basis £000	Net Expenditure - CI&ES £000
Chief Executive's	2,529	9	2,538	60	2,598
Education & Youth	103,210	1,524	104,734	25,293	130,027
Governance	8,595	(350)	8,245	1,424	9,669
Housing & Assets	15,217	278	15,495	(6,926)	8,569
People & Resources	4,475	11	4,486	211	4,697
Planning, Environment & Economy	5,929	(119)	5,810	699	6,509
Social Services	72,122	141	72,263	1,451	73,714
Strategic Programmes	4,678	2	4,680	3,338	8,018
Streetscene & Transportation	32,063	(189)	31,874	6,489	38,363
Central & Corporate Finance	21,073	2,218	23,291	(10,495)	12,796
Housing Revenue Account	(844)	176	(668)	11,653	10,985
Clwyd Theatr Cymru	0	(70)	(70)	91	21
<b>Cost of services</b>	<b>269,047</b>	<b>3,631</b>	<b>272,678</b>	<b>33,288</b>	<b>305,966</b>
Other Income and Expenditure	(271,350)	0	(271,350)	11,762	(259,588)
<b>(Surplus)/deficit on the provision of services</b>	<b>(2,303)</b>	<b>3,631</b>	<b>1,328</b>	<b>45,050</b>	<b>46,378</b>
<b>Opening Council Fund / HRA Reserves</b>			29,555		
In Year Revenue Surplus / Deficit					
Council Fund (CF)			(3,017)		
Housing Revenue Account (HRA)			669		
<b>Closing Council Fund / HRA Reserves</b>			<b>27,207</b>		
<b>2018/19</b>					
	Net Portfolio Final Outturn Reported £000	Adjustments for Movements (to)/from Earmarked Reserves £000	Chargeable to C F / HRA Reserves £000	Adjustments between Funding & Accounting Basis £000	Net Expenditure - CI&ES £000
Chief Executive's	2,554	(17)	2,537	22	2,559
Education & Youth	101,625	443	102,068	3,366	105,434
Governance	7,963	211	8,174	1,551	9,725
Housing & Assets	14,499	997	15,497	(2,998)	12,499
People & Resources	4,387	(66)	4,321	71	4,392
Planning, Environment & Economy	5,589	117	5,706	362	6,068
Social Services	69,324	(65)	69,259	660	69,919
Strategic Programmes	4,179	41	4,220	6,105	10,325
Streetscene & Transportation	31,423	718	32,141	5,627	37,768
Central & Corporate Finance	22,178	(611)	21,566	(6,774)	14,792
Housing Revenue Account	(49)	(254)	(303)	8,984	8,681
Clwyd Theatr Cymru	0	58	58	32	90
<b>Cost of services</b>	<b>263,672</b>	<b>1,572</b>	<b>265,244</b>	<b>17,008</b>	<b>282,252</b>
Other Income and Expenditure	(264,328)	20	(264,308)	8,495	(255,813)
<b>(Surplus)/deficit on the provision of services</b>	<b>(656)</b>	<b>1,592</b>	<b>936</b>	<b>25,503</b>	<b>26,439</b>
<b>Opening Council Fund / HRA Reserves</b>			30,491		
In Year Revenue Surplus / Deficit					
Council Fund (CF)			(633)		
Housing Revenue Account (HRA)			(303)		
<b>Closing Council Fund / HRA Reserves</b>			<b>29,555</b>		

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## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

for the year ended 31<sup>st</sup> March 2020

The Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from local taxation. Authorities raise local taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

		2020		2019			
	Note	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
		£000	£000	£000	£000	£000	£000
<b>Service Expenditure Analysis</b>							
Chief Executive's		2,847	(249)	2,598	2,707	(147)	2,559
Education & Youth		160,936	(30,909)	130,027	132,948	(27,514)	105,434
Governance		12,489	(2,820)	9,669	11,871	(2,146)	9,725
Housing & Assets		45,592	(37,023)	8,569	53,412	(40,913)	12,499
People & Resources		5,033	(336)	4,697	4,757	(365)	4,392
Planning, Environment & Economy		12,196	(5,687)	6,509	10,858	(4,790)	6,068
Social Services		95,963	(22,249)	73,714	90,983	(21,064)	69,919
Strategic Programmes		8,569	(551)	8,018	10,842	(517)	10,325
Streetscene & Transportation		59,142	(20,779)	38,363	48,597	(10,829)	37,768
Central & Corporate Finance		13,807	(1,011)	12,796	18,016	(3,224)	14,792
Housing Revenue Account		48,137	(37,152)	10,985	43,829	(35,148)	8,681
Clwyd Theatr Cymru		7,217	(7,196)	21	6,999	(6,908)	90
<b>Cost of services</b>		<b>471,928</b>	<b>(165,962)</b>	<b>305,966</b>	<b>435,818</b>	<b>(153,565)</b>	<b>282,252</b>
Other Operating Expenditure*	4			28,603			26,801
Financing and Investment Income and Expenditure*	5			21,477			20,183
Taxation and Non-Specific Grant Income	6			(309,668)			(302,797)
<b>(Surplus)/deficit on the provision of services</b>	<b>3</b>			<b>46,378</b>			<b>26,439</b>
(Surplus)/deficit arising on revaluation of non-current assets				(19,333)			(8,717)
(Surplus)/deficit arising on revaluation of available-for-sale financial assets				0			0
Actuarial (gains) or losses on pension assets and liabilities				(24,415)			38,303
<b>Total comprehensive income and expenditure</b>				<b>2,630</b>			<b>56,025</b>

\*2018/19 figure restated as gain on disposal of investment properties (£74k) now included in F&I I&E instead of Other Operating Expenditure

## MOVEMENT IN RESERVES STATEMENT

for the year ended 31<sup>st</sup> March 2020

The movement in reserves statement shows the movement in the year on the different reserves held by the Council, analysed into Usable Reserves (those that can be applied to fund expenditure or reduce local taxation) and other (Unusable) Reserves.

The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the Council Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes.

The Increase / Decrease in the year shows the Statutory Council Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves as shown in Note 21.

	Note	Council Fund Reserves £000	Housing Revenue Account Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves of the Authority £000
<b>At 31st March 2019</b>		27,334	2,221	15,945	6,663	52,163	6,828	58,992
In Year Movement in Reserves								
Total comprehensive income and expenditure		(29,731)	(16,647)	0	0	(46,378)	43,748	(2,630)
Adjustments between accounting and funding basis under	7	26,715	17,315	2,422	577	47,029	(47,029)	0
<b>Increase/(decrease) in year</b>		<b>(3,016)</b>	<b>668</b>	<b>2,422</b>	<b>577</b>	<b>652</b>	<b>(3,281)</b>	<b>(2,630)</b>
<b>At 31st March 2020</b>		<b>24,318</b>	<b>2,889</b>	<b>18,367</b>	<b>7,240</b>	<b>52,815</b>	<b>3,547</b>	<b>56,362</b>

	Note	Council Fund Reserves £000	Housing Revenue Account Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves of the Authority £000
<b>At 31st March 2018</b>		28,575	1,918	14,094	4,825	49,412	65,605	115,017
In Year Movement in Reserves								
Total comprehensive income and expenditure		(12,314)	(14,125)	0	0	(26,439)	(29,586)	(56,025)
Adjustments between accounting and funding basis under	7	11,073	14,428	1,851	1,838	29,190	(29,190)	0
<b>Increase/(decrease) in year</b>		<b>(1,241)</b>	<b>303</b>	<b>1,851</b>	<b>1,838</b>	<b>2,751</b>	<b>(58,776)</b>	<b>(56,025)</b>
<b>At 31st March 2019</b>		<b>27,334</b>	<b>2,221</b>	<b>15,945</b>	<b>6,663</b>	<b>52,163</b>	<b>6,829</b>	<b>58,992</b>

## BALANCE SHEET

as at 31<sup>st</sup> March 2020

		2020		2019	
	Note	£000	£000	£000	£000
<b>NON-CURRENT ASSETS</b>					
<b>Property, Plant &amp; Equipment</b>	<b>8</b>				
Council dwellings		199,322		203,171	
Other land and buildings		337,275		315,377	
Vehicles, plant, furniture and equipment		12,124		13,956	
Surplus assets		6,037		7,082	
Infrastructure assets		157,021		156,782	
Community assets		4,789		4,721	
Assets under construction		7,002		24,281	
<b>Total Property, Plant &amp; Equipment</b>			723,570		725,370
Investment properties and Agricultural Estate	<b>9</b>		24,956		27,035
Intangible assets			10		25
Long term investments	<b>11</b>		2,628		2,144
Long term debtors	<b>12</b>		9,065		7,771
<b>NON-CURRENT ASSETS TOTAL</b>			<u>760,229</u>		<u>762,345</u>
<b>CURRENT ASSETS</b>					
Inventories		888		1,036	
Short term debtors (net of impairment provision)	<b>13</b>	55,040		43,845	
Short term investments	<b>14</b>	0		0	
Cash and cash equivalents	<b>15</b>	29,127		30,335	
Assets held for sale	<b>10</b>	926		1,113	
<b>CURRENT ASSETS TOTAL</b>			<u>85,981</u>		<u>76,329</u>
<b>CURRENT LIABILITIES</b>					
Borrowing repayable on demand or within 12 months	<b>16</b>	(67,593)		(50,454)	
Short term creditors	<b>17</b>	(31,733)		(35,953)	
Provision for accumulated absences		(3,178)		(2,666)	
Deferred liabilities	<b>39</b>	(552)		(555)	
Grants receipts in advance	<b>18</b>	(1,080)		(1,815)	
Provisions	<b>19</b>	(120)		(112)	
<b>CURRENT LIABILITIES TOTAL</b>			<u>(104,256)</u>		<u>(91,555)</u>
<b>NON-CURRENT LIABILITIES</b>					
Long term creditors	<b>17</b>	(1,052)		(1,532)	
Long term borrowing	<b>20</b>	(279,597)		(272,379)	
Deferred liabilities	<b>39</b>	(3,926)		(4,479)	
Provisions	<b>19</b>	(990)		(990)	
Other long term liabilities	<b>42</b>	(399,288)		(407,745)	
Grants receipts in advance	<b>18</b>	(739)		(1,002)	
<b>NON-CURRENT LIABILITIES TOTAL</b>			<u>(685,592)</u>		<u>(688,127)</u>
<b>NET ASSETS</b>			<u>56,362</u>		<u>58,992</u>

## BALANCE SHEET

	2020		2019	
	Note	£000	£000	£000
<b>USABLE RESERVES</b>	<b>21</b>			
Capital receipts reserve		18,367		15,945
Capital grants unapplied		7,240		6,663
Council fund		11,025		14,020
Earmarked reserves		13,293		13,314
Housing revenue account		2,889		2,221
<b>USABLE RESERVES TOTAL</b>			<b>52,815</b>	<b>52,163</b>
<b>UNUSABLE RESERVES</b>	<b>22</b>			
Revaluation reserve		118,668		105,289
Capital adjustment account		292,977		317,944
Financial instruments adjustment account		(5,730)		(6,091)
Pensions reserve		(399,288)		(407,745)
Deferred capital receipts		98		98
Accumulated absences account		(3,178)		(2,666)
<b>UNUSABLE RESERVES TOTAL</b>			<b>3,547</b>	<b>6,829</b>
<b>TOTAL RESERVES</b>			<b>56,362</b>	<b>58,992</b>

The Balance Sheet shows the value at the balance sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held. Reserves are reported in two categories –

- Usable Reserves - those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (e.g. the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt).
- Unusable Reserves - those reserves that the Council is unable to use to provide services, including reserves that hold unrealised gains and losses (e.g. the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold, and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

**CASH FLOW STATEMENT**  
for the year ended 31<sup>st</sup> March 2020

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

The cash flow statement is reported using the indirect method, whereby net surplus or deficit on the provision of services is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of revenue or expense associated with investing or financing cash flows.

	Note	2020		2019	
		£000	£000	£000	£000
Net surplus or (deficit) on the provision of services		(46,378)		(26,439)	
Adjustment to surplus or deficit on the provision of services for non-cash movements		75,791		83,971	
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities		<u>(33,694)</u>		<u>(35,227)</u>	
Net cash flows from operating activities	23		(4,281)		22,305
Net cash flows from investing activities	24	(23,856)		(34,158)	
Net cash flows from financing activities	25	<u>26,929</u>		<u>10,385</u>	
<b>Net increase or decrease in cash and cash equivalents</b>			<u>3,073</u>		<u>(23,773)</u>
			(1,208)		(1,468)
Cash and cash equivalents at the beginning of the reporting period	15		30,335		31,803
<b>Cash and cash equivalents at the end of the reporting period</b>	15		<b>29,127</b>		<b>30,335</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

for the year ended 31<sup>st</sup> March 2020

### INTRODUCTION TO NOTES

The financial statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code) and the Council's accounting policies. The notes that follow (1 to 43) set out supplementary information to assist readers of the accounts.

### 1. NOTE TO EXPENDITURE AND FUNDING ANALYSIS

The adjustments between the funding and accounting basis within the Expenditure and Funding Analysis is explained in more detail below:

Adjustments from Council Fund / HRA to arrive at CI&ES Amounts	2019/20			
	Adjustments for	Adjustments for	Other	Total
	Capital Purposes	Employee Benefit	Adjustments	Adjustments
	£000	Purposes	£000	£000
Note	a	b	c	
Chief Executive's	0	60	0	60
Education & Youth	25,815	474	(996)	25,293
Governance	968	205	251	1,424
Housing & Assets	3,338	161	(10,425)	(6,926)
People & Resources	8	203	0	211
Planning, Environment & Economy	1,291	244	(836)	699
Social Services	711	1,005	(265)	1,451
Strategic Programmes	3,641	4	(307)	3,338
Streetscene & Transportation	6,835	475	(821)	6,489
Central & Corporate Finance	5,677	3,303	(19,475)	(10,495)
Housing Revenue Account	33,929	222	(22,498)	11,653
Clwyd Theatr Cymru	0	91	0	91
<b>Cost of services</b>	<b>82,213</b>	<b>6,447</b>	<b>(55,372)</b>	<b>33,288</b>
Other Income and Expenditure from the EFA	(28,675)	10,025	30,412	11,762
<b>Differences between CF / HRA surplus / deficit and CI&amp;ES surplus / deficit</b>	<b>53,538</b>	<b>16,472</b>	<b>(24,960)</b>	<b>45,050</b>

Adjustments from Council Fund / HRA to arrive at CI&ES Amounts	2018/19			
	Adjustments for	Adjustments for	Other	Total
	Capital Purposes	Employee Benefit	Adjustments	Adjustments
	£000	Purposes	£000	£000
Note	a	b	c	
Chief Executive's	0	22	0	22
Education & Youth	3,748	(44)	(338)	3,366
Governance	1,269	71	211	1,551
Housing & Assets	8,758	1	(11,757)	(2,998)
People & Resources	0	71	0	71
Planning, Environment & Economy	549	90	(277)	362
Social Services	361	343	(44)	660
Strategic Programmes	6,256	53	(204)	6,105
Streetscene & Transportation	7,367	166	(1,906)	5,627
Central & Corporate Finance	1,513	11,058	(19,345)	(6,774)
Housing Revenue Account	30,572	79	(21,667)	8,984
Clwyd Theatr Cymru	0	32	0	32
<b>Cost of services</b>	<b>60,393</b>	<b>11,942</b>	<b>(55,327)</b>	<b>17,008</b>
Other Income and Expenditure from the EFA	(29,833)	9,526	28,802	8,495
<b>Differences between CF / HRA surplus / deficit and CI&amp;ES surplus / deficit</b>	<b>30,560</b>	<b>21,468</b>	<b>(26,525)</b>	<b>25,503</b>



## NOTES TO THE CORE FINANCIAL STATEMENTS

### **a. Adjustments for Capital Purposes**

This column adds in capital accounting adjustments that are not reported within a portfolio's final outturn but are required in the Comprehensive Income and Expenditure Statement by the Code of Practice and includes; depreciation, impairments, revaluation losses, amortisation, and revenue expenditure funded from capital under statute (REFCUS).

Net gains and losses on the disposal of non-current assets (included within other operating expenditure) and capital grants and contributions (included within taxation and non-specific grant income and expenditure) are reported in the Comprehensive Income and Expenditure Statement but not in the final outturn report and therefore are included within capital accounting adjustments.

### **b. Adjustments for Employee Benefit Purposes**

This column adds in accounting adjustments related to IAS 19 Employee Benefits that are not reported within a portfolio's final outturn but are required in the Comprehensive Income and Expenditure Statement by the Code of Practice and includes; pension adjustments – removing the employer pension contributions made to the pension funds during the year, and replacing with the current service and past service costs (being the calculated benefit earned during the year), and the movement on the accumulated absences provision (being the accounting cost of leave entitlements earned by employees but not taken before the year-end which is carried forward into the next financial year).

The administrative expenses and the net interest on the net defined benefit liability (included within other operating expenditure and financing and investment income and expenditure respectively) are reported in the Comprehensive Income and Expenditure Statement but not in the final outturn report and therefore are included within employee benefit accounting adjustments.

### **c. Other Adjustments**

This column contains all other accounting adjustments required in the Comprehensive Income and Expenditure Statement by the Code of Practice that are not reported within a portfolio's final outturn and includes; Capital grants received to fund REFCUS, removal of charges to revenue to fund capital schemes, removal of statutory provision for the financing of capital expenditure (Minimum Revenue Provision) and debt rescheduling.

In addition, the column also includes adjustments for transactions reported within a portfolio's final outturn required by the Code of Practice to be reported below the Cost of Services line within the Comprehensive Income and Expenditure Statement and includes; income and expenditure related to investment properties (included within financing and investment income and expenditure), interest payable and interest and investment income (included within financing and investment income and expenditure).

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 2. SEGMENTAL INCOME AND EXPENDITURE

Income and expenditure reported on a segmental basis included within the column 'Net Portfolio Final Outturn' in the Expenditure and Funding Analysis as required by the Code of Practice is shown below:

2019/20	CE	E&Y	Gov	H&A	P&R	PE&E	SS	SP	S&T	Central and Corporate Finance	Theatr Clwyd	HRA	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Revenues from External Customers	(248)	(6,226)	(2,447)	(3,618)	(284)	(2,933)	(11,393)	(166)	(18,799)	(1,011)	(5,113)	(36,958)	(89,196)
Revenues from Transactions with other Operating Segments	0	(2,370)	(1,122)	(489)	(174)	(235)	(165)	0	(974)	0	(586)	0	(6,115)
Interest Revenues	0	0	0	0	0	0	0	0	0	(551)	0	0	(551)
Interest Expense	0	0	0	0	0	0	0	0	0	8,294	0	5,095	13,389

2018/19	CE	E&Y	Gov	H&A	P&R	PE&E	SS	SP	S&T	Central and Corporate Finance	Theatr Clwyd	HRA	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Revenues from External Customers	(137)	(6,463)	(2,108)	(3,523)	(315)	(2,625)	(9,440)	(101)	(8,400)	(3,224)	(4,588)	(35,032)	(75,956)
Revenues from Transactions with other Operating Segments	0	(2,325)	(1,063)	(466)	(158)	(197)	(168)	0	(807)	0	(559)	0	(5,743)
Interest Revenues	0	0	0	0	0	0	0	0	0	(441)	0	0	(441)
Interest Expense	0	0	0	0	0	0	0	0	0	8,010	0	4,974	12,984

### 3. INCOME AND EXPENDITURE ANALYSED BY NATURE

Income and Expenditure reported within the Comprehensive Income and Expenditure Statement is analysed as follows:

Nature of Expenses	2019/20 £000	2018/19 £000
<b>Expenditure</b>		
Employee Benefit Expenses	195,847	189,352
Other Service Expenses	205,458	196,529
Depreciation, Amortisation & Impairment	83,608	60,265
Interest Payments	13,812	13,474
Precept and Levies	28,607	26,733
(Gain) or loss on disposal of non-current assets*	(680)	(850)
(Gain) or loss on disposal of investment property*	(196)	(74)
<b>Total Expenditure</b>	526,456	485,429
<b>Income</b>		
Fees, Charges and Other Service Income	(86,392)	(74,526)
Grants and Contributions	(246,643)	(247,979)
Interest and Investment Income	(3,431)	(2,627)
Income from Council Tax and Non-Domestic Rates	(142,592)	(133,857)
<b>Total Income</b>	(479,058)	(458,990)
<b>Surplus or Deficit on the Provision of Services</b>	47,398	26,439

\*2018/19 figure restated as gain on disposal of non-current assets (£74k) now separately disclosed as gain on disposal of investment property

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 4. OTHER OPERATING EXPENDITURE

	2020	2019
	£000	£000
Precept - Office of North Wales Police and Crime Commissioner	17,887	16,477
Other preceptors - Community Councils	2,930	2,847
Levy - North Wales Fire and Rescue Authority	7,790	7,410
Net gain on the disposal of non-current assets*	(680)	(850)
Admin. expenses on the net defined benefit liability	676	917
	28,603	26,801

\*2018/19 figure restated as gain on disposal of investment properties (£74k) now included separately in Note 5

### 5. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

An aggregate net financing and investment income and expenditure total of £21,477k (£20,183k in 2018/19), incorporates the investment losses and investment expenditure detailed below:

	2020	2019
	£000	£000
Interest payable and similar charges	13,812	13,474
Investment losses and investment expenditure	1,943	2,365
Net interest on the net defined benefit liability (see note 42)	9,349	8,609
Interest and investment income	(3,431)	(4,191)
Net gain on the disposal of investment properties*	(196)	(74)
	21,477	20,183

\*2018/19 figure restated as gain on disposal of investment properties (£74k) now included in F&I I&E instead of Other Operating Expenditure

### 6. LOCAL TAXATION AND NON-SPECIFIC GRANT INCOME

	2020	2019
	£000	£000
Council tax income	(92,887)	(84,732)
Non-domestic rates	(49,704)	(49,126)
Non-ringfenced government grants	(139,276)	(140,030)
Capital grants and contributions	(27,801)	(28,909)
	(309,668)	(302,797)

#### Council Tax

All domestic properties are included in the Council Tax Valuation List which is issued and maintained by the Valuation Office Agency, part of HMRC. Each property is placed in one of nine property bands (Band A to Band I) depending on the open market valuation of the dwelling at 1<sup>st</sup> April 2003 (otherwise known as the valuation date). A tenth band (A-) is only available to those taxpayers who live in band 'A' properties and are entitled to a disabled banding reduction.

Council Tax is payable based on the valuation band into which a property has been placed by the Valuation Office Agency. Gross charges are calculated by dividing the total income requirements of the County Council, Police and Crime Commissioner for North Wales and Town/Community Councils by the council tax base.

## NOTES TO THE CORE FINANCIAL STATEMENTS

The tax base is the total of all the properties in each band expressed as Band 'D' equivalent numbers and adjusted for exemptions, discounts and disregards. Allowances are also made within the tax base for bad or doubtful debts.

The tax base for 2019/20 was 64,317 band 'D' equivalent properties (63,835 in 2018/19).

The Flintshire County Council precept for a band 'D' property in 2019/20 was £1,280.68 (£1,177.60 in 2018/19). Council tax bills were based on the following multipliers for bands A- to I :

Band	A-	A	B	C	D	E	F	G	H	I
Multiplier	5/9	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	21/9
No. of equivalent Band 'D' dwellings	9	2,262	6,249	16,018	11,619	12,068	9,989	4,930	1,108	453

Other precepts added to 2019/20 Council Tax demand notices included the North Wales Police and Crime Commissioner precept in the sum of £17,887k (£16,477k in 2018/19) and 34 Town and Community Councils who collectively raised precepts totalling £2,930k (£2,847k in 2018/19).

### Analysis of the net proceeds from Council tax:

	2020 £000	2019 £000
Council tax collected	104,023	95,271
(Increase)/Decrease in bad debts provision	(25)	42
Council Tax Reduction Scheme	(10,707)	(10,109)
Amounts written off to provision	(404)	(472)
	<u>92,887</u>	<u>84,732</u>
Less - Payable to North Wales Police and Crime Commissioner	(17,887)	(16,477)
	<u>75,000</u>	<u>68,255</u>

### Non-Domestic Rates (NDR)

NDR is organised on a national basis. The government sets the multiplier which in 2019/20 was 52.6p for all properties (51.4p in 2018/19). The Council is responsible for collecting the rates in its area, which are paid into the NDR pool administered by the Welsh Government.

The Welsh Government distributes NDR pool receipts to local authorities on the basis of a fixed amount per head of population. 2019/20 NDR income paid into the pool was £60,516k after relief and provisions (£65,038k in 2018/19), based on a year end rateable value total of £145,838k (£147,901k in 2018/19).

### Analysis of the net proceeds from non-domestic rates:

	2020 £000	2019 £000
Non-domestic rates collected	60,254	65,154
Less - Paid into NDR pool	(60,516)	(65,038)
Less - Cost of collection	(345)	(339)
Increase/Decrease in bad debts provision	(85)	184
Relief Schemes	692	39
	<u>0</u>	<u>0</u>
Receipts from pool	49,704	49,126
	<u>49,704</u>	<u>49,126</u>

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## NOTES TO THE CORE FINANCIAL STATEMENTS

### 7. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure. The debit adjustment for the year is £48,049k (£29,190k in 2018/19)

	Usable Reserves				Unusable Reserves
	Council Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	
2019/20	£000	£000	£000	£000	£000
<b>Adjustments involving the Capital Adjustment Account:</b>					
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES):</b>					
Charges for depreciation and impairment of non current assets	18,485	33,929	0	0	(52,414)
Revaluation losses on Property, Plant and Equipment	24,460	0	0	0	(24,460)
Movements in the market value of Investment Properties	727	0	0	0	(727)
Amortisation of intangible assets	15	0	0	0	(15)
Capital grants and contributions applied	0	0	0	(30,603)	30,603
Revenue expenditure funded from capital under statute	4,302	0	0	0	(4,302)
Soft Loan Accounting Adjustments	(50)	0	0	0	50
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	1,629	0	0	0	(1,629)
<b>Inclusion of items not debited or credited to the CIES:</b>					
Statutory provision for the financing of capital investment	(3,962)	(2,624)	0	0	6,586
Capital expenditure charged against the Council Fund and HRA balances	(530)	(14,776)	0	0	15,306
<b>Adjustments involving the Capital Grants Unapplied Account:</b>					
Capital grants and contributions unapplied credited to CIES	(31,180)	0	0	31,180	0
<b>Adjustments involving the Capital Receipts Reserve:</b>					
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES	(2,505)	0	2,739	0	(234)
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	(317)	0	317
<b>Adjustments involving the Financial Instruments Adjustment Account:</b>					
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	(359)	(2)	0	0	361
<b>Adjustments involving the Pensions Reserve:</b>					
Reversal of items relating to retirement benefits debited or credited to the CIES	(25,038)	(1,367)	0	0	26,405
Employer's pensions contributions and direct payments to pensioners payable in the year	40,211	2,153	0	0	(42,364)
<b>Adjustment involving the Accumulated Absences Account:</b>					
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	510	2	0	0	(512)
<b>Adjustments involving the Deferred Capital Receipts Account:</b>					
Transfer from CIES to deferred Capital Receipts Reserve	0	0	0	0	0
<b>Adjustments between accounting basis &amp; funding basis under regulations</b>	<b>26,715</b>	<b>17,315</b>	<b>2,422</b>	<b>577</b>	<b>(47,029)</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

	Usable Reserves				Unusable Reserves
	Council Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	
	£000	£000	£000	£000	£000
<b>2018/19</b>					
<b>Adjustments involving the Capital Adjustment Account:</b>					
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES):</b>					
Charges for depreciation and impairment of non current assets	18,834	30,572	0	0	(49,406)
Revaluation losses on Property, Plant and Equipment	6,831	0	0	0	(6,831)
Movements in the market value of Investment Properties	(128)	0	0	0	128
Amortisation of intangible assets	32	0	0	0	(32)
Capital grants and contributions applied	0	0	0	(30,580)	30,580
Revenue expenditure funded from capital under statute	4,123	0	0	0	(4,123)
Soft Loan Accounting Adjustments	(16)	0	0	0	16
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	1,815	70	0	0	(1,885)
<b>Inclusion of items not debited or credited to the CIES:</b>					
Statutory provision for the financing of capital investment	(3,522)	(2,544)	0	0	6,066
Capital expenditure charged against the Council Fund and HRA balances	(2,309)	(14,137)	0	0	16,446
<b>Adjustments involving the Capital Grants Unapplied Account:</b>					
Capital grants and contributions unapplied credited to CIES	(32,418)	0	0	32,418	0
<b>Adjustments involving the Capital Receipts Reserve:</b>					
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES	(2,664)	(146)	2,850	0	(40)
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	(999)	0	999
<b>Adjustments involving the Financial Instruments Adjustment Account:</b>					
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	(359)	(2)	0	0	361
<b>Adjustments involving the Pensions Reserve:</b>					
Reversal of items relating to retirement benefits debited or credited to the CIES	44,099	1,918	0	0	(46,017)
Employer's pensions contributions and direct payments to pensioners payable in the year	(24,133)	(1,305)	0	0	25,438
<b>Adjustment involving the Accumulated Absences Account:</b>					
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	888	2	0	0	(890)
<b>Adjustments involving the Deferred Capital Receipts Account:</b>					
Transfer from CIES to deferred Capital Receipts Reserve	0	0	0	0	0
<b>Adjustments between accounting basis &amp; funding basis under regulations</b>	<b>11,073</b>	<b>14,428</b>	<b>1,851</b>	<b>1,838</b>	<b>(29,190)</b>

### 8. PROPERTY, PLANT AND EQUIPMENT

Council dwellings, other land and buildings, vehicles, plant, furniture and equipment that are held, occupied, used or contracted to be used on behalf of the Council, or consumed in the direct delivery of services. Included are dwellings and other housing properties, office buildings, schools, libraries, sports centres and pools, residential homes/day centres, depots and workshops, cemetery buildings, off street car parks, vehicles, mechanical plant, fixtures and fittings and other equipment.

Infrastructure assets are inalienable assets, expenditure on which is only recoverable by continued use of the asset created, i.e. there is no prospect of sale or alternative use. Included are highways, footpaths, bridges, water and drainage facilities and coastal defences.

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## NOTES TO THE CORE FINANCIAL STATEMENTS

Community assets are assets that the Council intends to hold in perpetuity, that have no determinable useful life and which may, in addition, have restrictions on their disposal. There is little prospect of sale and change of use. Included are parks and open spaces, recreation grounds, play areas and cemetery land.

### Potential impact of COVID-19 on the valuation of the Council's Assets

The outbreak of COVID-19, declared by the World Health Organization as a "Global Pandemic" on 11 March 2020, has impacted global financial markets.

Market activity is being impacted in many sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement.

The Council's asset valuations are therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to our valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, the valuation of Council Assets will be kept under frequent review.

#### Movements 2019/20

	Council Dwellings & Garages	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Surplus Assets	Infrastructure Assets	Community Assets	Assets under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>								
At 1st April, 2019	325,538	356,395	27,582	8,101	242,850	4,721	24,281	989,468
Additions and Acquisitions	27,824	13,431	1,450	0	6,470	68	6,568	55,811
Revaluation increases / (decreases) recognised in the Revaluation Reserve	0	19,354	0	(550)	0	0	0	18,804
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	0	(25,191)	0	(1)	0	0	0	(25,192)
Assets Derecognised	0	(402)	(2,865)	(930)	0	0	0	(4,197)
Reclassifications	0	454	0	(300)	0	0	0	154
Other movements in cost or valuation	2,215	21,632	0	0	0	0	(23,847)	0
At 31st March 2020	<b>355,577</b>	<b>385,673</b>	<b>26,167</b>	<b>6,320</b>	<b>249,320</b>	<b>4,789</b>	<b>7,002</b>	<b>1,034,848</b>
<b>Accumulated Depreciation and Impairment</b>								
As At 1st April, 2019	(122,367)	(41,018)	(13,626)	(1,019)	(86,068)	0	0	(264,098)
Depreciation charge	(5,060)	(12,831)	(3,282)	(72)	(6,231)	0	0	(27,476)
Depreciation written out to the Revaluation Reserve	0	3,505	0	13	0	0	0	3,518
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	3,776	0	10	0	0	0	3,786
Impairments written out to the Revaluation Reserve	0	(54)	0	0	0	0	0	(54)
Impairments recognised in the Revaluation Reserve	0	(3,059)	0	0	0	0	0	(3,059)
Reversal of Impairments recognised in the Surplus/Deficit	0	3,319	0	0	0	0	0	3,319
Impairments written out to Surplus/Deficit on the Provision of Services	0	264	0	0	0	0	0	264
Impairments recognised in the Surplus/Deficit on the Provision of Services	(28,828)	(2,705)	0	0	0	0	0	(31,533)
Assets Derecognised	0	402	2,865	785	0	0	0	4,052
Assets reclassified (to)/from Held for Sale	0	3	0	0	0	0	0	3
At 31st March 2020	<b>(156,255)</b>	<b>(48,398)</b>	<b>(14,043)</b>	<b>(283)</b>	<b>(92,299)</b>	<b>0</b>	<b>0</b>	<b>(311,278)</b>
Balance Sheet at 31st March 2020	<b>199,322</b>	<b>337,275</b>	<b>12,124</b>	<b>6,037</b>	<b>157,021</b>	<b>4,789</b>	<b>7,002</b>	<b>723,570</b>
Balance Sheet at 1st April 2019	<b>203,171</b>	<b>315,377</b>	<b>13,956</b>	<b>7,082</b>	<b>156,782</b>	<b>4,721</b>	<b>24,281</b>	<b>725,370</b>
<b>Nature of Asset Holding</b>								
Owned	199,322	337,275	8,439	6,037	157,021	4,789	7,002	719,885
Finance Lease	0	0	3,685	0	0	0	0	3,685
At 31st March 2020	<b>199,322</b>	<b>337,275</b>	<b>12,124</b>	<b>6,037</b>	<b>157,021</b>	<b>4,789</b>	<b>7,002</b>	<b>723,570</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Movements 2018/19

	Council Dwellings & Garages	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Surplus Assets	Infrastructure Assets	Community Assets	Assets under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>								
At 1st April, 2018	299,774	358,542	28,423	9,182	233,533	4,721	7,512	941,687
Additions and Acquisitions	23,134	4,832	2,693	0	9,304	0	22,363	62,326
Revaluation increases / (decreases) recognised in the Revaluation Reserve	0	(1,722)	0	(88)	0	0	0	(1,810)
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	0	(9,049)	0	(105)	0	0	0	(9,154)
Assets Derecognised	0	0	(3,554)	0	0	0	0	(3,554)
Reclassifications	(70)	1,262	0	(888)	0	0	0	304
Other movements in cost or valuation	2,700	2,530	20	0	13	0	(5,594)	(331)
At 31st March 2019	325,538	356,395	27,582	8,101	242,850	4,721	24,281	989,468
<b>Accumulated Depreciation and Impairment</b>								
As At 1st April, 2018	(92,038)	(45,309)	(13,846)	(247)	(80,071)	0	0	(231,511)
Depreciation charge	(5,065)	(12,404)	(3,334)	(64)	(5,997)	0	0	(26,864)
Depreciation written out to the Revaluation Reserve	0	9,278	0	77	0	0	0	9,355
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	3,833	0	71	0	0	0	3,904
Impairments written out to the Revaluation Reserve	0	3,150	0	0	0	0	0	3,150
Impairments recognised in the Revaluation Reserve	0	(1,747)	0	(93)	0	0	0	(1,840)
Reversal of Impairments recognised in the Surplus/Deficit	0	4,091	0	0	0	0	0	4,091
Impairments written out to Surplus/Deficit on the Provision of Services	0	1,248	0	0	0	0	0	1,248
Impairments recognised in the Surplus/Deficit on the Provision of Services	(25,264)	(3,220)	0	(692)	0	0	0	(29,176)
Assets Derecognised	0	0	3,554	0	0	0	0	3,554
Assets reclassified (to)/from Held for Sale	0	62	0	(71)	0	0	0	(9)
At 31st March 2019	(122,367)	(41,018)	(13,626)	(1,019)	(86,068)	0	0	(264,098)
Balance Sheet at 31st March 2019	203,171	315,377	13,956	7,082	156,782	4,721	24,281	725,370
Balance Sheet at 1st April 2018	207,736	313,233	14,577	8,935	153,462	4,721	7,512	710,176
<b>Nature of Asset Holding</b>								
Owned	203,171	315,377	9,696	7,082	156,782	4,721	24,281	721,110
Finance Lease	0	0	4,260	0	0	0	0	4,260
At 31st March 2019	203,171	315,377	13,956	7,082	156,782	4,721	24,281	725,370



## NOTES TO THE CORE FINANCIAL STATEMENTS

### Fair Value Measurement of Surplus Assets

Details of the Council's surplus assets and information about the fair value hierarchy as at 31<sup>st</sup> March is as follows:

	Quoted prices in active markets for identical assets (Level 1) £000	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Fair Value as at 31 March £000
2019/20 Surplus Assets	0	2,843	3,195	6,038
2018/19 Surplus Assets	0	2,884	4,198	7,082

There were no transfers between different levels of the fair value hierarchy during the year and there has been no change in the valuation techniques used during the year for surplus assets.

In estimating the fair value of the Council's surplus assets, the highest and best use of the properties has been taken into account.

The Council is required to disclose where the highest and best use differs from current use. In line with their treatment as surplus assets, a number of these assets are currently vacant; in these cases the current use is not the highest and best use.

The Council's valuers, in using appropriate valuation techniques, have maximised the use of relevant known inputs and minimised the use of unobservable inputs.

The valuation techniques used to measure the fair value of surplus assets are the market approach and the income approach. The Council's valuers considered these bases to be appropriate because:

- (i) Market approach - use of prices and other relevant information and data generated by market transactions reflects the value of the asset payable by the market.
- (ii) Income approach – use of this approach reflects the market expectation of the future cash flows receivable from that asset.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 9. INVESTMENT PROPERTIES AND AGRICULTURAL ESTATE

	2020	2019
	£000	£000
<b>Cost or Valuation</b>		
At 1st April	27,075	29,151
Reclassifications	(139)	(2,167)
Additions	22	40
Revaluation Increases/Decreases to Surplus/Deficit	(700)	51
Other Adjustments	(1,279)	0
At 31st March	24,979	27,075
<b>Depreciation and Impairments</b>		
At 1st April	40	86
Reclassifications	3	(9)
Reversal of Impairments recognised in the Surplus/Deficit	0	0
Impairment / Depn	(20)	(37)
At 31st March	23	40
Balance Sheet at 31st March	24,956	27,035

#### Fair Value Measurement of Investment Property

Details of the Council's investment properties and information about the fair value hierarchy as at 31st March is as follows:

	Quoted prices in active markets for identical assets (Level 1) £000	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Fair Value as at 31 March £000
<b>2019/20</b>				
Commercial and Industrial Estates	0	0	12,566	12,566
Agricultural Estate - Farms	0	11,000	0	11,000
Agricultural Estate - Grazing Land	143	0	1,247	1,390
<b>Total</b>	<b>143</b>	<b>11,000</b>	<b>13,813</b>	<b>24,956</b>
<b>2018/19</b>				
Commercial and Industrial Estates	0	0	14,224	14,224
Agricultural Estate - Farms	0	11,640	0	11,640
Agricultural Estate - Grazing Land	0	0	1,171	1,171
<b>Total</b>	<b>0</b>	<b>11,640</b>	<b>15,395</b>	<b>27,035</b>

Transfers between different levels of the fair value hierarchy during the year have occurred due to comparable information being available this year for similar assets in active markets or prices for similar assets in markets which are not active.

In estimating the fair value of the Council's investment properties, the highest and best use of the properties is their current use.

The fair value of the Council's investment property is measured annually at each reporting date. In 2019/20 the Council's farms and smallholdings were valued by an external valuer, with the remainder of the valuations carried out by the Council's internal valuers.

## NOTES TO THE CORE FINANCIAL STATEMENTS

All valuations are carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors. The Council's valuation team work closely with finance officers regarding all valuation matters.

### **Valuation Techniques used to Determine Level 2 and 3 Fair Values for Investment Properties**

#### Significant Observable Inputs – Level 2

The Council's farms and smallholdings were valued by an external independent valuer in accordance with IFRS 13 Fair Value requirements, using the market approach for such assets but reflecting the specific circumstances of each asset e.g. vacant or subject to an existing tenancy. The valuation hierarchy Level 2 was considered appropriate given details of the market comparators were provided as part of the valuation report. The valuation techniques also considered highest and best use reflecting what is physically possible or legally permissible.

#### Significant Unobservable Inputs – Level 3

The valuation techniques used to measure the fair value of the grazing and bare land are the market approach and the income approach. The Council's valuers considered these bases to be appropriate because:

- (i) Market approach – use of prices and other relevant information and data generated by market transactions reflects the value of the asset payable by the market.
- (ii) Income approach – use of this approach reflects the market expectation of the future cash flows receivable from that asset.

The Council's valuers, in using appropriate valuation techniques in the circumstances and where sufficient data is available, have maximized the use of relevant known inputs and minimized the use of unobservable inputs. The grazing and bare land valuation techniques reflected Level 3 input due to the lack of market data obtainable by the Council's valuers.

The valuation techniques used to measure the fair value of the commercial and industrial estates are the income approach (for assets) and the market approach (for vacant land). The Council's valuers considered these bases to be appropriate because:-

- (i) Income approach – use of this approach reflects the market expectation of the future cash flows receivable from that asset.
- (ii) Market approach - use of prices and other relevant information and data generated by market transactions reflects the value of the asset payable by the market.

However, predominately the approach to valuing the commercial and industrial units was done using the Council's own existing information and data reflecting such factors as rent growth, occupancy levels, bad debt levels, and costs for repair and maintenance obligations. Therefore, the Council's commercial and industrial unit's valuation hierarchy is Level 3 as the valuation approach uses unobservable inputs and that this is done on the same basis when valuing the asset as would be used by market participants.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 10. ASSETS HELD FOR SALE

	Council Dwellings & Garages £000	Other Property, Plant & Equipment £000	Investment Properties £000	Total £000
<b>At 1st April 2019</b>	<b>0</b>	<b>528</b>	<b>585</b>	<b>1,113</b>
Additions	0	0	0	0
Assets newly classified as held for sale	0	0	430	430
Assets declassified as held for sale	0	0	(445)	(445)
Net Reclassifications	0	0	(15)	(15)
Impairments	0	0	0	0
Revaluation gains	0	53	0	53
Revaluation losses	0	0	(20)	(20)
Net Revaluations	0	53	(20)	33
Assets sold	0	(205)	0	(205)
<b>At 31st March 2020</b>	<b>0</b>	<b>376</b>	<b>550</b>	<b>926</b>

	Council Dwellings & Garages £000	Other Property, Plant & Equipment £000	Investment Properties £000	Total £000
<b>At 1st April 2018</b>	<b>0</b>	<b>800</b>	<b>717</b>	<b>1,517</b>
Additions	0	1	0	1
Assets newly classified as held for sale	70	1,320	1,028	2,418
Assets declassified as held for sale	0	(23)	(531)	(554)
Net Reclassifications	70	1,298	497	1,865
Impairments	0	(216)	(102)	(318)
Revaluation gains	0	58	180	238
Revaluation losses	0	(76)	(114)	(190)
Net Revaluations	0	(234)	(36)	(270)
Assets sold	(70)	(1,337)	(593)	(2,000)
<b>At 31st March 2019</b>	<b>0</b>	<b>528</b>	<b>585</b>	<b>1,113</b>

#### Fair Value Measurement of Assets Held for Sale

Details of the Council's assets held for sale and information about the fair value hierarchy as at 31 March is as follows:

	Quoted prices in active markets for identical assets (Level 1) £000	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Fair Value as at 31 March £000
2019/20 Assets Held for Sale	43	65	818	926
2018/19 Assets Held for Sale	0	510	603	1,113

There were no transfers between different levels of the fair value hierarchy during the year and there has been no change in the valuation techniques used during the year for Assets Held for Sale.

## NOTES TO THE CORE FINANCIAL STATEMENTS

In estimating the fair value of the Council's assets held for sale, the highest and best use of the properties has been taken into account.

The Council is required to disclose where the highest and best use differs from current use. A number of assets held for sale are currently vacant pending disposal; in these cases the current use is not the highest and best use.

### Significant Unobservable Inputs – Level 3

The valuation techniques used to measure the fair value of assets held for sale are the market approach and income approach. The Council's valuers considered these bases to be appropriate because:

(i) Market approach - use of prices and other relevant information and data generated by market transactions reflects the value of the asset payable by the market.

(ii) Income approach – use of this approach reflects the market expectation of the future cash flows receivable from that asset.

The Council's valuers, in using appropriate valuation techniques have maximised the use of relevant known inputs and minimised the use of unobservable inputs.

## 11. LONG TERM INVESTMENTS

Long term investments are carried in the balance sheet at amortised cost:

	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
Banks / Building Society Deposits	0	0
North East Wales Homes	2,628	2,144
Total	<u>2,628</u>	<u>2,144</u>

## 12. LONG TERM DEBTORS

	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
Renewal and improvement loans	1,986	2,139
First time buyer loans	100	100
Assisted car purchase loans	0	3
Affordable housing deposits	98	98
Private street works	46	45
Loan to NEW Homes	6,819	5,386
General Long Term Debtors	16	0
Total	<u>9,065</u>	<u>7,771</u>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 13. SHORT TERM DEBTORS

	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
Housing Rents	1,918	2,136
Council Tax	3,265	2,748
Grants	16,729	15,008
Benefit Overpayments	2,219	2,334
Taxation	2,894	3,312
NNDR	5,844	0
Lending	1,026	92
Payments in advance	4,825	6,516
Other	16,029	11,178
NHS	2,938	3,238
	57,687	46,562
Allowance for impairment losses and expected credit losses	(2,647)	(2,717)
Total	55,040	43,845

The Council adopted IFRS 9 Financial Instruments accounting standard with effect from 1<sup>st</sup> April 2018 and adopted the expected credit loss model it prescribed. This is to calculate the risk that future cash flows may not take place as the counterparty could default on their obligations. This methodology is explained within the Council's Accounting Policies. The Council's existing process for calculating impairment losses on trade debtors, lease receivables and contract assets was in line with the new method of collective assessment and therefore there has been no change in methodology in calculating impairments of financial assets.

In compliance with the Council's financial management framework, the Council continues to make an impairment allowance outside the scope of the expected credit loss model for non-exchange transactions such as Council Tax debtors, and debtors with government.

Analysis of age of Council Tax debt:

	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
0-1 years	1,937	1,503
1-2 years	610	537
2-3 years	286	262
3-4 years	162	163
4-5 years	99	83
5+ years	171	200
Total	3,265	2,748

### 14. SHORT TERM INVESTMENTS

The balance sheet total is recorded net of those sums invested for 3 months or less (including overnight/call account monies) which are treated as cash. Totals for 2020 were nil as in 2019.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 15. CASH AND CASH EQUIVALENTS

	2020		2019	
	£000	£000	£000	£000
<b>Current Assets</b>				
Temporary investments (call accounts)		0		0
Cash and cash equivalents	31,718		32,002	
Cash overdrawn	<u>(2,591)</u>		<u>(1,667)</u>	
		29,127		30,335
Total		<u>29,127</u>		<u>30,335</u>

### 16. BORROWING REPAYABLE ON DEMAND OR WITHIN 12 MONTHS

	2020	2019
	£000	£000
Accrued interest on long term external borrowing	2,855	5,991
Loans maturing	10,000	0
Annuity loan repayments	1,198	85
Energy Efficiency Loans (from Salix Finance Ltd.)	492	339
Short term external borrowing	53,000	44,000
Accrued interest on short term external borrowing	48	39
Total	<u>67,593</u>	<u>50,454</u>

### 17. CREDITORS

	2020	2019
	£000	£000
<b>Short Term</b>		
Rents received in advance	337	347
Council Tax received in advance and accounts in credit	1,292	1,189
Deposits	335	322
Receipts in advance	4,224	3,254
Employee Related	6,120	5,451
NNDR	0	1,127
Other	19,425	24,263
Total	<u>31,733</u>	<u>35,953</u>
<b>Long Term</b>		
Deposits	413	548
Receipts in advance	489	984
Other	150	0
Total	<u>1,052</u>	<u>1,532</u>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 18. GRANT INCOME

The Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement:

	2020 £000	2019 £000
<b>Credited to Taxation and Non Specific Grant Income</b>		
Revenue Support Grant	139,276	140,030
Total Non Ringfenced Government Grants	139,276	140,030
Welsh Government (WG):		
Major Repairs Allowance	5,060	5,065
General Capital Grant	3,875	4,746
21st Century Schools	2,000	7,055
Local Transport Fund	1,537	6,466
Integrated Care Fund	2,045	2,096
School Improvement Grant	2,185	2,043
Infant Class Size*	1,160	168
IHP-SHARP	1,190	0
IHP-Marleyfield	2,022	0
Hwb in Schools ICT Infrastructure Grant	1,367	0
Other WG Grants	2,669	132
Other Capital Grants and Contributions	2,690	1,138
Total Capital Grants and Contributions	27,800	28,909
<b>Total</b>	<b>167,076</b>	<b>168,939</b>

\*2019 figure restated. Included in '21st Century Schools' in 19/20.

	2020 £000	2019 £000
<b>Credited to Services</b>		
WG		
Housing Support Grant*	5,920	0
Supporting People	0	5,770
Post 16	4,620	4,711
Education Improvement Grant	5,796	5,814
Children & Communities Grant**	5,284	0
Flying Start	0	2,893
Families First	0	1,557
Pupil Deprivation	3,748	3,716
Concessionary Fares	1,712	1,933
Integrated Care Fund	4,008	2,295
Childcare Offer Grant	249	2,844
Teachers Pension Grant	1,975	0
LA Education Grant***	2,406	1,196
NWRWTP	1,588	0
Other	6,521	8,004
Department of Work and Pensions	29,721	33,082
Arts Council Wales	1,909	2,183
Other Grants and Contributions	4,111	3,041
<b>Total</b>	<b>79,568</b>	<b>79,039</b>

\*New grant for 19/20. Includes previously named Supporting People Grant.

\*\* New grant for 19/20. Includes previously named Flying Start & Families First grants.

\*\*\*2019 figure restated. Included in 'Other WG Grants' in 18/19



## NOTES TO THE CORE FINANCIAL STATEMENTS

### Grants and Contributions Received in Advance

The Council has received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them. The funding will be returned to the grantor if the conditions are not met. The balances at the year end are as follows:

	2020 £000	2019 £000
<b>Short Term</b>		
Revenue Grants	441	1,206
Capital Grants	0	0
Capital Contributions	369	487
Revenue Contributions	270	122
<b>Total</b>	<b>1,080</b>	<b>1,815</b>
<b>Long Term</b>		
Revenue Grants	0	0
Capital Grants	0	0
Revenue Contributions	298	451
Capital Contributions	441	551
<b>Total</b>	<b>739</b>	<b>1,002</b>

## 19. PROVISIONS

The amounts recognised as provisions are the best estimates of expenditure required to settle present obligations.

	2020 £000	Additions £000	Expenditure Incurred £000	Amounts Reversed £000	Unwinding Discounting £000	2019 £000
<b>Current Liabilities</b>						
Aftercare of former landfill sites	50	0	0	0	0	50
Employee Termination Benefits	0	0	(22)	0	0	22
Employee Claims	70	30	0	0	0	40
<b>Total</b>	<b>120</b>	<b>30</b>	<b>(22)</b>	<b>0</b>	<b>0</b>	<b>112</b>
<b>Non-Current Liabilities</b>						
Aftercare of former landfill sites	985	0	0	0	0	985
Remediation works at former landfill sites	5	0	0	0	0	5
<b>Total</b>	<b>990</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>990</b>

- The aftercare of former landfill sites provides for the environmental aftercare costs for the former waste disposal sites at Standard and Brookhill, Buckley, split across a current liability and a non-current liability. The projected costs are embodied in performance deeds with Natural Resources Wales (formerly the Environment Agency). These deeds form the basis of the Council's legal obligation to make financial provision for aftercare for 60 years from the date the landfill site was closed. The provision is revised by way of indexation each year in line with RPI, and reviewed for adequacy. The provision matches the legal obligation contained in the performance deeds.

## NOTES TO THE CORE FINANCIAL STATEMENTS

- The Council was sufficiently committed with some proposals at the balance sheet date to warrant the creation of a provision in 2018/19 for the termination benefits of employees leaving the Council's employment in 2019/20.
- The employee claims provision will fund the estimated costs of employee claims against the Council.
- In accordance with the requirements of Part 2A of the Environmental Protection Act 1990 and the Council's Contaminated Land Inspection Strategy, sites across the County will be considered with the condition of each assessed as necessary in due course. The Council has set aside a provision to fund its liabilities for any remediation works deemed necessary on a best estimate basis at the balance sheet date.

### 20. LONG TERM BORROWING

Analysis	Interest Rates		2020	2019
	Minimum %	Maximum %	£000	£000
<b>By Loan Type (Fixed Rate)</b>				
Salix Finance (Energy Efficiency)		Interest Free	3,822	4,313
Government (PWLB)	0.89	9.50	255,965	248,256
Other financial institutions	4.48	4.58	18,950	18,950
Welsh Government		Interest Free	860	860
Total			279,597	272,379
<b>By Maturity</b>				
Between 1 and 2 years			4,783	10,580
Between 2 and 5 years			13,940	9,475
Between 5 and 10 years			24,939	19,769
More than 10 years			235,935	232,555
Total			279,597	272,379

### 21. USABLE RESERVES

The Council maintains a number of reserves on the Balance Sheet. Some are held for statutory reasons, some are needed to comply with proper accounting practice and others have been set up voluntarily to earmark resources for future spending plans. Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and in note 7.

#### Council Fund

The Council fund balance of £11,025k represents the value of unearmarked reserves available to the Council (£14,020k in 2018/19).

#### Housing Revenue Account

The housing revenue account reserve cumulative balance of £2,889k (£2,221k in 2018/19) includes the 2019/20 HRA surplus of £668k (£303k (surplus) in 2018/19), as detailed on page 70.

#### Capital Receipts Reserve

The capital receipts reserve contains receipts from the sale of assets which have yet to be used to finance capital or to repay debt.

#### Capital Grants Unapplied

Capital grants unapplied are amounts received but not yet applied to finance capital expenditure.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Earmarked Reserves

Total earmarked reserves of £13,293k (£13,314k in 2018/19) include:

- Service balances – represents service departments carrying forward unspent funding for use in the subsequent financial year and other relevant specific income / underspends one-off in nature that extend over more than one year for a specific purpose.
- School balances – this sum represents the element of balances released under the delegation of budgets to schools which remained unspent at the end of the financial year.
- Single status / equal pay – accumulated reserve to fund further one-off workforce costs along with the final phases of pay protection arising from implementation of the single status agreement.
- Investment in Organisational change – accumulated reserve to fund the costs of remodeling services and 'Invest to Save' type projects.
- Benefits Equalisation – this reserve was introduced to mitigate against the potential volatility in Housing Benefit Subsidy.
- County Elections – reserve to fund the costs of future elections.
- Local Development Plan – funding for costs associated with finalising, and then implementing, the Local Development Plan.
- Waste Disposal – reserve used predominantly to fund Flintshire County Council's contribution to the North Wales Residual Waste Treatment Partnership.
- Winter Maintenance – reserve set up as a contingency in the event of severe weather conditions.
- Design Fees - reserve created to mitigate a loss of income from the Capital Programme.
- Insurance Reserves – various Insurance related reserves, including the Council's internal insurance fund, to meet the costs of self-insurance as not all risks are externally insured.
- Flintshire Trainees – reserve to fund the Flintshire Trainee programme.
- Rent Income Shortfall – reserve created to mitigate loss of income from industrial property rent.
- Customer Service Strategy – to enable the roll out of the Customer Services Strategy. This will include improvements to Connect Centres, improving self-service facilities and investment in new software.
- Capita One – a regional IT system holding management information for schools hosted by Flintshire. Any funds held at the end of the financial year in excess of costs incurred will be spent on delivering the service in future years.
- Supervision Fees – this reserve is used for work carried out by the Development Control Team in supervising works on housing developments in connection with the adoption of roads and/or other related work deemed necessary.
- Transportation Review – to fund a review of the way transport services are delivered.
- LMS Curriculum – funding is used for transitional costs relating to school modernisation for schools.
- Restoration of Ewloe Offices – reserve to refurbish the Council owned offices in Ewloe to allow officers to relocate to this building.
- Organisational Change/ADM – to support initial set up costs and financial technical support for contingency against any financial issues arising as a result of implementing different service delivery methods.
- Employment Claims – to fund the estimated costs of employee claims against the Council.
- Grants & Contributions – various grants and contributions from external providers that must be spent in accordance with associated restrictions on use.

## NOTES TO THE CORE FINANCIAL STATEMENTS

Movement between earmarked reserves is summarised in the following table:

	Balance at 31 March 2018 £000	Transfers Out 2018/19 £000	Transfers In 2018/19 £000	Balance at 31 March 2019 £000	Transfers Out 2019/20 £000	Transfers In 2019/20 £000	Balance at 31 March 2020 £000
Service balances	1,515	(999)	339	855	(227)	1,201	1,829
School balances	1,285	(4,935)	4,985	1,335	(5,886)	4,663	112
Single status/equal pay	1,621	(437)	0	1,184	(63)	0	1,121
Investment in Organisational Change	1,439	(400)	0	1,039	(345)	1,000	1,694
Benefits equalisation	318	0	0	318	(185)	0	133
County elections	170	(13)	48	205	(13)	20	212
Local Development Plan (LDP)	180	0	0	180	0	0	180
Building control	55	(55)	0	0	0	0	0
Waste disposal	129	(46)	0	83	0	0	83
Enterprise Centres	108	(55)	0	53	(46)	0	7
Design fees	200	0	0	200	0	0	200
Winter maintenance	215	0	35	250	0	0	250
Car Parking	48	(10)	9	47	(16)	14	45
Insurance Reserves	1,805	(565)	873	2,113	(761)	851	2,203
Cash Receipting Review	83	(83)	1	1	0	2	3
Flintshire Trainees	476	0	65	541	(17)	0	524
Rent Income Shortfall	150	(80)	0	70	(39)	0	31
Customer Service Strategy	103	(70)	0	33	(11)	0	22
Capita One	19	0	0	19	0	0	19
Supervision Fees	49	0	0	49	0	0	49
Transportation Review	170	(86)	0	84	(84)	0	0
LMS Curriculum	779	(873)	477	383	(541)	579	421
Restoration of Ewloe Offices	830	(830)	0	0	0	0	0
Organisational Change/ADM	155	(55)	0	100	(104)	37	33
Emergency Remediation	50	(50)	0	0	0	0	0
Employment Claims	0	0	150	150	(42)	0	108
Carbon Reduction	0	(253)	296	43	(17)	0	26
Property Claims	0	0	45	45	(9)	0	36
Community Benefit Fund NWRWTP	0	0	0	0	0	65	65
Grants & Contributions	2,924	(780)	1,790	3,934	(1,504)	1,457	3,887
<b>Total</b>	<b>14,876</b>	<b>(10,675)</b>	<b>9,113</b>	<b>13,314</b>	<b>(9,910)</b>	<b>9,889</b>	<b>13,293</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 22. UNUSABLE RESERVES

The balances on unusable reserves are as follows:

	2020	2019
Reserves	£000	£000
Revaluation reserve	118,668	105,289
Capital adjustment account	292,977	317,944
Financial instruments adjustment account	(5,730)	(6,091)
Pensions reserve	(399,288)	(407,745)
Deferred Capital Receipt	98	98
Accumulated absences account	(3,178)	(2,666)
<b>Total Unusable Reserves</b>	<u>3,547</u>	<u>6,829</u>

The details of movements on unusable reserves are as follows:

#### Revaluation Reserve

The revaluation reserve contains the gains made by the Council arising from increases in the value of its property, plant and equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

The revaluation reserve records unrealised revaluation gains arising since 1st April 2007, the date that the Reserve was created. The reserve is matched by non-current assets within the balance sheet - the resources are not available for financing purposes.

	2020	2019
	£000	£000
Balance at 1st April*	105,289	103,062
Upward revaluation of assets	26,120	14,866
Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the provision of services	<u>(6,788)</u>	<u>(6,149)</u>
Surplus or deficit on revaluation of non-current assets not posted to the surplus/deficit on the provision of services	19,332	8,717
Difference between fair value depreciation and historical cost depreciation	(5,625)	(6,420)
Accumulated gains on assets sold or scrapped	<u>(328)</u>	<u>(70)</u>
Amount written off to the capital adjustment account	(5,953)	(6,490)
Balance at 31st March	<u>118,668</u>	<u>105,289</u>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Pensions Reserve

The pensions reserve is an adjustment account that absorbs the timing differences arising from different arrangements for post employment benefits and for funding benefits in accordance with statutory provisions.

The Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement - the benefits are earned by employees accruing years of service. The liabilities recognised in the accounts are updated to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs.

Statutory arrangements require those benefits earned to be financed as and when the Council makes the employer's contributions to the pension fund, or eventually pays any pensions for which it has direct responsibility. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
Balance at 1st April	(407,745)	(348,865)
Return on plan assets	(42,133)	14,293
Actuarial gains and (losses)	66,548	(52,594)
Net charges to surplus / deficit on provision of services	(42,363)	(46,016)
Employers' contributions payable to the scheme	26,405	25,437
Balance at 31st March	<u>(399,288)</u>	<u>(407,745)</u>

### Financial Instruments Adjustment Account

The financial instruments adjustment account (FIAA) provides a balancing mechanism between the different rates at which gains and losses (such as premiums on the early payment of debt) are recognised under the Code and are required by statute to be met from the Council fund. Again, the reserve is matched by borrowings and investments within the balance sheet, and the resources are not available for financing purposes.

	<b>2020</b>		<b>2019</b>	
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Balance at 1st April		(6,091)		(6,452)
Premiums incurred in the year and charged to the comprehensive income and expenditure statement	0		0	
Proportion of premiums incurred in previous financial years to be charged against the Council Fund balance in accordance with statutory requirements	<u>361</u>		<u>361</u>	
Amount by which finance costs charged to the Comprehensive income and expenditure statement are different from finance costs chargeable in the year in accordance with statutory requirements		361		361
Balance at 31st March		<u>(5,730)</u>		<u>(6,091)</u>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Capital Adjustment Account

The capital adjustment account absorbs the timing difference arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under the statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the revaluation reserves to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The account contains accumulated gains and losses on investment properties and revaluation gains accumulated on property, plant and equipment before 1 April 2007, the date that the revaluation reserve was created to hold such gains.

Note 7 provides details of the source of all the transactions posted to the account, apart from those involving the revaluation reserve.

	2020		2019	
	£000	£000	£000	£000
Balance at 1st April		317,944		319,537
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income & Expenditure Statement:				
- Charges for depreciation and impairment of non-current assets		(52,415)		(49,406)
- Revaluation losses on PP&E		(24,460)		(6,831)
- Amortisation of intangible assets		(15)		(32)
- Revenue expenditure funded from capital under statute		(4,302)		(4,123)
- Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement		(1,629)		(1,885)
- Movements in the market value of investment properties debited or credited to the Comprehensive Income & Expenditure Statement		(727)		128
- Soft Loan Accounting Adjustments		50		16
		(83,498)		(62,133)
Adjusting amounts written out of the revaluation reserve		5,954		6,490
Net written out amount of the cost of non-current assets consumed in the year		(77,544)		(55,643)
Capital financing applied in the year:				
- Use of the capital receipts reserve		317		999
- Capital grants and contributions credited to the Comprehensive Income & Expenditure statement that have been applied to capital financing		30,603		30,580
- Statutory provision for the financing of capital investment charged against the Council Fund and HRA balances		6,585		6,065
- Capital expenditure charged against the council fund and HRA balances		15,306		16,446
Long term debtors adjustments - Loan Repayments		(234)		(40)
		52,577		54,050
Balance at 31st March		292,977		317,944

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Deferred Capital Receipts

Deferred capital receipts are loans that the Council has made to individuals on the affordable homes register. The loan is the individual's deposit to assist in the purchase of an affordable home in the county. The loan is repayable on the earlier of, when the house is sold or 25 years. The reserve holds the recognised future receipt.

	2020	2019
	£000	£000
Affordable homes deposits	98	98
	98	98

### 23. CASH FLOW STATEMENT - OPERATING ACTIVITIES

The net cash flows from operating activities of £4,281k outflow (£22,305k inflow in 2018/19) include the following interest elements:

	2020	2019
	£000	£000
Interest received	428	375
Interest paid	(16,939)	(13,474)

### 24. CASH FLOW STATEMENT - INVESTING ACTIVITIES

	2020	2019
	£000	£000
Purchase of property, plant & equipment, investment property and intangible assets	(55,833)	(61,849)
Purchase of short term and long term investments	0	0
Other payments for investing activities	(1,949)	(7,536)
Proceeds from the sale of property, plant & equipment, investment property and intangible assets	2,514	2,809
Proceeds from short term and long term investments	0	0
Other receipts from investing activities	31,412	32,418
<b>Net cash flows from investing activities</b>	<b>(23,856)</b>	<b>(34,158)</b>

### 25. CASH FLOW STATEMENT - FINANCING ACTIVITIES

	2020	2019
	£000	£000
Cash receipts of short term and long term borrowing	72,449	18,946
Other receipts from financing activities	0	0
Cash payments for the reduction of the outstanding liability relating to finance leases	(555)	(541)
Repayment of short term and long term borrowing	(44,965)	(8,020)
Other payments for financing activities	0	0
<b>Net cash flows from financing activities</b>	<b>26,929</b>	<b>10,386</b>



## NOTES TO THE CORE FINANCIAL STATEMENTS

### 26. OFFICERS' REMUNERATION

#### Senior Employee Emoluments

The Accounts and Audit (Wales) Regulations 2014 requires disclosure (in £5,000 bandings) of the number of employees whose remuneration - all sums paid to or receivable by the employee including payments on termination of employment, expense allowances chargeable to tax, and the money value of benefits - exceeded £60,000. The band values do not include employer pension contributions. Columns for schools include all maintained schools including Voluntary Aided and Foundation Schools.

Remuneration Band	2020		2019	
	Non-Schools	Schools	Non-Schools	Schools
	No.	No.	No.	No.
£60,000 - £64,999	1	25	2	22
£65,000 - £69,999	7	14	1	9
£70,000 - £74,999	0	4	0	7
£75,000 - £79,999	0	8	0	7
£80,000 - £84,999	0	4	0	0
£85,000 - £89,999	0	0	0	0
£90,000 - £94,999	0	1	0	1
£95,000 - £99,999	0	0	0	1
£100,000 - £104,999	0	0	0	1
£105,000 - £109,999	0	0	0	0
£110,000 - £114,999	0	1	0	0
	8	57	3	48

Some posts occupied are paid in accordance with nationally agreed Soulbury terms and conditions. Governing Bodies have some discretion in setting the salaries of Head Teachers, within the parameters of the School Teacher's pay and conditions 2015.

The Accounts and Audit (Wales) Regulations 2014 also requires disclosure of the individual remuneration details for senior employees by post where the salary is between £60,000 and £150,000 and by name where the salary exceeds £150,000. Senior employees for the purpose of the disclosure are the Chief Executive, Chief Officers, Statutory Officers and persons for whom the Chief Executive is directly responsible.

The salaries of the Chief Executive and the Chief Officer team have been set by full Council in accordance with the Council's Pay Policy Statement (available on the Council's website). There has been no variation to pay rates during the year other than inflationary increases for implementation of nationally agreed annual pay awards to reflect the increased cost of living. No bonuses, taxable expense allowances, compensation payments or other taxable benefits were received by Chief Officers.

## NOTES TO THE CORE FINANCIAL STATEMENTS

Post Title	Note	2019/20		2018/19	
		Remuneration £	Employer's Pension Contributions £	Remuneration £	Employer's Pension Contributions £
Chief Executive	1	136,548	37,687	136,548	37,278
Chief Officer Governance	1	96,348	26,592	94,458	25,787
Chief Officer Education & Youth	2	92,017	25,397	87,028	23,759
Chief Officer Social Services		96,348	26,592	94,458	25,787
Chief Officer Planning, Environment & Economy		96,348	26,592	94,458	25,787
Chief Officer Streetscene & Transportation		96,348	26,592	94,458	25,787
Chief Officer Housing & Assets		96,348	26,592	94,458	25,787
Corporate Finance Manager (Section 151 Officer)		70,724	19,520	68,357	18,661
Senior Manager (HR & OD)		67,119	18,525	65,781	17,958
		848,148	234,089	830,004	226,591

**Note 1 :** Remuneration does not include any amounts received for;

a) Returning Officer and Deputy Returning Officer roles at elections (costs for national, regional, local elections and referenda reimbursed by respective Government based on a nationally set payment formula) and;

b) Clerk and Deputy Clerk roles to the North Wales Fire and Rescue Authority (costs reimbursed).

**Note 2 :** New appointment to Interim Chief Officer role-start date 26th June 2017. Appointed on a permanent basis 18th July 2018.

The Accounts and Audit (Wales) Regulations 2014 also require disclosure of the ratio of remuneration between the Chief Executive and the median full time equivalent earner (£19,554); for 19/20 this was 1:6.98 (for 2018/19 this was 1:7.31).

### Exit Packages

The Council is required to disclose (in £20k bandings up to £100k with £50k bandings thereafter) the number of exit packages agreed and the cost of the packages to the Council in the financial year. Exit costs arising in 2019/20 which the Council is committed to incurring at the 31<sup>st</sup> March 2020, but paid after this date, are also included in the disclosure. Information is included for all maintained schools including Voluntary Aided and Foundation Schools.

The totals disclosed are made up of payments made to the individual and any payments made by the Council to the pension fund when an employee retires early without actuarial reduction in pension in accordance with the Council's Discretionary Compensation Policy.

Exit Package Cost Band	Compulsory Redundancies		Other Departures Agreed		Total Exit Packages by Cost Band		Total Exit Packages in Each Band	
	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19
	No.	No.	No.	No.	No.	No.	£	£
£0 - £20,000	13	13	2	2	15	15	105,993	115,881
£20,001 - £40,000	2	5	1	0	3	5	89,922	139,192
£40,001 - £60,000	2	4	0	0	2	4	110,579	209,305
£60,001 - £80,000	2	3	0	0	2	3	139,573	209,790
	19	25	3	2	22	27	446,067	674,168

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 27. MEMBERS' ALLOWANCES

Allowances totaling £1,470k were paid directly to members of the Council, and on their behalf in 2019/20 (£1,458k in 2018/19). Further information is available on the Council's website: <https://www.flintshire.gov.uk/en/Resident/Council-and-Democracy/Councillor-Allowances.aspx>

	2020	2019
	£000	£000
Salaries	1,431	1,432
Members' expenses	39	26
	<u>1,470</u>	<u>1,458</u>

Expenses include costs of travel, subsistence, telephones and refreshments.

### 28. RELATED PARTIES

The Council is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have the ability to limit another party's ability to bargain freely with the Council.

#### Welsh and Central Government

Welsh Government exerts significant influence through legislation and grant funding – it is responsible for providing the statutory framework, within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties such as council tax bills and housing benefits. Grants received from Welsh and other Government departments are set out in notes 6 and 18.

#### Members

Members of the Council have direct control over the Council's financial and operating policies. The total of Members Allowances paid in 2019/20 is shown in note 27.

The Council appoints Members to some external charitable and voluntary bodies, or Members have disclosed a link to organisations, public bodies and authorities. The total transactions with bodies under this heading during 2019/20 are as follows:

• Payments	£7,612k	(£4,543k in 2018/19)
• Receipts	£18k	(£18k in 2018/19)
• Amounts owed by the Council	£50k	(£89k in 2018/19)
• Amounts owed to the Council	£148k	(£35k in 2018/19)

2019/20 transactions greater than £100k are shown below-

- An Elected Member declared an interest in Wales and West Housing Association to which the Council paid £1.8m.
- An Elected Member declared an interest in Clwyd Alyn Housing Association / Pennaf to which the Council paid £4.3m.
- An Elected Member declared an interest in the Domestic Abuse Safety Unit to which the Council paid £242k.
- Two Elected Members declared an interest in the Citizens Advice Bureau (CAB) to which the Council paid £366k.
- Two Elected Members declared an interest in Welsh Border Community Transport (WBCT) to which the Council paid £218k.
- Two Elected Members declared an interest in Care and Repair to which the Council paid £435k.
- An Elected Member declared an interest in Flintshire Local Voluntary Council (FLVC) to which the Council paid £131k.

## NOTES TO THE CORE FINANCIAL STATEMENTS

Members have declared an interest or relationship in companies or businesses which may have had dealings with the Council. The total payments made to companies under this heading during 2019/20 and amounts outstanding at 31<sup>st</sup> March are as follows:

• Payments	£276k	(£264k in 2018/19)
• Receipts	£17k	(£25k in 2018/19)
• Amounts owed by the Council	£0k	(£9k in 2018/19)
• Amounts owed to the Council	£1k	(£4k in 2018/19)

2019/20 transactions greater than £100k are shown below-

- An Elected Member declared ownership of a bus and coach company to which the Council paid £106k.
- An Elected Member declared an interest in a design and print company to which the Council paid £120k.

The personal interests of all Members are recorded in the Public Register of Members' Interests, in accordance with the law and the Council's Code of Conduct. The register is available on the Council's website.

### Officers

Senior Officers have declared, as required and where appropriate, an interest or relationship in companies, voluntary, charitable, or public bodies which receive payments from the Council. The total transactions with such bodies during 2019/20 are as follows:

• Payments	£374k	(£372k in 2018/19)
• Amounts owed to the Council	£8k	(£0k in 2018/19)

2019/20 transactions greater than £100k are shown below-

- A senior officer declared an interest as they are married to a board member of Audit Wales, the Council's external auditor, to whom the Council paid £374k.

All declarations by Senior Officers are supported by entries in the register of interests for Senior Officers, which enables the Council to take appropriate steps to manage the interests.

### Community Asset Transfer (CAT)

A number of Members and Senior Officers have an interest in local community groups involved in the Council's CAT scheme. The scheme involves leasehold transfer (at nominal value) of specific Council assets to organisations with a social purpose who plan to use the assets for the benefit of the local community. The assets have remained on the Council's Balance Sheet and have a combined net book value of £9,255k (£8,821k in 2018/19).

In some circumstances the Council has, or plans to, issue capital grants for any necessary capital works. Transactions with these groups during 2019/20 are:

• Grants awarded	£206k	(£212k in 2018/19)
• Grants paid in advance	£203k	(£0k in 2018/19)
• Payments	£47k	(£37k in 2018/19)
• Amounts owed by the Council	£11k	(£1k in 2018/19)
• Receipts	£4k	(£0k in 2018/19)
• Amounts owed to the Council	£3k	(£12k in 2018/19)

2019/20 transactions greater than £100k are shown below-

- A senior officer declared an interest as they are married to a director of Cambrian Aquatics to which the Council paid £81k grant and £22k other payments.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Associated Companies

The Council has three wholly owned subsidiaries, North East Wales Homes Ltd, Newydd Catering and Cleaning Ltd, and Theatr Clwyd Productions Ltd. These are companies limited by shares and are included in the Council's group accounting boundary. North East Wales Homes has a loan facility with the Council, and as at 31st March 2020 this amounted to £10,328k (£7,530k at 31st March 2019).

Other transactions with associated companies during 2019/20 are:

• Payments	£9,354k	(£9,080k in 2018/19)
• Receipts	£1,586k	(£1,677k in 2018/19)
• Amounts owed by the Council	£153k	(£273k in 2018/19)
• Amounts owed to the Council	£483k	(£394k in 2018/19)

### Other Public Bodies

#### Clwyd Pension Fund

The Council is the administering authority for the Clwyd Pension Fund. Details of transactions with the Clwyd Pension Fund can be found within the Clwyd Pension Fund accounts which are available at [www.clwydpensionfund.org.uk](http://www.clwydpensionfund.org.uk)

#### Teachers Pensions Agency

The pension costs charged are the contribution rate set by the Department for Education on the basis of a notional fund. Teacher's pension details are set out in note 42.

#### North Wales Police and Crime Commissioner and North Wales Fire Authority

Police and Crime Commissioners and Fire and Rescue Authorities set their own charges to council tax payers which are then included in the council tax bill – these charges are known as the precept. Total precepts paid to the Office of the North Wales Police and Crime Commissioner amounted to £17,887k (£16,477k in 2018/19). Other transactions with North Wales Police and Crime Commissioner during 2019/20 are:

• Payments	£23k	(£11k in 2018/19)
• Receipts	£230k	(£115k in 2018/19)
• Amounts owed to the Council	£17k	(£52k in 2018/19)

Total levies paid to the North Wales Fire and Rescue Authority amounted to £7,790k (£7,409k in 2018/19).

Other transactions with North Wales Fire Authority during 2019/20 are:

• Payments	£136k	(£14k in 2018/19)
• Receipts	£29k	(£23k in 2018/19)

### Community / Town Councils

Total precepts including cemetery precepts paid to the 34 Community/Town councils amounted to £2,939k (£2,856k in 2018/19). Other transactions with Community Councils during 2019/20 are:

• Payments	£76k	(£266k in 2018/19)
• Receipts	£440k	(£364k in 2018/19)
• Amounts owed by the Council	£11k	(£10k in 2018/19)
• Amounts owed to the Council	£126k	(£81k in 2018/19)

Transactions with the following bodies during 2019/20 were as follows:

#### Betsi Cadwaladr University Local Health Board (related healthcare activities):

• Payments	£912k	(£1,210k in 2018/19)
• Receipts	£6,660k	(£4,862k in 2018/19)
• Amounts owed by the Council	£1,366k	(£1,045k in 2018/19)
• Amounts owed to the Council	£5,592k	(£5,746k in 2018/19)

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Welsh Joint Education Committee:

• Payments	£152k	(£130k in 2018/19)
• Amounts owed by the Council	£5k	(£177k in 2018/19)

### Welsh Local Government Association:

• Payments	£100k	(£103k in 2018/19)
• Receipts	£147k	(£122k in 2018/19)
• Amounts owed to the Council	£15k	(£0k in 2018/19)

## 29. AUDIT FEES

Total audit and inspection fees due during the year amounted to £340k (£373k in 2018/19). External audit services were provided by Audit Wales.

	2020 £000	2019 £000
Fees for the Statement of Accounts	197	207
Fees for the Local Government Measure	100	100
Fees for grants	43	66
	<u>340</u>	<u>373</u>

## 30. NATIONAL HEALTH SERVICES (WALES) ACT 2006

The Council has an agreement with Wrexham County Borough Council and the Betsi Cadwaladr University Health Board, pursuant to Section 33 of the National Health Service (Wales) Act 2006, for the provision of an integrated community equipment service under a pooled fund arrangement. The service is provided through staff of Flintshire County Council (as host partner) from Unit 3, Hawarden Industrial Park, Hawarden.

Partnership	2020 £000	2019 £000
Gross expenditure	1,209	1,076
Gross income	(1,230)	(1,168)
(Surplus) / deficit for year	<u>(21)</u>	<u>(92)</u>
<b>Contribution to Budget</b>		
Flintshire County Council	300	295

Unit 3, which is situated within Flintshire, is jointly owned by Flintshire County Council (50.25%) and Wrexham County Borough Council (49.75%), and has been valued at £1,139k; the premises are included in Flintshire County Council's balance sheet (as host partner):-

	Gross £000	Net £000	%
Flintshire County Council	572	568	50.25
Wrexham County Borough Council	567	562	49.75
	<u>1,139</u>	<u>1,130</u>	<u>100.00</u>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 31. AGENCY SERVICES

Flintshire County Council is one of six partners within the North Wales Trunk Road Agency (NWTRA), the other partners being Anglesey, Conwy, Denbighshire, Gwynedd and Wrexham Councils. The Streetscene & Transportation Portfolio within Flintshire County Council undertakes trunk road work on behalf of NWTRA for the Welsh Government. Reimbursement for work carried out under the Trunk Road Agency Agreement amounted to £3,530k (£2,339k in 2018/19).

Welsh Government has provided funding to Welsh Councils to provide recyclable loans under the Houses into Homes Schemes for the repair of properties which have been long term vacant, with the aim of bringing them back into use. They are treated as agency arrangements in the Council's Statement of Accounts. Flintshire County Council was previously the lead/banker authority for the North Wales region and responsible for administering the first tranche of funding given in perpetuity to Council's. Funds have since been disaggregated to the other 5 North Wales Councils. The Council issued £428k of loans (£135k in 2018/19) with £208k being repaid (£214k in 2018/19). The second tranche of funding was paid directly to all Councils, it has to be returned in 11 years' time and to date no loans have been issued.

Welsh Government has also provided funding called Home Improvement Loans for works in making residential properties safe, warm and/or secure, again with the funding to be returned in 11 years' time. £101k has been granted in loans in year (£118k in 2018/19).

Flintshire County Council acts as an agent on behalf of Welsh Government in receiving and distributing various grants for the North Wales region. Bus Services Support Grant is used to support bus and community transport services in the region. The total received in 2019/20 was £6,526k, of which £605k was Flintshire's share and is included in Flintshire's accounts (£6,793k in 2018/19, £602k in Flintshire's accounts). The Childcare Offer Grant is used to provide free childcare for working parents of 3-4 year olds. Flintshire administers this grant on behalf of Flintshire, Wrexham and Denbighshire. The total received in 2019/20 was £8,432k (£4,087k in 2018/19). £248k was received by Flintshire in the form of an admin grant for running the service and is included in Flintshire's accounts (£208k in 2018/19).

Flintshire County Council acts as agents on behalf of water companies collecting water and sewerage charges from tenants living in Council owned dwellings. In 2019/20 £3,510k was collected (£3,527k 2018/19). The Council also acts as agents in arranging and collecting household contents insurance for tenants' belongings on their behalf if they wish. In 2019/20 £78k was collected (£96k in 2018/19). The Council also collects heating charges from tenants living in Council owned communal buildings, and in 2019/20 £158k was collected (£148k in 2018/19).

### 32. OTHER FUNDS ADMINISTERED BY THE COUNCIL

The Council administers a trust fund on behalf of Optec D.D. (UK) Limited. The fund provides financial support to the youth exchange scheme between Flintshire County Council and Murata and Kuga Cho in Japan. The fund balance at 31<sup>st</sup> March 2020 was £13k (£29k in 2018/19) and is not included in the balance sheet.

In the Social Services portfolio the Social Services for Adults Section maintain individual bank accounts for service users living in the community who are unable to manage their own financial affairs; individual members of the Deputyship team are approved to act as corporate appointee with the Department for Work and Pensions for each service user. The total amount held by the Council at 31<sup>st</sup> March 2020 was £5,126k in 368 separate accounts (£4,696k in 371 accounts in 2018/19).

## NOTES TO THE CORE FINANCIAL STATEMENT

### 33. CONTINGENT LIABILITIES

In accordance with the provisions of Part 2A of the Environmental Protection Act 1990 and the Council's Contaminated Land Inspection Strategy, sites within the county will be considered and the condition of each assessed in due course. The assessments may conclude that liability for carrying out some or all of any necessary remediation works will be the Council's responsibility.

The Council recognises that any future payments made by Municipal Mutual Insurance (MMI) will be made at the reduced rate of 75% and has created an earmarked reserve to fund the 25% that the Council in any future claim settled will need to fund. The projection of future claims is uncertain because of the latent nature of many of the claims that MMI is still receiving. The levy is subject to review at least once every 12 months by the scheme administrator.

Flintshire is the legislative successor body in respect of all abuse claims relating to the former Clwyd County Council. A number of claims continue to be brought by former children in care or accessing youth services. In some cases the Council's insurers were not on cover and so the Council may need to fund any such claim that is successful.

A small number of employees and former employees are claiming against the Council in Employment Tribunals which will be heard in the next financial year. Based on the outcomes of the cases the Council could have to pay all, some or none of the claims.

The Council has set up various alternative service delivery models which has involved the transfer of Council employees to the new service providers. The Council has given pension guarantees to Newydd Catering and Cleaning Ltd, Aura Leisure and Libraries Ltd and Holywell Leisure Centre. These guarantees mean that if these bodies are unable to meet their pension obligations at a future point in time then the Council will assume responsibility for them.

A small number of Council tenants are claiming against the Council for housing disrepair. Based on the outcome of the cases the Council could have to pay all, some or none of the claims.

A claim is being brought by the owner of a property where the Council was a former tenant. The case is being considered by an independent arbitrator imminently and as a result the Council may have to pay all, some or none of the claim.

At any point in time the Council and its insurers will be responding to a number of insurance claims. The Council may have to pay all, some or none of these claims. The Council has an earmarked reserve set aside to fund these costs as they fall due for payment.

### 34. CONTINGENT ASSETS

Section 106 of the Town and Country Planning Act 1990 allows legal agreements as part of planning approval that commits the developer to undertake works or in-kind contributions towards a variety of infrastructure or services. An affordable housing scheme called 'Shared Equity' is one such commitment, the developer makes a number of properties available for purchase by those on the affordable housing register at 70% of the market value. The remaining 30% share in the properties is transferred to the Council in the form of a legal charge against the property. At any point in the future the homeowner can redeem the Council's 30% share, or sell the property. The first call is a sale to others on the affordable housing register. If after a set period the property does not sell it can be sold on the open market. It is probable that the Council will benefit in the form of capital receipts in the future from these agreements, however the receipt must be used for the provision of affordable housing.

### 35. CRITICAL JUDGEMENTS AND ASSUMPTIONS MADE

In preparing the Statement of Accounts, the Council has had to make judgements, estimates and assumptions for certain items that affect the application of its policies and reported levels of assets, liabilities, income and expenses. The estimates and associated assumptions have been based on historical experience, current trends and other relevant factors that are considered to be reasonable and are used to inform the basis for judgements about the carrying values of assets and liabilities, where these are not readily available from other sources. However, because these cannot be determined with certainty, actual results could be materially different from those assumptions and estimates made.



## NOTES TO THE CORE FINANCIAL STATEMENT

The significant accounting estimates within the Statement of Accounts relate to non-current assets and the impairment of financial assets. Estimates and underlying assumptions are regularly reviewed. Changes in accounting estimates are adjustments of the carrying amount of an asset or a liability, or the amount of the periodic consumption of an asset, that results from the assessment of the present status of, and expected future benefits and obligations associated with assets and liabilities. Changes to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The critical accounting judgements made by the Council which have a significant effect on the financial statements are:

- Future Levels of Government Funding and Levels of Reserves – The future levels of funding for local authorities has a high degree of uncertainty. The Council has set aside amounts in provisions, working balances and reserves which it believes are appropriate based on local circumstances including its overall budget size, risks, robustness of budget estimates, major initiatives being undertaken, budget assumptions, other earmarked reserves and provisions and the Council's track record in financial management.
- Provisions – The Council is required to exercise judgement in assessing whether a potential liability should be accounted for as a provision or contingent liability. In calculating the level of provisions the Council also exercises judgement; they are measured at the Council's best estimate of the costs required to settle the obligation at the Balance Sheet date.
- Investment Properties – The Council classifies investment properties in accordance with the requirements of the Code of Practice, that being assets are held solely for rental income or capital appreciation. Assessment of such properties involves exercising judgement, which could be subject to a difference in interpretation.
- Asset Valuations – The Council values its Housing Stock by estimating the 'Existing Use Value – Social Housing'. The valuation methodology applied is the Adjusted Vacant Possession Value (known as the Beacon Approach). There is currently no guidance in Wales that specifically defines the components within the methodology, some of which rely on professional judgments particular to local circumstances.

The approach seeks to obtain a value for the asset, based on the Fair Value (market value) assuming 'vacant possession' of the asset which is then adjusted to reflect the asset's use for social housing with a sitting tenant. The underlying principles of this approach are:

- A representative asset is normally used as the basis for valuing a set of similar assets.
  - The asset's Fair Value (market value) is determined from sales evidence relating to comparable properties. This provides a 'vacant possession' value.
  - The market value is adjusted by a factor to reflect the difference between private sector rents / yields and social housing rents / yields. This is intended to reflect the differential cash flows that would arise between the two types of landlord given that there is a sitting tenant in the property and that any development value is to be ignored as continuation of the existing use is assumed.
- Accounting for arrangements containing a lease (embedded leases) – During 2016/17 the Council entered into an arrangement where supply and maintenance of all vehicles, along with fleet management, would be undertaken by Essential Fleet Services (EFS). The Council has reviewed the appropriate accounting guidance, sought professional advice, and concluded that this arrangement contains embedded operating leases.
  - Community Asset Transfers (CATs) - involve leasehold transfer (at nominal value) of specific Council assets to organisations with a social purpose who plan to use the assets for the benefit of the local community. The lease agreements have been considered; whilst operational risk and reward transfers to the community group, the Council's view is that the risk and reward of ownership remains with the Council and therefore the value of the assets have remained on the Council's Balance Sheet.

## NOTES TO THE CORE FINANCIAL STATEMENTS

- Leisure and Libraries Property Leases - involve leasehold transfer of specific Council assets to a charitable, not-for-profit, organisation which is responsible for managing the majority of leisure centres and libraries previously operated directly by the Council. The lease agreements have been considered; whilst operational risk and reward transfers to the charitable organisation, the Council's view is that the risk and reward of ownership remains with the Council and therefore the value of the assets have remained on the Council's Balance Sheet. The classification of the assets have also remained consistent with prior years' treatment. They are recognised as operational Property, Plant and Equipment, which aligns with the classification most suitable to the use of the assets when compared to other definitions of assets such as surplus or investment assets.

The key sources of estimation uncertainty identified by the Council which have a significant effect on the financial statements are:

- Retirement Benefit Obligations – The Council recognises and discloses its retirement benefit obligation in accordance with the measurement and presentational requirements of IAS 19 “Employee Benefits”. The estimation of the net pension liability depends on a number of complex judgements and estimates relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of actuaries is engaged to provide the Council with expert advice about the assumptions to be applied. Changes in these assumptions can have a significant effect on the value of the Council's retirement benefit obligation. Further detail assessing the sensitivities of estimates can be found in Note 42.
- Impairment of Financial Assets – The Council provides for the impairment of its receivables based on the age, type and recoverability of each debt. A reasonable estimate of impairment for doubtful debts and expected credit losses is provided for within the Council's accounts at the Balance Sheet date, however in the current economic climate it is not certain that such an allowance would be sufficient.
- Property, Plant and Equipment – Assets are depreciated over their useful life and reflect such matters as the level of repairs and maintenance that will be incurred in relation to individual types of asset, cost of replacement and assuming prudent maintenance, an estimate of the unexpired useful life of the asset.
- Valuation techniques are used to determine the fair value of surplus assets, assets held for sale and investment properties. This involves developing estimates and assumptions consistent with how market participants would value such assets. As far as possible, assumptions are based on observable data. If observable data is not available the best information available is used. Thus, estimated fair values may vary from actual prices that would be achieved in an arm's length transaction at the reporting date.
- Britain leaving the European Union – there is a high level of uncertainty regarding how Britain will leave the European Union and the resulting implications. The manner of Britain's leaving has the potential to affect asset valuations and the pension liability on the Council's Balance Sheet. Currently there is not sufficient information to indicate that the assets of the Council might be impaired or that the discount rate used to calculate the pension liability might need amending.
- The timing of the outbreak of COVID-19 was such that the impact was beginning to be felt in March 2020. The impact of the outbreak may have implications on the estimation techniques used by the Council in preparing these accounts. In particular, the council has engaged with the Actuary of the Clwyd Pension Fund who has advised that the estimation techniques used in estimating the value of assets held on behalf of the Council in the Fund are the best available at the time the estimates were undertaken. It is also recognized that the wider economic impact of the outbreak may have implications for the estimation of the Council's liabilities in the Fund. Given the specialist nature of most of the assets which make up the Council's Property Plant and Equipment, the Council's valuer does not consider that there is a significant risk in relation to the impact of COVID-19 and its valuation.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 36. PROVISION FOR REPAYMENT OF EXTERNAL LOANS

Section 22 of the Local Authorities (Capital Finance and Accounting) (Wales) (Amendment) Regulations 2008 requires the Council to set aside a minimum revenue provision (MRP) in respect of the financing of capital expenditure incurred in that year or in any financial year prior to that year. The amounts set aside in 2019/20 were as follows:-

	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
Total minimum revenue provision	6,586	6,066
Recharge to housing revenue account	<u>(2,624)</u>	<u>(2,544)</u>
	<u>3,962</u>	<u>3,522</u>

### 37. CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure incurred in the year is shown in the following table (including the value of assets acquired under finance leases), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the capital financing requirement, a measure of the capital expenditure incurred historically by the Council that has yet to be financed.

	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
<b>Capital Investment</b>		
Property, plant and equipment	55,832	62,367
Intangible assets	0	0
REFCUS	<u>7,181</u>	<u>4,262</u>
	<u>63,013</u>	<u>66,629</u>
<b>Sources of Finance</b>		
Capital receipts	(236)	(999)
Capital grants and contributions	(30,603)	(30,579)
Capital reserves / CERA	<u>(15,306)</u>	<u>(16,446)</u>
	<u>(46,145)</u>	<u>(48,024)</u>
<b>Increase/(decrease) in capital financing requirement</b>	<u>16,868</u>	<u>18,605</u>
Increase in supported borrowing	4,094	4,051
Increase in other (unsupported) borrowing	<u>12,774</u>	<u>14,554</u>
	<u>16,868</u>	<u>18,605</u>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 38. FUTURE CAPITAL COMMITMENTS

As at 31<sup>st</sup> March 2020, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2020/21 and future years. The major commitments, in excess of £1m, are shown below:

Contract Details	Contract Sum £000	Payments to 31/03/20 £000	Balance Outstanding £000
<b>Council Fund</b>			
Connah's Quay High School	16,490	16,243	247
Penyffordd CP School	6,910	6,398	512
Mold County Hall - Demolition Phases 3 and 4	1,743	729	1,014
Marleyfield House Care Home, Buckley	8,370	462	7,908
Solar PV at Flint Landfill and Crumps Yard Connah's Quay	3,169	0	3,169
	<u>36,682</u>	<u>23,832</u>	<u>12,850</u>
<b>Housing Revenue Account</b>			
SHARP			
- Maes Gwern, Mold	1,512	439	1,073
- Llys Dewi, Penyffordd	3,488	3,308	180
- Dobshill, Hawarden	2,166	1,982	184
- St Andrews, Garden City	2,100	1,764	336
	<u>9,266</u>	<u>7,493</u>	<u>1,773</u>
<b>Total</b>	<u><b>45,948</b></u>	<u><b>31,325</b></u>	<u><b>14,623</b></u>

Further to the commitments listed in the table above, the Council has the strategic aim of meeting the Welsh Government target for all social housing to be brought up to the Welsh Housing Quality Standard (WHQS) by 2020. The Council's in-year programmed WHQS work schemes in line with the Housing Asset Management Strategy have been tendered and have agreed price schedules with contractors. The Council is under no commitment to refurbish any number of houses contractually.

### 39. LEASING

#### Lessee Rentals

##### Finance Leases

The Council has acquired a number of items of vehicles, plant and equipment under finance leases. The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

Asset Classification	2020 £000	2019 £000
Vehicles, plant and equipment	<u>3,685</u>	<u>4,260</u>

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property, plant and equipment acquired by the Council, and finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts of which £552k is due to be paid during the next 12 months (£555k equivalent for the previous financial year).

## NOTES TO THE CORE FINANCIAL STATEMENTS

	2020	Repaid	New	2019
	£000	£000	£000	£000
Finance lease liabilities (net present value of the minimum lease payments):				
Current	552	3	0	555
Non-current	3,926	552	0	4,479
	4,478	555	0	5,034
Finance costs payable in future years	1,498	423	0	1,920
Minimum lease payments	5,976	978	0	6,954

Minimum lease payments - the lowest amount that a lessee can expect to pay on a lease over its lifetime

Finance lease liabilities - the capital element of the minimum lease payments

Finance costs - the interest element of the minimum lease payments

The minimum lease payments and finance lease liabilities will be payable over the following periods:

	Minimum Lease Payments		Finance Lease Liabilities	
	2020	2019	2020	2019
	£000	£000	£000	£000
Not later than one year	927	978	552	555
Later than one year and not later than five years	3,435	4,362	2,453	3,005
Later than five years	1,614	1,614	1,474	1,474
	5,976	6,954	4,479	5,034

### Operating Leases

In 2019/20, operating lease rentals paid amounted to £3,707k (£3,599k in 2018/19).

	2020	2019
Asset Classification	£000	£000
Land	82	79
Buildings	181	162
EFS Fleet Contract	3,029	2,842
Vehicles, plant and equipment	415	516
	3,707	3,599

The prior year figure for Vehicles, Plant and Equipment has been restated to include additional leases identified during preparatory work for the adoption of IFRS 16. Due to the coronavirus pandemic, it has been impracticable to determine whether any of these contracts should be classified as finance leases.

The minimum lease payments due under operating leases in future years are:

	Land	Buildings	EFS Fleet Contract	Vehicles, Plant & Equipment	Total
	£000	£000	£000	£000	£000
	Not later than one year	43	133	3,032	401
Later than one year and not later than five years	171	249	7,594	1,017	9,031
Later than five years *	1,292	992	0	161	2,445
	1,506	1,374	10,626	1,579	15,085

\* Any open ended agreements are calculated to 2032/33 in line with the general principle of the longest leases

## NOTES TO THE CORE FINANCIAL STATEMENTS

During 2016/17 the Council entered into an arrangement where supply and maintenance of all vehicles, along with fleet management, would be undertaken by Essential Fleet Services (EFS). This arrangement is considered to contain embedded leases, therefore payments to EFS are included in the figures above. It is not considered practical to split the payments into lease elements and non-lease elements, therefore the total payments are shown. The figures are adjusted to reflect the fact under this arrangement EFS are reimbursing the Council for existing vehicle leases until their expiry.

### Lessor Rentals

### Operating Leases

The Council leases out property under operating leases largely for economic development purposes. In 2019/20, lease rentals receivable amounted to £2,085k (£2,016k in 2018/19).

The minimum lease payments receivable under operating leases in future years are:

	Land £000	Buildings £000	Total £000
Not later than one year	87	1,890	1,977
Later than one year and not later than five years	246	4,787	5,033
Later than five years *	561	7,485	8,046
	<u>894</u>	<u>14,162</u>	<u>15,056</u>

\* Any open ended agreements are calculated to 2032/33 in line with the general average life of the longest leases

### Finance Leases

The Council does not lease out any properties on finance leases.

## 40. ACCOUNTING STANDARDS ISSUED BUT NOT YET ADOPTED

The Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 has introduced the following changes, amendments and interpretations to existing standards. They are mandatory for the Council's accounting periods beginning on or after 1<sup>st</sup> April 2020 or later periods and may require changes to accounting policies in next year's accounts, but the Council has chosen not to adopt them early.

- IFRS 16 Leases - will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases). CIPFA/LASAAC have deferred implementation of IFRS16 for local government to 1 April 2021
- Amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures
- Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment of Settlement

These changes are not expected to have a material impact on the Council's financial statements.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 41. FINANCIAL INSTRUMENTS

Financial instruments included in the balance sheet are made up of the following financial liabilities and assets:

Short term Creditors (note 17) includes a further £12,308k (2018/19 £11,690k) that does not meet the definition required for inclusion as a Financial Instrument. No long term Creditors meet the definition required for inclusion as a Financial Instrument.

Short term Debtors (note 13) includes a further £37,970k (2018/19 £29,544k) that does not meet the definition required for inclusion as a Financial Instrument.

	Long-Term		Current	
	2020 £000	2019 £000	2020 £000	2019 £000
Financial liabilities at amortised cost				
Principal	279,597	272,379	64,690	44,424
Accrued Interest	0	0	2,903	6,030
<b>Borrowing</b>	<b>279,597</b>	<b>272,379</b>	<b>67,593</b>	<b>50,454</b>
Cash overdrawn	0	0	2,591	1,667
<b>Cash &amp; Cash Equivalents</b>	<b>0</b>	<b>0</b>	<b>2,591</b>	<b>1,667</b>
Finance Leases	3,926	4,479	552	555
<b>Deferred Liabilities</b>	<b>3,926</b>	<b>4,479</b>	<b>552</b>	<b>555</b>
Landfill Aftercare costs	990	990	50	50
Employee Related	0	0	70	62
<b>Provisions</b>	<b>990</b>	<b>990</b>	<b>120</b>	<b>112</b>
Trade Payables	0	0	21,189	24,263
<b>Within Creditors</b>	<b>0</b>	<b>0</b>	<b>21,189</b>	<b>24,263</b>
<b>Total financial liabilities</b>	<b>284,513</b>	<b>277,848</b>	<b>92,045</b>	<b>77,051</b>
Financial assets at amortised cost				
Principal	2,628	2,144	0	0
Accrued Interest	0	0	0	0
<b>Investments</b>	<b>2,628</b>	<b>2,144</b>	<b>0</b>	<b>0</b>
Cash & Cash Equivalents	0	0	30,691	31,906
Accrued Interest	0	0	1,027	96
<b>Cash &amp; Cash Equivalents</b>	<b>0</b>	<b>0</b>	<b>31,718</b>	<b>32,002</b>
Trade Receivables	46	45	18,834	14,301
Loans	9,019	7,726	0	0
<b>Within Debtors</b>	<b>9,065</b>	<b>7,771</b>	<b>18,834</b>	<b>14,301</b>
<b>Total financial assets</b>	<b>11,693</b>	<b>9,915</b>	<b>50,552</b>	<b>46,303</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

Within the Cash and Cash Equivalent line on the Balance Sheet financial assets and liabilities are offset:-

	2020	2019
	Net	Net
	Total	Total
	£000	£000
Financial Assets - Bank Accounts in Credit	31,718	32,002
Financial Liabilities - Cash Overdraft	(2,591)	(1,667)
Net Position reported on Balance Sheet	29,127	30,335

### Material Soft Loans

Soft loans are those advanced at below market rates in support of the Council's service priorities. The loans to NEW Homes to build affordable homes for rent in Flintshire are deemed to be material soft loans. Movements in material soft loan balances during the year are:

	2020	2019
	£000	£000
Opening carrying amount of soft loans	5,477	0
New loans made in year	1,949	7,530
Fair value adjustment on initial recognition	(485)	(2,144)
Interest Accrued	5	75
Amounts Repaid	(81)	0
Movement in discounted amount	50	16
	6,915	5,477

Soft loans have been valued by discounting the contractual payments at the estimated market rate of interest for a similar loan. The market interest rate has been derived using the European Commission's State Aid guidance.

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

	2020			2019		
	Financial Liabilities	Financial Assets	Total	Financial Liabilities	Financial Assets	Total
	Measured at Amortised Cost			Measured at Amortised Cost		
	£000	£000	£000	£000	£000	£000
Interest expense	(13,812)	0	(13,812)	(13,475)	0	(13,475)
<b>Interest payable and similar charges</b>	(13,812)	0	(13,812)	(13,475)	0	(13,475)
Interest income	0	492	492	0	375	375
<b>Interest and investment income</b>	0	492	492	0	375	375
Net gain/(loss)for the year	(13,812)	492		(13,475)	375	



## NOTES TO THE CORE FINANCIAL STATEMENTS

### Fair Value of Assets and Liabilities Carried at Amortised Cost

Financial assets and all non-derivative financial liabilities are carried in the Balance Sheet at amortised cost. Fair values of financial liabilities in the table below have been estimated by calculating the net present value of the remaining contractual cash flows at 31<sup>st</sup> March 2020, using the following methods and assumptions:

- Loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.
- The value of “Lender’s Option Borrower’s Option” (LOBO) loans have been increased by the value of the embedded options. Lenders’ options to propose an increase to the interest rate on the loan have been valued according to a proprietary model for Bermudan cancellable swaps. Borrower’s contingent options to accept the increased rate or repay the loan have been valued at zero, on the assumption that lenders will only exercise their options when market rates have risen above the contractual loan rate.
- The fair values of finance lease liabilities have been calculated by discounting the contractual cash flows at the appropriate AA-rated corporate bond yield.
- No early repayment is recognised for any financial instrument.
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount given the low and stable interest rate environment.

The fair values are calculated as follows, the fair value hierarchy is explained within the Council’s Accounting Policies

	Fair Value Level	2020		2019	
		Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
<b>Financial Liabilities</b>					
PWLB	2	267,163	379,870	248,341	356,556
LOBOs	2	18,950	27,477	18,950	27,350
Lease payables	3	4,479	4,056	5,034	4,683
		290,592	411,403	272,325	388,589
<b>Financial Assets</b>					
Certificates of Deposits	2	0	0	0	0

There has been no change in the valuation techniques used during the year for the financial instruments.

The PWLB fair value is higher than the carrying amount because the Council’s portfolio of loans includes a number of fixed loans where the interest rate payable is higher than the rates available for similar loans at the balance sheet date. This commitment to pay interest above current market rates increases the amount that the Council would have to pay if the lender requested or agreed to early repayment of the loans. The same is the case for LOBOs, with the interest rates higher than the PWLB rates available at the balance sheet date, resulting in a higher fair value.

The Council is in receipt of Loans from the Salix Energy Efficiency scheme delivered by the Welsh Government in partnership with Salix Finance and The Carbon Trust to provide interest free loans. The Council does not account for these loans as soft loans because the fair value adjustment is not material. This approach has also been taken for loans for Vibrant and Viable Places loans.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Disclosure of Nature and Extent of Risks Arising from Financial Instruments

The Council complies with CIPFA's Code of Practice on Treasury Management and Prudential Code for Capital Finance in Local Authorities, both revised in December 2017.

In line with the Treasury Management Code, the Council approves a Treasury Management Strategy before the commencement of each financial year. The Strategy sets out the parameters for the management of risks associated with financial instruments. The Council also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

The Treasury Management Strategy includes an Investment Strategy in compliance with the Welsh Government Guidance on Local Government Investments. This Guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Council's Treasury Management Strategy and its Treasury Management Practices seek to achieve a suitable balance between risk and return or cost. These practices include financial risks such as Credit Risk, Liquidity Risk and Market Risk.

The Council's activities expose it to a variety of financial risks:

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments
- Market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by Flintshire County Council in the Policy Statement and Strategy. Flintshire provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

### Risk - Liabilities

The Council has raised long term finance by either borrowing from the PWLB or the market via LOBOs.

- PWLB – The majority of this debt is fixed rate, hence there is interest rate risk. If rates fall in the future, the Council will be paying higher than the current market rate, however, it is considered more beneficial to have budget certainty on future payments of interest in a low interest rate environment; as at 31<sup>st</sup> March 2020, 3.75% of PWLB debt was variable rate, reducing the interest rate risk but increasing budget uncertainty. There is an option in the Treasury Management Strategy to have £100m variable debt if deemed appropriate. Liquidity risk is managed through the debt maturity profile and a prudential indicator which does not allow any more than 20% of debt to reach maturity in any one year.
- LOBOs - All LOBOs have a fixed rate of interest for a period of between 12 and 23 months followed by a further fixed rate for the period of the loan, however the loan can be recalled by the lender after a certain fixed period of time. LOBOs are used because they have an interest rate lower than PWLB and this is balanced against the risks of rates rising and the loan having to be repaid which results in re-financing risk at a time of higher interest rates. The amount of LOBOs is restricted to £100m of long term borrowing.

Analysis shows that if interest rates rose by 1% the financial effect would be an increase in variable rate debt costs of £290k.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Risk - Loans and Receivables

#### Long Term Investments -

- Investments of more than 1 year are referred to as non-specified investments because of the additional interest rate risk. There is a limit of £4m for long term investments and additional procedures for authorisation by the Corporate Finance Manager.
- Deposits with banks and building societies do carry some credit risk and this is managed by using three rating agencies. The Council uses the following criteria, and investments are made subject to the monetary and time limits shown.

Minimum Credit Rating	Banks Unsecured	Banks Secured	Government	Corporates	Registered Providers
UK Government			£ Unlimited 50 years		
AAA	£2m	£3m	£3m	£2m	£2m 10 years
AA+	5 years	5 years	25 years	5 years	
AA	£2m 4 years	£3m 4 years	£3m 15 years	£2m 4 years	
AA-	£2m 3 years	£3m 3 years	£3m 10 years	£2m 3 years	
A+	£2m 2 years	£3m 2 years	£3m 5 years	£2m 2 years	£2m 5 years
A	£2m 1 year	£3m 1 year		£2m 1 year	
A-	£2m 6 months	£3m 6 months		£2m 6 months	
Pooled Funds	£3m per fund				
BBB-	The Council is restricted to overnight deposits in its' own current account bank where the banks lowest credit rating is BBB+, BBB or BBB- (or equivalent)				
Unrated Local Authorities	£3m 2 years				
Unrated Other	The Council may invest in any other unrated organisation, subject to: <ul style="list-style-type: none"> <li>an external credit assessment and specific advice from the Authority's treasury management adviser (£1m each / 1 year limit)</li> <li>a further policy framework for investing with any other organisations being developed (£100k each / 5 year limit)</li> </ul>				

## NOTES TO THE CORE FINANCIAL STATEMENTS

Analysis shows that if interest rates rose by 1% the financial effect would be an increase in investment income of £311k. If rates fell by 1%, there would be a loss of income for the same amount.

### Other Receivables –

Customers are required to make arrangements to pay outstanding monies due to the Council, based on their ability to pay. Customers are requested to complete a financial assessment form and are required to confirm in writing the amount agreed and the start date of the arrangement, and to make the Council fully aware of any circumstances surrounding their ability to pay which they wish to be taken into account in making the assessment.

### Loans to Subsidiaries –

The Council has committed to provide new affordable homes throughout the County to address the identified housing shortage. A loan has been granted to NEW Homes to build affordable homes for rent in Flint at below market rates of interest. The loan will be repaid from rents. The Council wholly owns NEW Homes and exerts a high level of control over its activities with Cabinet required to approve its 30 year business plan each year. All property assets owned by NEW Homes are provided as security against the loan, at the balance sheet date the value of assets was higher than the value of the loan. All of which serves to mitigate the credit risk posed by NEW Homes failing to meet its obligations to repay the loan.

### Transition to IFRS 9

The Council adopted IFRS 9 Financial Instruments accounting standard with effect from 1st April 2018. The main impact of adopting the new standard is to reclassify financial assets to a category called amortised cost which were previously called loans and receivables. The values included on the Balance Sheet and within the Comprehensive Income and Expenditure Note have not changed as a result.

The Council has adopted the expected credit loss model prescribed by IFRS 9. This is to calculate the risk that future cash flows may not take place as the counterparty could default on their obligations. This methodology is explained within the Council's Accounting Policies. The Council's existing process for calculating impairment losses on trade debtors, lease receivables and contract assets was in line with the new method of collective assessment and therefore there has been no change in methodology of calculating impairments of financial assets.

## 42. PENSIONS

### Pensions – Teachers

Teachers employed by the Council are members of the Teachers' Pension Scheme a multi-employer defined benefit scheme, providing teachers with specified benefits upon their retirement. For accounting purposes it is treated as a defined contribution scheme as the Council is unable to identify its share of assets and liabilities with sufficient reliability. The scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate.

The Council contributes to the scheme by making contributions based on a percentage of teachers' pensionable salaries. In 2019/20 the Council paid £10,822k (£8,356k in 2018/19), which represents 20.75% (average) of teachers' pensionable pay (16.48% in 2018/19). The contributions due in 2020/21 are estimated to be £12,135k, 23.26% of teachers' pensionable pay.

The Council is not liable to the scheme for any other entities' obligations under the plan.

## NOTES TO THE CORE FINANCIAL STATEMENTS

In addition, the Council is responsible for all pension payments relating to the award of discretionary post-retirement benefits on early retirements (also known as added years) it has awarded, together with the related increases, outside of the terms of the teachers' scheme. These are accounted for on a defined benefit basis as detailed in the following section.

### **Pensions - Other Employees**

As part of the terms and conditions of employment of its officers the Council makes contributions towards the costs of post-employment benefits. Officers employed by the Council are members of the Local Government Pension Scheme, the Clwyd Pension Fund, administered locally by Flintshire County Council. This is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment assets.

Discretionary post-retirement benefits awarded on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when payments are made. There are no plan assets built up to meet these pension liabilities.

The Clwyd Pension Fund is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the Clwyd Pension Fund Committee. Policy is determined in accordance with the Pension Fund Regulations.

The principal risks to the Council of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme.

Further information regarding the Clwyd Pension Fund accounts and the Clwyd Pension Fund Annual Report are available from [www.clwydpensionfund.org.uk](http://www.clwydpensionfund.org.uk).

### **Transactions Relating to Retirement Benefits**

The cost of retirement benefits is recognised in the net cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge that is required to be made against Council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the movement in reserves statement. The transactions that have been made in the comprehensive income and expenditure statement and the movement in reserves statement during the year are:

## NOTES TO THE CORE FINANCIAL STATEMENTS

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2020	2019	2020	2019
	£000	£000	£000	£000
<b>Comprehensive Income and Expenditure Statement</b>				
<b>Service Expenditure Analysis -</b>				
Current service cost	28,929	25,330	0	0
Past service cost/(gain)	3,031	10,650	0	0
Curtailments/settlements	378	510	0	0
<b>Other Operating Expenditure -</b>				
Administration expenses	676	917	0	0
<b>Financing and Investment Income and Expenditure</b>				
Net interest expense	8,221	7,384	1,128	1,225
<b>Net charge to surplus / deficit on the provision of services -</b>	<u>41,235</u>	<u>44,791</u>	<u>1,128</u>	<u>1,225</u>
<b>Other Comprehensive Income and Expenditure</b>				
<b>Remeasurement of the net defined benefit liability -</b>				
Return on plan assets	(42,133)	14,293	0	0
Actuarial gains and (losses) - experience gain or (loss)	(3,363)	0	2,678	0
Actuarial gains and (losses) - demographic assumptions	42,293	0	1,797	0
Actuarial gains and (losses) - financial assumptions	22,500	(50,849)	643	(1,745)
<b>Net charge to other comprehensive income and expenditure -</b>	<u>19,297</u>	<u>(36,556)</u>	<u>5,118</u>	<u>(1,745)</u>
<b>Net charge to Comprehensive Income and Expenditure -</b>	<u>60,532</u>	<u>8,235</u>	<u>6,246</u>	<u>(520)</u>
<b>Movement in Reserves Statement</b>				
Reversal of net charges made to surplus / deficit on the provision of services for retirement benefits in accordance with IAS 19	(41,235)	(44,791)	(1,128)	(1,225)
<b>Actual amount charged against the Council fund balance for pensions in the year</b>				
Employers' contributions payable to scheme	23,344	22,346	3,061	3,091
<b>Net debit/(credit) to the movement in reserves statement</b>	<u>(17,891)</u>	<u>(22,445)</u>	<u>1,933</u>	<u>1,866</u>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Pensions Assets and Liabilities in Relation to Retirement Benefits Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit plans is as follows:-

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2020	2019	2020	2019
	£000	£000	£000	£000
Present value of liabilities	(950,686)	(978,105)	(41,448)	(48,499)
Fair value of assets	592,846	618,862	0	0
Surplus/deficit in the scheme	<u>(357,840)</u>	<u>(359,243)</u>	<u>(41,448)</u>	<u>(48,499)</u>

The liabilities total reflects the underlying long-term commitments that the Council has in respect of retirement benefits due. The net liability of £399,288k is included as part of the unusable reserves total on the Balance Sheet.

Reconciliation of present value of the scheme liabilities:-

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2020	2019	2020	2019
	£000	£000	£000	£000
1st April	978,108	891,294	48,499	48,620
Current service cost	28,929	25,330	0	0
Interest cost	23,215	22,867	1,128	1,225
Contributions by scheme participants	5,202	4,897	0	0
Actuarial (gains) and losses - Experience gains or losses	3,363	0	(2,678)	0
Actuarial (gains) and losses - Demographic assumptions	(42,293)	0	(1,797)	0
Actuarial (gains) and losses - Financial assumptions	(22,500)	50,849	(643)	1,745
Benefits paid	(26,747)	(28,289)	(3,061)	(3,091)
Past service costs	3,031	10,650	0	0
Curtailments/settlements	378	510	0	0
31st March	<u>950,686</u>	<u>978,108</u>	<u>41,448</u>	<u>48,499</u>

Reconciliation of fair value of the Local Government Pension Scheme (LGPS) assets:-

	2020	2019
	£000	£000
1st April	618,862	591,049
Interest income	14,994	15,483
Administration Expenses	(676)	(917)
Return on plan assets	(42,133)	14,293
Employer contributions	23,344	22,346
Contributions by scheme participants	5,202	4,897
Benefits paid	(26,747)	(28,289)
31st March	<u>592,846</u>	<u>618,862</u>

## NOTES TO THE CORE FINANCIAL STATEMENTS

The Local Government Pension Scheme's assets consist of the following categories:-

	2020		2019	
	£000	£000	£000	£000
Equity investments:				
Global Quoted*	45,799		49,509	
Emerging Markets*	<u>32,900</u>		38,369	
		78,699		87,878
Bonds:				
Overseas Other	59,567		68,694	
LDI*	<u>103,794</u>		<u>141,101</u>	
		163,361		209,795
Property:				
UK*	39,421		34,037	
Overseas	<u>2,585</u>		<u>6,807</u>	
		42,006		40,844
Cash:				
Cash Accounts*	<u>7,921</u>		<u>1,238</u>	
		7,921		1,238
Alternatives:				
Hedge Funds	46,082		46,415	
Private Equity	81,366		71,169	
Infrastructure	38,915		22,279	
Timber & Agriculture	6,828		7,426	
Private Credit	14,264		10,521	
DGF	<u>113,404</u>		<u>121,297</u>	
		300,859		279,107
		<u>592,846</u>		<u>618,862</u>

\* Denotes classes of assets that have a quoted market price in an active market.

The scheme maintains positions in a variety of financial instruments which exposes it to a variety of financial risks including credit risk, counterparty risk, liquidity risk, market risk and exchange rate risk. Risk management procedures are annually reviewed and focus on the unpredictability of financial markets and implementing restrictions to minimise these risks. The current policy is to lower risk by diversifying investments across asset classes, investment regions and fund managers.

### Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependant on assumptions about mortality rates, salary levels, etc. The liabilities have been assessed by Mercer Human Resource Consulting Limited, an independent firm of actuaries; estimates for the County Council are based on the latest full valuation of the scheme as at 31<sup>st</sup> March 2019. The significant assumptions used by the actuary are:



## NOTES TO THE CORE FINANCIAL STATEMENTS

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2020	2019	2020	2019
<b>Mortality Assumptions</b>				
Longevity at 65 for current pensioners -				
Men	22.5yrs	23.2yrs	22.5yrs	23.2yrs
Women	24.9yrs	25.7yrs	24.9yrs	25.7yrs
Longevity at 65 for future pensioners -				
Men	24.1yrs	25.9yrs	n/a	n/a
Women	26.9yrs	28.4yrs	n/a	n/a
Rate of inflation (Consumer Prices Index)	2.1%	2.2%	2.1%	2.3%
Rate of increase in salaries	3.4%	3.5%	n/a	n/a
Rate of increase in pensions	2.2%	2.3%	2.2%	2.4%
Rate for discounting scheme liabilities	2.4%	2.4%	2.4%	2.4%

The estimation of the defined benefit obligation is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below are calculated by altering relevant assumptions by the amount specified, whilst assuming that all other variables remain the same. This approach is not necessarily realistic, since some assumptions are related; for example, if the scenario is to show the effect of higher than expected inflation, it might be reasonable to expect that nominal yields on corporate bonds will be higher too. However, the analysis isolates one effect from another.

	Impact of Increase on Defined Benefit Obligation	Impact of Decrease on Defined Benefit Obligation
	£000	£000
Longevity (increase / decrease in 1 year)	(27,206)	27,206
Rate of inflation (increase / decrease by 0.1%)	(16,567)	16,567
Rate of increase in salaries (increase / decrease by 0.1%)	(1,730)	1,730
Discount Rate (increase / decrease by 0.1%)	16,293	(16,293)
Change in 19/20 Investment Returns (increase/decrease by 1%)	5,987	(5,987)

Increases in pensions are linked to increases to inflation (CPI) therefore the impact is the same for rate of inflation and rate of increases in pensions.

### Impact on Cash Flows

Regulations governing the scheme require actuarial valuation to be carried out every three years. Contributions for each employer are set having regard to their individual circumstances. The Regulations require the contributions to be set with a view to targeting the scheme's solvency, and the detailed provisions are set out in the Clwyd Pension Fund Funding Strategy Statement. The most recent valuation was carried out as at 31<sup>st</sup> March 2019, which showed a shortfall of assets against liabilities of £177million as at that date; equivalent to a funding level of 91%. The scheme's employers are paying additional contributions over a period of up to 13 years in order to meet the shortfall.

The total contributions expected to be made to the LGPS by the Council in the year to 31<sup>st</sup> March 2021 is £21.34m.

The duration of the defined benefit obligation for LGPS members is 17 years 2019/20 (18 years 2018/19).

### Impact of 'McCloud' Judgement

A judgement in the Court of Appeal relating to Fire and Judiciary pension schemes has ruled that transitional protections offered to older members of the schemes, when they were reformed in 2015, constituted unlawful age discrimination. The judgements are commonly referred to as the McCloud Judgement. Whilst the judgements were only in relation to Fire and Judiciary pension schemes, all the main Public Service Schemes implemented some form of transitional protections. This included the LGPS in 2014, which increased levels of transitional protections to older scheme members in changing from a final salary to a career average pension scheme, which are now ruled unlawful by the McCloud judgement. The Supreme Court denied the Government's application for leave to appeal the decision.

## NOTES TO THE CORE FINANCIAL STATEMENTS

The estimated impact of the McCloud judgement was included in the Council's accounts in 2018/19, based on general assumptions provided by the Government Actuary's Department at the time. The 2019/20 IAS 19 calculations include the current estimated impact of McCloud, and any difference between the two years is dealt with as an experience gain or loss, as would any other difference as a result of changes in assumptions between accounting years. Any estimated liability from the current employment of scheme members arising from the impact of McCloud is included in the current service cost. At 31<sup>st</sup> March 2020 the Government has not indicated the final remedy for McCloud but has confirmed that the remedy will impact on the LGPS pension scheme.

### **Guaranteed Minimum Pension (GMP)**

GMP is the minimum pension that the pension scheme must provide its members who contracted out of the State Earnings Related Pension Scheme between April 6<sup>th</sup> 1978 and April 5<sup>th</sup> 1997. Following a judgement in May 1990 it is a legal requirement for men and women to receive equal benefits from that date, but it was not until a second legal judgement in October 2018 that further clarity was supplied on how this might be achieved. Indication from the Government suggests that they do not believe that this will affect benefits in public sector pension schemes. As a result there is no provision in the accounts specifically for GMP equalisation.

There is a second issue in relation to GMP which means that there is a possibility that all public sector schemes will be required to index link GMP benefits for members who reach their State Pension Age after April 2021. The potential impact on the Council has been estimated at £3,026k, and is included above in the Comprehensive Income and Expenditure Statements as a past service cost which increases the Council's pension liability by the same amount.

### **The potential impact of COVID-19**

During March 2020 the full extent of the COVID-19 pandemic was becoming apparent, causing some turmoil in equity markets around the world. This gives rise to a risk that some asset valuations used in the IAS 19 disclosures (which produce the estimates of the pension deficit shown in the Balance Sheet, and the entries in the Comprehensive Income and Expenditure Statement relating to pension movements in year) might be misstated. This is because in some cases March valuations are unavailable when the IAS 19 disclosures are produced. Instead, valuations for earlier periods are used, adjusted for known differences. This is normal practice, but given the impact of COVID-19 the risk of significant difference between the valuations used for the IAS calculations and the finalised March valuations is considered to be higher. In addition, the nature of the asset holding of the Clwyd Pension Fund is such that around 31% of the assets attributed to the Council, £186m, are investments in private markets making them harder to value. The Clwyd Pension Fund continues to receive updated valuations as at 31<sup>st</sup> March 2020 for its Private Market Assets and the latest available asset valuations have been used for the completion of the IAS 19 calculations by the Fund's actuary.

The Clwyd Pension Fund portfolio of investments holds a number of Pooled Property Investments. The underlying properties, upon which the value of the investments are based, are, in the most part, valued by independent, regulated firms of surveyors and valuers. The Royal Institute of Chartered Surveyors (RICS) announced that the COVID-19 pandemic has had an effect on the practices and procedures of valuation professionals. RICS have stated that inspecting property may be difficult due to firms' own internal procedures, government restrictions or the occupants unwillingness to grant access, and that a lack of commercial activity has limited the amount of market data able to be used as comparators.

In light of this, RICS has advised its regulated members to consider whether it is necessary to declare 'material valuation uncertainty' over the property/properties being valued. As a consequence a number of Investment Managers are making declarations of 'material uncertainty' regarding the value of their Pooled Property Funds. Certain managers, including some with which CPF hold investments, consider the uncertainty in value of the funds significant enough to have suspended subscription and redemption within their Pooled Property vehicles.

As at 31 March 2020 the value of CPF's Pooled Property Investments reported by their investment managers was £127.5 million. The Council's share of this investment is approximately £42.0 million. Based on this it has been estimated that a fall in value of approximately 11.4% could lead to a potential material difference in the assets allocated to the Council, and therefore an increase in the net liability attributable to the Council.

## NOTES TO THE CORE FINANCIAL STATEMENTS

The risk that the impact of COVID-19 will affect economic factors such as the valuation of assets, currency markets, interest rates and inflation rates remains high. Since these factors are used to inform the IAS actuarial calculations in respect of both assets and liabilities, this may have an impact on the calculation of the pension deficit in the future.

### Reduction in Deficit

The Clwyd Pension Fund assets attributed to the Council have reduced in value from £618,862m as at 31st March 2019 to £592,846m as at 31st March 2020. However the liabilities have also fallen, from £978,105m to £950,686m over the same period, leading to a reduction of £1,403m in the Pension Fund deficit.

Asset values are based on the latest asset valuations available to the actuary, and additional risks to the accuracy of these valuations as a result of COVID-19 are discussed in the paragraph above. With regard to liabilities, this note includes a reconciliation of the present value of the scheme liabilities, which is shown above. Key factors leading to the reduction in the liabilities include a change in the mortality rate as a result of a reduction in expected future life expectancy, a reduction in the assumption of the level of inflation, and an assumption that there will be continuing pay restraint in the public sector over the four years to April 2023 (i.e. the life of the latest actuarial valuation).

### 43. POOLED BUDGETS FOR HEALTH AND SOCIAL CARE

Under regulation 19(1) of the Partnership Arrangements (Wales) Regulations 2015, a pooled budget arrangement has been agreed between North Wales local authorities and the Betsi Cadwaladr University Health Board in relation to the provision of care home accommodation for older people. The arrangement came into effect on 1st April 2019. Denbighshire County Council is acting as host authority during the initial term of the agreement (2019/20 to 2021/22). The transactions for Flintshire County Council only, £6,870k, are included in the Social Services line of the Comprehensive Income and Expenditure statement.

Income and expenditure for these pooled budget arrangements for the year ending 31st March 2020 are as follows; the contributions for Q4 are included for information only and have not been accrued in each partners' accounts. As per the Partnership Agreement, these payments will be made in arrears during 2020/21.

	2020
	£000
<b><u>Care Homes for Older People</u></b>	
<b><u>Expenditure</u></b>	
Care Home costs	93,903
<b>Total Expenditure</b>	<b><u>93,903</u></b>
<b><u>Funding</u></b>	
Denbighshire County Council	(9,041)
Conwy County Borough Council	(13,417)
Flintshire County Council	(8,916)
Wrexham County Borough Council	(11,059)
Gwynedd Council	(7,839)
Isle of Anglesey County Council	(5,075)
Betsi Cadwaladr University Health Board	<u>(38,556)</u>
<b>Total Funding</b>	<b><u>(93,903)</u></b>
(Surplus) / Deficit transferred to Reserve	0

## HOUSING REVENUE ACCOUNT - INCOME AND EXPENDITURE AND MOVEMENT ON RESERVES STATEMENTS

for the year ended 31<sup>st</sup> March 2020

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with the legislative framework; this may be different from the accounting cost. The increase or decrease in the year, on the basis on which rents are raised, is shown in the Movement on the Housing Revenue Statement.

	2020		2019	
	£000	£000	£000	£000
<b>Expenditure</b>				
Repairs and maintenance		7,429		7,239
Management and supervision		4,685		3,962
Specialist Services		1,497		1,556
Rents, rates, taxes and other charges		67		65
Depreciation and impairment of non-current assets		33,929		30,415
Debt management costs		47		44
Increase in bad debt provision		483		548
Total expenditure		<u>48,137</u>		<u>43,829</u>
<b>Income</b>				
Dwelling rents (gross)	35,263		33,395	
Non-dwelling rents (gross)	<u>418</u>		<u>403</u>	
		35,681		33,798
Charges for services and facilities		1,229		1,190
Reimbursement of Costs		3		0
Contribution towards expenditure		239		160
Total income		<u>37,152</u>		<u>35,148</u>
<b>Net cost of HRA services as included in the whole authority Comprehensive Income and Expenditure Statement</b>		<b>10,985</b>		<b>8,681</b>
<b>Other Operating Expenditure</b>				
Net (gain) / loss on the disposal of non-current assets		0		(76)
Admin. expenses on the net defined benefit liability		40		54
<b>Financing and Investment Income and Expenditure</b>				
Interest payable and similar charges		5,096		4,985
Net interest on the net defined benefit liability (see note 42)		526		481
<b>Total (surplus) / deficit for the year on HRA services</b>		<b><u>16,647</u></b>		<b><u>14,125</u></b>

This statement shows how the surplus/deficit on the Housing Revenue Account Income and Expenditure Statement for the year reconciles to the surplus/deficit for the year on the Statutory Housing Revenue Account.

	Note (from core notes)	2020 £000	2019 £000
At 1st April		2,221	1,918
Surplus/(deficit) on the HRA income and expenditure statement		(16,647)	(14,125)
<b>Total comprehensive income and expenditure</b>		<u>(16,647)</u>	<u>(14,125)</u>
Adjustments between accounting and funding basis under regulations	7	17,315	14,428
<b>Increase/(decrease) in year on the HRA</b>		<u>668</u>	<u>303</u>
At 31st March		<b><u>2,889</u></b>	<b><u>2,221</u></b>

## NOTES TO THE HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT

### 1. LEGISLATION

The Housing Revenue Account (HRA), in accordance with the Local Government and Housing Act 1989, reflects a statutory obligation to account separately for local authority housing provision. It shows the major elements of housing revenue expenditure - maintenance, rent rebates, administration - and capital financing costs, and how these are met by rents, subsidy and other income.

### 2. HOUSING STOCK

The type and number of dwellings at 31<sup>st</sup> March 2020 were:-

Type	2020 No.	2019 No.
Houses	4,098	4,076
Flats	1,376	1,378
Maisonettes	10	10
Bungalows	1,797	1,798
	<u>7,281</u>	<u>7,262</u>

### 3. RENT ARREARS

The rents total of £1,586k (£1,783k in 2018/19) includes, in addition to the basic rent element, amounts due in respect of water/sewerage rates, heating charges, household insurance, communal television licences and value added tax on some garage rentals. These individual rent elements cannot be separately identified from the whole.

Analysis of arrears	2020 £000	2019 £000
<b>Rents</b>		
Current tenants	1,570	1,630
Former tenants	16	153
	<u>1,586</u>	<u>1,783</u>
<b>Provision for impairment losses (bad debts)</b>	<b>£000</b>	<b>£000</b>
Opening provision	645	578
Written off in year	(625)	(476)
Increase in provision	448	543
	<u>468</u>	<u>645</u>

## NOTES TO THE HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT

### 4. NON-CURRENT ASSET ACCOUNTING

#### Capital Expenditure and Financing

HRA capital expenditure of £29,782k was incurred as follows; £0k - Land, £27,618k - Council Dwellings, £2,164k - Assets Under Construction, £0k – equipment, (£27,033k in 2018/19). Financed as follows:-

	Capital Receipts £000	Capital Grants & Contributions £000	Revenue Contributions £000	Borrowing £000	Total £000
Capital financing	236	6,390	14,776	8,380	29,782
	236	6,390	14,776	8,380	29,782

#### Major Repairs Allowance (MRA)

Included within the capital grants and contributions total (£6,390k) is the 2019/20 MRA allocation figure of £5,060k (£5,065k in 2018/19). The MRA allocation figure is included within the government grants – general line in the Comprehensive Income and Expenditure Statement. This Welsh Government grant was fully used in 2019/20 in financing qualifying capital expenditure.

#### Capital Receipts

Gross capital receipts of £0k (£147k in 2018/19) were realised by way of the disposal of dwellings, land sales, and shared ownership sales:-

	2020 £000	2019 £000
Council dwellings	0	61
Shared Ownership Sales	0	86
Land sales	0	0
	0	147

#### Depreciation

Straight line depreciation is provided for on all HRA non-current assets with a finite useful life, other than for non-depreciable land. The charge of £5,368k (£5,308k in 2018/19) is based on the 2019/20 opening net balance sheet valuations (valuation list less cumulative depreciation), with assumed nil residual values.

	2020 £000	2019 £000
Dwellings	5,040	5,045
Garages	20	20
Other Land & buildings	118	53
Plant and equipment	190	190
	5,368	5,308

#### Impairment Losses and Revenue Expenditure Funded from Capital Under Statute

A HRA impairment adjustment total of £28,560k was accounted for in 2019/20 (£25,264k in 2018/19). No revenue expenditure funded from capital under statute was accounted for in 2019/20 (£0k in 2018/19).

## NOTES TO THE HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT

### 5. HRA SHARE OF CONTRIBUTIONS TO / FROM PENSIONS RESERVE

The cost of retirement benefits is recognised in the net cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge required to the HRA is based on the employers' contributions made in year, so the real cost of retirement benefits is reversed out in the movement in reserves statement.

The HRA transactions in the comprehensive income and expenditure statement and the movement in reserves statement during the year are:-

	2020		2019	
	£000	£000	£000	£000
<b>Comprehensive Income and Expenditure Statement</b>				
<b>Service Expenditure Analysis -</b>				
Current service cost	1,587		1,382	
Curtailments/settlements	<u>0</u>		<u>0</u>	
<b>Other Operating Expenditure -</b>		1,587		1,382
Administration expenses	<u>40</u>		<u>54</u>	
<b>Financing and Investment Income and Expenditure</b>		40		54
Net interest expense	<u>526</u>		<u>481</u>	
<b>Total HRA Charge</b>		<u>2,153</u>		<u>1,917</u>
<b>Movement in Reserves Statement</b>				
Reversal of net charges made to surplus / deficit on the provision of services for retirement benefits in accordance with IAS 19		(2,153)		(1,917)
<b>Actual amount charged against the HRA balance for pensions in the year:</b>				
Employers' contributions payable to scheme		1,367		1,305

## STATEMENT OF ACCOUNTING POLICIES

### General Principles

The Statement of Accounts summarises the Council's transactions for the 2019/20 financial year and its position at the year end of 31<sup>st</sup> March 2020. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (Wales) Regulations 2014 which require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code) supported by International Financial Reporting Standards (IFRS). The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

### Accruals of Income and Expenditure

The revenue and capital accounts of the Council are prepared on an accruals basis. Sums are included in the final accounts to cover income or expenditure attributable to the year of account for goods received or work done, but for which payment has not been received/made by 31<sup>st</sup> March 2020. Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. In particular:-

Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption they are carried as inventories on the Balance Sheet.

### Borrowing Costs

The Council has elected to adopt the adaptation by the Code in respect of IAS 23 which allows borrowing costs in respect of qualifying assets to be expensed rather than capitalised. Therefore, all borrowing costs are recognised as an expense as they are incurred.

### Capital Receipts

Capital receipts arise from the disposal of property assets and the repayment of advances, and are accounted for on an accruals basis; amounts not exceeding £10k from any disposal are treated as revenue income, in accordance with capital regulations. The balance of receipts which has not been used for capital financing purposes is included in the Balance Sheet as usable capital receipts.

### Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Balance Sheet and Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

### Charges to Revenue for Non Current Assets

Service Portfolios are charged with the following amounts to record the cost of holding fixed assets during the year:-

- Depreciation attributable to the assets used by the relevant service.
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.
- Amortisation of intangible fixed assets attributable to the service.



## STATEMENT OF ACCOUNTING POLICIES

- The Council is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisation are, therefore, replaced by the contribution in the Council Fund Balance – Minimum Revenue Provision (MRP) - by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

The Council's MRP is calculated in accordance with the 2016/17 MRP Policy Statement agreed by Council in February 2016, subsequently amended in June 2016, February 2017 and March 2018, set in accordance with Welsh Government Guidance on MRP. The Council's Policy is to charge minimum revenue provision of:

- 2% of debt outstanding for the Housing Revenue Account.
- 2% of council fund debt outstanding fixed at 31<sup>st</sup> March 2017, on capital expenditure incurred before 1<sup>st</sup> April 2008 and capital expenditure funded by supported borrowing between 1<sup>st</sup> April 2008 and 31<sup>st</sup> March 2016 using the annuity method.
- Capital expenditure incurred on or after 1<sup>st</sup> April 2008 funded by prudential borrowing, capital expenditure incurred on or after 1<sup>st</sup> April 2016 funded by supported borrowing, and all future debt funded capital expenditure will be repaid based on the expected useful life of the asset using the annuity method.

In addition, the Council may pay off or replace loans earlier than originally planned as part of its debt management strategy, dependent upon prevailing market conditions, risk and financial benefit. A breakdown of MRP charged for the year is disclosed in Note 36.

### **Employee Benefits**

#### ***Benefits Payable during Employment***

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. flexi time, time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year.

The accrual is charged to Surplus or Deficit on the Provision of Services, (but then reversed out through the Movement in Reserves Statement) so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

#### ***Termination Benefits***

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. They are charged on an accruals basis when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructure.

When termination benefits involve the enhancement of pensions, statutory provisions require the Council Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

## STATEMENT OF ACCOUNTING POLICIES

### ***Post Employment Benefits***

Employees of the Council are members of two separate pension schemes:-

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE).
- The Local Government Pension Scheme, Clwyd Pension Fund (administered by Flintshire County Council).

The schemes provide defined benefits to members (retirement lump sums and pensions) earned as employees work for the Council.

However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. The scheme is, therefore, accounted for as if it were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Education and Youth's Portfolio Service line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year.

### ***The Local Government Pension Scheme***

The Local Government Scheme is accounted for as a defined benefits scheme:-

- The liabilities of the pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit credit actuarial cost method – an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate based on the market yields at the reporting date on high quality corporate bonds.
- The assets of Clwyd Pension Fund attributable to the Council are included in the Balance Sheet at their fair value.
- The change in the net pensions liability is analysed into eight components:
  - Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
  - Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Corporate and Central Finance Service Portfolio.
  - Gains or losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Corporate and Central Finance Service Portfolio.

## STATEMENT OF ACCOUNTING POLICIES

- Net Interest on the net defined benefit liability – the net interest expense for the Council, the change during the period that arises from the passage of time – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. Calculated as interest on pension liabilities less the interest on assets. The value of liabilities is calculated by discounting the expected future benefit payments for the period between the expected payment date and the date at which they are being valued. Interest on assets is the interest on assets held at the start of the period and cashflows occurring during the period, calculated using the discount rate at the start of the year.
- Administration expenses – the costs of running the fund attributable to the Council, does not include investment management expenses – debited to Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.
- Return on plan assets – excluding amounts included in net interest on the net defined benefit liability – charged to the Pensions Reserve.
- Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve.
- Contributions paid to the Clwyd Pension Fund – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the Council Fund / HRA balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards.

In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the Council Fund / HRA of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

### ***Discretionary Benefits***

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

### **Events After the Reporting Period**

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:-

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events.
- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

## STATEMENT OF ACCOUNTING POLICIES

### **Fair Value Measurement**

The Council measures some of its non-financial assets such as surplus assets and investment properties and some financial instruments at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Assuming that:

- Transactions take place in the principal market, or the most advantageous market
- Prices are set by market participants acting in their best economic interest
- Non-financial assets will be used in their highest and best use by both buyer and seller

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which the fair value is measured or disclosed in the Council's financial statements are categorized within the fair value hierarchy, as follows:-

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Council can access at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset or liability.

### **Financial Instruments**

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Non-exchange transactions, such as those relating to taxes, benefits and government grants, do not give rise to financial instruments.

### ***Financial Liabilities***

A financial liability is an obligation to transfer economic benefits controlled by the Council and can be represented by a contractual obligation to deliver cash or financial assets with another entity that is potentially unfavourable to the Council.

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, for interest payable, are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. This means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year in the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted or added to the amortised cost of the new or modified loan and the write down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

## STATEMENT OF ACCOUNTING POLICIES

When premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement regulations allow the impact on the Council Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or the discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the Council Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

### **Financial Assets**

A financial asset is a right to future economic benefits controlled by the Council that is represented by cash or other instruments or a contractual obligation to receive cash or another financial asset.

Financial assets are categorised based on a classification and measurement approach that reflects the Council's business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI)

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost.

### **Financial Assets Measured at Amortised Cost**

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

The Council has granted loans to a wholly owned subsidiary, North East Wales Homes (NEW Homes) at less than market rates (soft loans). When soft loans are made to subsidiaries, the difference is recorded as an additional Long Term Investment in the Council's single entity Balance Sheet for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the CIES at a higher effective rate of interest than the rate receivable from NEW Homes, with the difference serving to increase the amortised cost of the loan in the Council's single entity Balance Sheet. Statutory provisions require the impact of soft loans on the Council Fund Balance be the interest receivable for the financial year. The reconciliation of amounts credited to the CIES (at the higher effective interest rate) to the contractual rate of interest receivable required against the Council Fund Balance is managed by a transfer through the Capital Adjustment Account in the Movement in Reserves Statement.

Any gains or losses that arise on derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Financial assets held at amortised cost are shown net of a loss allowance reflecting the statistical likelihood that the borrower or debtor will be unable to meet their contractual commitments to the Council.

## STATEMENT OF ACCOUNTING POLICIES

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. The Council applies the expected credit losses model on all of its financial assets held at amortised cost. The expected credit loss model also applies to lease receivables. The Council's financial assets have shared risk characteristics. The basis for the collective assessment of expected credit losses for the portfolio of financial assets is based on a matrix that uses historical default data for the portfolio, adjusted with relevant local information to adjust loss rates and any further intelligence for specific classes of financial asset where credit risk could increase. The loss allowance is calculated as a cumulative product of this matrix.

### **Government Grants and Contributions**

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:-

- The Council will comply with the conditions attached to the payments; and
- The grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential realised using the grant or contribution are required to be consumed by the recipient as specified or must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors (Grants Receipts in Advance).

When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the Council Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

### **Heritage Assets**

Heritage assets are those assets that the Council intends to preserve in trust for future generations because of their cultural, environmental or historical associations. The Council's heritage assets include historical buildings, its archive (record office) collections, and museum collections.

#### ***Historical Buildings***

The Council's historical buildings are located primarily in the Greenfield Valley Heritage Park. Historical buildings are classified as operational or non-operational.

#### ***Operational***

If in addition to being held for their heritage characteristics, they are used for other activities or to provide other services; they are valued in the same way as other buildings of that general asset type, and accounted for as operational assets.

## STATEMENT OF ACCOUNTING POLICIES

### ***Non-Operational***

If held for their heritage characteristics only; they are valued in accordance with FRS 30 (Heritage Assets). Consideration has been given to the categorisation and valuation of these assets on the basis of their existing and any potential alternative use. The majority of these do not command a market value and given their nature such value cannot be made on replacement cost basis; as such, historical cost measurement is considered appropriate where records are held. In accounting for these assets, it is recognised that the acquisition of the majority of them pre-date the existence of the current administrative authority (i.e. pre 1996 Local Government Re-organisation), and thereby prevents the collection of accurate/total historical cost information for accounting purposes.

### ***Collections:-***

#### ***County Archives***

The archives, ranging from a single piece of paper to thousands of documents, are held under a variety of terms, the most common ones being deposit (long-term loan), gift or purchase.

The majority of archives are held on deposit. No attempt has been made to assign a cash or insurance value to this irreplaceable historical and cultural heritage, although in cases where the archives have been purchased, records of their saleroom value at the time may exist. Obtaining a valuation of all the owned assets would be a lengthy, resource intensive and costly exercise, and any market value placed on these assets would not be a true reflection of the value of the assets to the County's heritage; the assets, if lost, could not be replaced or reconstructed. Consequently, the Council does not recognise these assets on the Balance Sheet.

A small number of items are artefacts rather than documentary material which forms the large majority of the holdings, and as such are exceptions. The Council considers it appropriate to insure the artefacts even though it does not own them; their historical insurance value is £174,415 and is not considered material for reporting/disclosure purposes.

#### ***County Museum***

The County's museum collection consists of about 6,800 items or groups of items. Of these approximately 260 are displayed at Mold Museum, 200 at Buckley Museum and a group of about 580 items are on loan to Greenfield Valley Trust. The remainder are held in an off-site store. The majority of the collection items have been donated. The vast majority of the collection cannot be valued because of its diverse and unique nature. Conventional valuation approaches lack sufficient reliability and the cost of obtaining the valuations for these items would be disproportionate in terms of the benefit derived. As with the County Archives collection, the Council does not recognise these assets on the Balance Sheet. The museum collections are managed by Aura Leisure & Libraries Ltd. under an SLA although remain under the ownership of FCC.

### ***Intangible Assets***

Intangible assets are non-monetary assets without physical substance. Expenditure on intangible assets is capitalised only where it is expected that future economic benefits will flow to, or service potential be provided to, the Council and where the cost of the asset can be measured reliably.

Development expenditure, or purchased software licences may meet the definition of intangible assets when access to the future economic benefits that they represent is controlled by the Council, either through custody or legal protection; a de minimis expenditure level of £20k below which the requirements of capital accounting will not be applied is in place.

Intangible assets are carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Amortisation commences the first full year following acquisition / addition.

## STATEMENT OF ACCOUNTING POLICIES

The most common useful lives used in respect of amortisation are:-

	Years
Software licences	5
Development expenditure	7

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation charges are not permitted to have an impact on the Council Fund Balance, and are therefore reversed out of the Council Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

### Interest Charges

External interest payable is charged to the Comprehensive Income and Expenditure Statement together with the amortisation of gains and losses on the repurchase or early settlement of borrowing carried forward in the Balance Sheet.

### Inventory

Inventories are included in the Balance Sheet at the lower of cost or net realisable value. The cost of each type of inventory is measured in a different way; the measurements used in respect of the Council's main inventories are:-

- Alltami Depot (grounds & vehicle maintenance and rock salt) Weighted average
- Alltami Depot (fleet fuel) FIFO (first in first out)

All other stock is measured at cost.

### Investments

Investments are shown in the balance sheet at fair value (market value) for each class of financial instrument.

Short term deposits and investments are included in the cash and cash equivalents rather than short term investments if they mature within 3 months of the acquisition date, under IAS 7.

### Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset investment properties are measured at highest and best use.

Properties are not depreciated but are revalued annually reflecting market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the Council Fund Balance. The gains and losses are, therefore, reversed out of the Council Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account (and for any sale proceeds greater than £10k, the Capital Receipts Reserve).



## STATEMENT OF ACCOUNTING POLICIES

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the Council Fund Balance.

### **Joint Committees**

The Council recognises on the Balance Sheet the assets that it controls and the liabilities that it incurs from the activity of any service delivered in conjunction with other parties, and reflects within the Comprehensive Income and Expenditure Statement the expenditure it incurs, and the share of income it earns from such.

### **Leases**

#### ***Finance Leases***

For a lease to be classified as a finance lease substantially all risks and rewards of ownership need to be borne by the Council. There are five examples of situations that individually or in combination would normally lead to a lease being classified as a finance lease. These are:

- The lease transfers ownership of the asset to the lessee by the end of the lease term.
- The lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value so as to make it reasonably certain the option will be exercised.
- The lease term is for the major part of the economic life of the asset.
- The present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset (the Council have determined 'substantially all' to equate to 90% as advised by their independent lease consultants); and
- The leased assets are of such a specialised nature that only the lessee can use them without major modifications.

Where substantially all risks and rewards of ownership of a leased asset are borne by the Council, the asset is recorded as property, plant and equipment and a corresponding liability is recognised.

The value at which both are recognised is the lower of the fair value of the asset or the present value of the minimum lease payments, discounted using the interest rate implicit in the lease. The implicit interest rate is that which produces a constant periodic rate of interest on the outstanding liability.

The property, plant and equipment acquired under finance leases are depreciated over the life of the asset as per the depreciation accounting policy. The asset and liability are recognised at the inception of the lease, and are de-recognised when the liability is discharged, cancelled or expires.

The annual rental is split between the repayment of the liability and a finance cost. The annual finance cost is calculated by applying the implicit interest rate to the outstanding liability.

#### ***Operating Leases***

Leases that do not meet the definition of finance leases are accounted for as operating leases. Operating lease rentals are charged to revenue accounts, on an accruals basis, on a straight-line basis over the term of the lease.

Property leases are classified and accounted for as separate leases of land and buildings.

## STATEMENT OF ACCOUNTING POLICIES

### Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

### Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

### Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment that is deemed to enhance the value of an asset is initially capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Such assets are subsequently revalued in-year and impaired or revalued as appropriate to ensure they are held at the correct carrying value.

Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred. A de minimis expenditure level of £20k below which the requirements of capital accounting will not be applied is in place.

### Measurement

Assets are initially measured at cost, comprising:-

- The purchase price.
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.
- The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Assets are then carried in the Balance Sheet using the following measurement bases:-

- Council dwellings – current value, determined using the existing use value for social housing (EUV – SH).
- Infrastructure assets – depreciated historical cost.
- Vehicles, plant, furniture and equipment – depreciated historical cost.
- All other operational assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).
- Community assets – historical cost and depreciated

## STATEMENT OF ACCOUNTING POLICIES

- Surplus assets – current value measurement is based on fair value, estimated at highest and best use from a market participant's perspective.
- Assets under construction – historical cost.

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value.

Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

### Revaluation

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. The Council meets this requirement by revaluing a proportion of the total asset portfolio as at 1<sup>st</sup> April each year; in 2019/20 approximately 29% of operational non-dwelling assets were revalued. Valuations are undertaken in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation – Professional Standards Global and UK Edition (January 2014). Valuations are carried out by the Council's in-house RICS valuers wherever possible, but in some cases external valuers are used.

The valuation methodology used for the HRA Housing Stock is the Beacon Approach, an adjusted vacant possession value technique based on the value of the property assuming vacant possession, with an adjustment factor to reflect continued occupation by a secured tenant. This methodology - the most widely adopted amongst local authorities in Wales - is the methodology that is most likely to produce consistent valuations of similar HRA properties in different local authorities. The current value of council dwellings is measured using existing use value–social housing (EUV–SH) as defined by RICS Valuation Standards, being the estimated amount for which a property should exchange (on the date of valuation) between a willing buyer and a willing seller, in an arm's-length transaction.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

### Impairment

Assets are reviewed for impairment at the end of each reporting period to ensure that they are not carried at a value higher than their recoverable amount. Examples of impairment include a significant reduction in a specific assets value and evidence of physical damage (e.g. fire damage).

## STATEMENT OF ACCOUNTING POLICIES

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall. Where impairment losses are identified, they are accounted for as follows:-

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of any accumulated gains).
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is subsequently reversed, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

### Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets with a finite useful life. An exception is made for assets without a determinable finite useful life and assets that are not yet available for use (i.e. assets under construction). Depreciation on new assets is charged from the first full year following addition in the case of all assets other than those acquired under finance leases, for which provision is made from the year of addition.

Depreciation is calculated on a straight line basis, assuming nil residual values for all property plant and equipment, with the most common useful lives being:-

	Years
Buildings	50
Vehicles, plant, furniture and equipment	3-10
Infrastructure assets	40

Council Dwellings are depreciated by a sum equivalent to the Major Repairs Allowance (MRA).

Assets capitalised under finance leases are depreciated over the life assigned to the asset by either the contract in place or, in the absence of this information being available, the Council's independent lease consultants as a result of their review of the lease.

Assets under Construction are not depreciated until the asset is brought into use.

### Componentisation

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item and whose estimated useful life is significantly different from the useful life of the main asset, the components are depreciated separately.

A de minimis materiality level of £2.5m for the asset value has been set, below which individual items of property, plant and equipment will not be considered for componentisation; significant components will be deemed as those whose current value is 20% or more of the total current value of the asset.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

## STATEMENT OF ACCOUNTING POLICIES

### **Derecognition of Property, Plant and Equipment**

An item of Property, Plant or Equipment is derecognised by disposal or when no future economic benefit or service potential is expected from its use.

### **Disposals and Non-Current Assets Held for Sale**

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale once all of the following criteria are met:

- The asset must be available for immediate sale in its present condition subject to terms that are usual and customary for sales of such assets.
- The sale must be highly probable; the appropriate level of management must be committed to a plan to sell the asset and an active programme to locate a buyer and complete the plan must have been initiated.
- The asset (or disposal group) must be actively marketed for a sale at a price that is reasonable in relation to its current fair value.

The sale should be expected to qualify for recognition as a completed sale within one year of the date of classification and action required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously recognised losses in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale (adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale) and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10k are categorised as Capital Receipts. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the Council Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax or rents, as the cost of non-current assets is fully provided for under separate capital financing arrangements. Amounts are appropriated to the Capital Adjustment Accounts from the Council Fund Balance in the Movement in Reserves Statement.

## STATEMENT OF ACCOUNTING POLICIES

### Provisions, Contingent Liabilities and Contingent Assets

#### Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of obligation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

#### Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

#### Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

#### Schools

All of the Council's maintained schools are considered to be entities controlled by the Council. In line with the requirements of the code the Council accounts for its maintained schools within its single entity financial statements. This includes school income, expenditure, assets, liabilities, reserves and cash flows.

#### Non-current Assets - Schools

Non-current assets of Community schools are owned by the Council and are included in the Balance Sheet.

## STATEMENT OF ACCOUNTING POLICIES

Voluntary Aided and Voluntary Controlled school buildings are owned by religious bodies and therefore are not recognised on the Balance Sheet. Any land and/or playing fields that are owned by the Council at Voluntary Aided / Controlled schools is included on the Balance Sheet. The Council's single Foundation school is owned by the governors of the school and is therefore included in the Balance Sheet.

### **Subsidiaries**

The Council wholly owns three companies called, North East Wales Homes and Property Management (NEW Homes), Newydd Catering & Cleaning Ltd, and Theatr Clwyd Productions Ltd.

As the Council controls these entities the Code requires that their accounts are consolidated into the Council's group accounts. In the Council's single entity accounts, the interests in subsidiaries is recorded at cost.

### **Reserves**

Amounts set aside for purposes falling outside the definition of provisions are considered as reserves. They represent either a planned set-aside of cash to resource unforeseen expenditure demands in the short term, resources to assist cash flow management or accumulated resources which have not been spent or earmarked at the end of the accounting period. Transfers to and from Reserves are shown as appropriations in the Movement In Reserves Statement.

### **Revenue Expenditure Funded from Capital Under Statute (REFCUS)**

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year.

Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the Council Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the levels of council tax or rent.

Examples of REFCUS expenditure are Disabled Facilities grants, grants to businesses and private property enhancement schemes.

### **Value Added Tax**

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

## GROUP ACCOUNTS

The Code requires that a local authority with material interests in subsidiaries, associates and joint ventures should prepare Group Accounts in addition to its single entity accounts.

A subsidiary is an entity including an unincorporated entity such as a partnership that is controlled by another entity (the Council), known as the parent.

For Group Accounts purposes the Council has consolidated the accounts of three wholly owned subsidiaries of the Council;

- North East Wales Homes Limited (NEW Homes),
- Newydd Catering & Cleaning Ltd, and;
- Theatr Clwyd Productions Ltd

The Council's other collaborative working arrangements have been reviewed against the requirements of the Code, and it has been determined that none of these arrangements require inclusion in Group Accounts.

The Group Accounts include:

- Group Movement in Reserves Statement
- Group Comprehensive Income and Expenditure Statement
- Group Balance Sheet
- Group Cash Flow Statement

### NEW Homes

NEW Homes was established on 3<sup>rd</sup> April 2014 to own, lease and manage properties with the aim of increasing the quantity and quality of affordable housing across the county, whilst providing a professional service to landlords and tenants.

NEW Homes is a company limited by shares, wholly owned by the Council (1 at £1 par value), established under section 95 of the Local Government Act 2003. The Council has a high level of control over NEW Homes as the single shareholder approving:

- the issue of share capital
- the distribution of trading surplus
- annual business plan
- any asset disposals
- any borrowing against assets
- appointment of directors to the board

Further information on NEW Homes is available on its website [www.northeastwaleshomes.co.uk](http://www.northeastwaleshomes.co.uk),

NEW Homes currently owns and manages 115 units across Flintshire. These are made up of a combination of newly built properties developed through the Council's Strategic Housing and Regeneration Programme (SHARP) and properties negotiated with developers through Section 106 agreements. 45 properties have been donated by private developers for £1 each under section 106 agreements to provide affordable housing. These agreements between developers and local planning authorities are negotiated as part of a condition of planning consent and enable local authorities to negotiate contributions towards a range of infrastructure and services, including affordable housing. The total value of these properties in the NEW Homes Balance Sheet is £7,481k. The remaining 70 properties are new build affordable homes for rent in Flintshire. The total value of these properties in the NEW Homes Balance Sheet is £9,182k.

The Council and NEW Homes enter into a nomination rights agreement in respect of each property, which entitles the Council to select every tenant, and uses this to house people on the Flintshire affordable housing register.



## GROUP ACCOUNTS

The NEW Homes Business Plan proposes to expand the company over the next three years. This will bring the total number of properties managed by NEW Homes to 228 by 2022/23.

### **Newydd Catering & Cleaning Ltd**

Newydd Catering & Cleaning Ltd a new Local Authority Trading Company incorporated on 28<sup>th</sup> February 2017 as a Company limited by shares with the Council owning all of the shares, 100 at £1 par value. The Catering and Cleaning service has been created with the objective to be more responsive to the demands of the market and be free to attract new customers outside of the Council.

The Council has a high level of control over Newydd as the single shareholder approving;

- any strategic objectives and decisions
- any transfer or transmission of shares in the Company
- the retention or distribution of any financial surplus
- the issue by the Company of any shares in the capital of the Company, and the rights and/or restrictions of any shares.
- any borrowing against assets

Further information on Newydd Ltd is available on its website [www.newydd.wales](http://www.newydd.wales)

### **Theatr Clwyd Productions Ltd**

Theatr Clwyd Productions was incorporated on 22<sup>nd</sup> Dec 2015 as a Company limited by shares with the Council owning all of the shares, 1 at £1 par value. The company was established for the theatre to produce its own productions operating under the advantages available to Theatrical Production Companies.

The Council has a high level of control over Theatr Clwyd Productions as the single shareholder approving;

- the Business Plan and any decision that the Company should undertake on any business other than in accordance with the Business Plan.
- any changes to the memorandum and/or articles of association
- the issue of any shares
- any borrowing (unsecured or secured by a legal charge against land or buildings owned by the company)

### **Risk Management**

The relationship between the Council and its subsidiaries includes business plans which are developed by the subsidiaries being approved by the Council's cabinet. This provides the cabinet with the ability to understand the broad risk environment in which the subsidiaries operate, consider specific risks that the subsidiaries face and assess the way in which subsidiaries manage and mitigate those risks. This provides assurance to the Council that risks are appropriately managed and mitigated and that the Council's own exposure to risk is therefore minimised. The Council is currently working with subsidiaries to manage and mitigate specific risks arising from the impact of COVID-19

The performance of New Homes and Newydd is scrutinised by the appropriate Council scrutiny board. The subsidiaries are subject to Internal Audit by the Council's internal audit team which also helps provide assurance that risk is being managed and that control mechanisms are in evidence and operating effectively.

### **Accounting Policies**

The accounting policies for the Group follow those adopted by Flintshire County Council in the single entity statements, as detailed on pages 74 to 89. Where the subsidiaries accounting policies are different, adjustments have been made on consolidation to align any differences in accounting treatment

## GROUP MOVEMENT IN RESERVES STATEMENT

for the year ended 31<sup>st</sup> March 2020

	Council Fund Reserves £000	Other Useable Reserves £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves of the Authority £000	Subsidiary Reserves £000	Total Group Reserves £000
<b>At 31st March 2019</b>	27,334	25,301	52,635	6,831	59,464	2,362	61,826
Total comprehensive income and expenditure	(23,240)	(16,647)	(39,887)	43,748	3,861	7,033	10,894
Adjustments between group accounts and authority accounts	(6,491)	599	(5,892)	0	(5,892)	(5,924)	(11,816)
<b>Net increase/(decrease) before transfers</b>	<b>(29,731)</b>	<b>(16,048)</b>	<b>(45,779)</b>	<b>43,748</b>	<b>(2,031)</b>	<b>1,109</b>	<b>(922)</b>
Adjustments between accounting and funding basis under regulations	26,716	20,314	47,030	(47,030)	0	0	0
<b>Increase/(decrease) in year</b>	<b>(3,015)</b>	<b>4,266</b>	<b>1,251</b>	<b>(3,282)</b>	<b>(2,031)</b>	<b>1,109</b>	<b>(922)</b>
<b>At 31st March 2020</b>	<b>24,319</b>	<b>29,567</b>	<b>53,886</b>	<b>3,548</b>	<b>57,433</b>	<b>3,471</b>	<b>60,904</b>

## GROUP MOVEMENT IN RESERVES STATEMENT

for the year ended 31<sup>st</sup> March 2019

	Council Fund Reserves £000	Other Useable Reserves £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves of the Authority £000	Subsidiary Reserves £000	Total Group Reserves £000
<b>At 31st March 2018</b>	28,575	20,837	49,412	65,606	115,016	2,037	117,053
Total comprehensive income and expenditure	(19,271)	(14,125)	(33,396)	(29,585)	(62,981)	6,884	(56,097)
Adjustments between group accounts and authority accounts	6,957	472	7,429	0	7,429	(6,559)	870
<b>Net increase/(decrease) before transfers</b>	<b>(12,314)</b>	<b>(13,653)</b>	<b>(25,967)</b>	<b>(29,585)</b>	<b>(55,552)</b>	<b>325</b>	<b>(55,227)</b>
Adjustments between accounting and funding basis under regulations	11,073	18,117	29,190	(29,190)	0	0	0
<b>Increase/(decrease) in year</b>	<b>(1,241)</b>	<b>4,464</b>	<b>3,223</b>	<b>(58,775)</b>	<b>(55,552)</b>	<b>325</b>	<b>(55,227)</b>
<b>At 31st March 2019</b>	<b>27,334</b>	<b>25,301</b>	<b>52,635</b>	<b>6,831</b>	<b>59,464</b>	<b>2,362</b>	<b>61,826</b>

## GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

for the year ended 31<sup>st</sup> March 2020

	2020			2019		
	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
	£000	£000	£000	£000	£000	£000
<b>Service Expenditure Analysis</b>						
Chief Executive's	2,847	(249)	2,598	2,707	(147)	2,559
Education & Youth	155,526	(30,909)	124,617	127,529	(27,514)	100,015
Governance	12,483	(2,820)	9,663	11,871	(2,146)	9,725
Housing & Assets	53,381	(37,593)	15,789	60,394	(41,429)	18,965
People & Resources	5,032	(336)	4,697	4,757	(365)	4,392
Planning, Environment & Economy	12,195	(5,687)	6,509	10,858	(4,790)	6,068
Social Services	95,034	(22,249)	72,785	90,093	(21,064)	69,029
Strategic Programmes	8,017	(551)	7,466	10,842	(517)	10,325
Streetscene & Transportation	59,097	(20,718)	38,379	48,555	(10,778)	37,777
Central & Corporate Finance	13,806	(1,011)	12,795	18,016	(3,224)	14,792
Housing Revenue Account	48,137	(37,152)	10,985	43,829	(35,148)	8,681
Clwyd Theatr Cymru	5,516	(5,335)	181	5,721	(5,553)	167
<b>Cost of services</b>	<b>471,072</b>	<b>(164,608)</b>	<b>306,464</b>	<b>435,171</b>	<b>(152,675)</b>	<b>282,495</b>
Other Operating Expenditure*			28,630			26,839
Financing and Investment Income and Expenditure*			21,858			20,442
Taxation and Non-Specific Grant Income			(309,668)			(302,797)
<b>(Surplus)/deficit on the provision of services</b>			<b>47,284</b>			<b>26,979</b>
Tax expenses of subsidiary			(297)			(165)
<b>Group (Surplus)/deficit</b>			<b>46,987</b>			<b>26,814</b>
(Surplus)/deficit arising on revaluation of non-current assets			(19,333)			(9,539)
(Surplus)/deficit arising on revaluation of available-for-sale financial assets			0			0
Tax relating to other comprehensive income			(132)			(107)
Actuarial (gains) or losses on pension assets and liabilities			(24,859)			38,929
<b>Total comprehensive income and expenditure</b>			<b>2,663</b>			<b>56,097</b>

\*2018/19 figure restated as gain on disposal of investment properties (£74k) now included in F&I I&E instead of Other Operating Expenditure

## GROUP BALANCE SHEET

as at 31<sup>st</sup> March 2020

		2020		2019	
	Note	£000	£000	£000	£000
<b>NON-CURRENT ASSETS</b>					
<b>Property, Plant &amp; Equipment</b>					
Council dwellings		199,322		203,171	
Other land and buildings		353,055		328,981	
Vehicles, plant, furniture and equipment		12,208		14,038	
Surplus assets		6,037		7,082	
Infrastructure assets		157,021		156,782	
Community assets		4,789		4,721	
Assets under construction		9,872		25,064	
<b>Total Property, Plant &amp; Equipment</b>	<b>1</b>		742,304		739,839
Investment properties and Agricultural Estate			24,956		27,035
Intangible assets			10		25
Long term investments			(1)		0
Long term debtors			3,253		3,196
<b>NON-CURRENT ASSETS TOTAL</b>			770,522		770,095
<b>CURRENT ASSETS</b>					
Inventories		985		1,151	
Short term debtors (net of impairment provision)		51,944		42,368	
Short term investments		60		100	
Cash and cash equivalents		31,692		32,009	
Assets held for sale		926		1,113	
Current tax asset		0		0	
<b>CURRENT ASSETS TOTAL</b>			85,607		76,741
<b>CURRENT LIABILITIES</b>					
Borrowing repayable on demand or within 12 months		(67,593)		(50,454)	
Short term creditors		(30,696)		(35,488)	
Provision for accumulated absences		(3,178)		(2,666)	
Deferred liabilities		(552)		(555)	
Grants receipts in advance		(1,080)		(1,815)	
Provisions		(1,716)		(1,407)	
Current Tax Liability		0		0	
<b>CURRENT LIABILITIES TOTAL</b>			(104,815)		(92,385)
<b>NON-CURRENT LIABILITIES</b>					
Long term creditors		(1,052)		(1,532)	
Long term borrowing		(279,597)		(272,379)	
Deferred liabilities		(3,926)		(4,491)	
Provisions		(990)		(990)	
Other long term liabilities		(404,106)		(412,231)	
Grants receipts in advance		(739)		(1,002)	
Deferred Tax Liability		0		0	
<b>NON-CURRENT LIABILITIES TOTAL</b>			(690,410)		(692,625)
<b>NET ASSETS</b>			60,904		61,826

## GROUP BALANCE SHEET

as at 31<sup>st</sup> March 2020

		2020		2019	
	Note	£000	£000	£000	£000
<b>USABLE RESERVES</b>					
Capital receipts reserve		18,367		15,945	
Capital grants unapplied		8,311		7,135	
Council fund		11,025		14,020	
Profit and Loss Reserve		(2,403)		(2,743)	
Earmarked reserves		13,294		13,314	
Housing revenue account		2,889		2,221	
<b>USABLE RESERVES TOTAL</b>			51,483		49,892
<b>UNUSABLE RESERVES</b>					
Revaluation reserve		124,542		110,394	
Capital adjustment account		292,977		317,944	
Financial instruments adjustment account		(5,730)		(6,091)	
Pensions reserve		(399,288)		(407,745)	
Deferred capital receipts		98		98	
Accumulated absences account		(3,178)		(2,666)	
<b>UNUSABLE RESERVES TOTAL</b>			9,421		11,934
<b>TOTAL RESERVES</b>			<u>60,904</u>		<u>61,826</u>

**GROUP CASH FLOW STATEMENT**  
for the year ended 31<sup>st</sup> March 2020

	2020		2019	
	£000	£000	£000	£000
Net surplus or (deficit) on the provision of services	(46,529)		(26,529)	
Adjustment to surplus or deficit on the provision of services for non-cash movements	76,244		77,582	
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	<u>(32,955)</u>		<u>(34,124)</u>	
Net cash flows from operating activities		(3,240)		16,929
Net cash flows from investing activities	(25,956)		(35,196)	
Net cash flows from financing activities	<u>28,878</u>		<u>17,915</u>	
<b>Net increase or decrease in cash and cash equivalents</b>		<u>2,922</u> (318)		<u>(17,281)</u> (352)
Cash and cash equivalents at the beginning of the reporting period		32,010		32,361
<b>Cash and cash equivalents at the end of the reporting period</b>		<b>31,692</b>		<b>32,009</b>

## NOTES TO THE GROUP ACCOUNTS

### 1. PROPERTY, PLANT AND EQUIPMENT

	Flintshire County Council £000	NEW Homes £000	NEWYDD £000	Theatr Clwyd Productions Ltd £000	Group £000
<b>Net Book Value at 31st March 2020</b>					
Council Dwellings	199,322	0	0	0	199,322
Other land and buildings	337,275	15,780	0	0	353,055
Vehicles, plant, furniture and equipment	12,124	0	84	0	12,208
Surplus assets	6,037	0	0	0	6,037
Infrastructure assets	157,021	0	0	0	157,021
Community assets	4,789	0	0	0	4,789
Assets under construction	7,002	2,870	0	0	9,872
	<b>723,570</b>	<b>18,650</b>	<b>84</b>	<b>0</b>	<b>742,304</b>

	Flintshire County Council £000	NEW Homes £000	NEWYDD £000	Theatr Clwyd Productions Ltd £000	Group £000
<b>Net Book Value at 31st March 2019</b>					
Council Dwellings	203,171	0	0	0	203,171
Other land and buildings	315,377	13,604	0	0	328,981
Vehicles, plant, furniture and equipment	13,956	0	82	0	14,038
Surplus assets	7,082	0	0	0	7,082
Infrastructure assets	156,782	0	0	0	156,782
Community assets	4,721	0	0	0	4,721
Assets under construction	24,282	782	0	0	25,064
	<b>725,371</b>	<b>14,386</b>	<b>82</b>	<b>0</b>	<b>739,839</b>

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FLINTSHIRE COUNTY COUNCIL

## Report on the audit of the financial statements

### Opinion

I have audited the financial statements of:

- Flintshire County Council; and
- Flintshire County Council's Group.

for the year ended 31 March 2020 under the Public Audit (Wales) Act 2004.

Flintshire County Council's financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the accounting policies. Movement on the Housing Revenue Account Statement and the Housing Revenue Account Income and Expenditure Statement and the related notes, including a summary of significant accounting policies.

Flintshire County Council's Group financial statements comprise the Group Movement in Reserves Statement, the Group Comprehensive Income and Expenditure Statement, the Group Balance Sheet and the Group Cash Flow Statement and the related notes.

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2019-2019 based on International Financial Reporting Standards (IFRSs).

In my opinion the financial statements:

- give a true and fair view of the financial position of Flintshire County Council Flintshire County Council's Group as at 31 March 2020 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2019-20.

### Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)). My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the council and its group in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### Emphasis of Matter – effects of Covid-19 on the Council's assets and property pension fund valuations

I draw attention to Notes 8 and 42 to the financial statements, which describe material valuation uncertainty clauses in the valuation reports on the Council's property and on Pooled Property Funds held by the Clwyd Pension Fund arising from circumstances caused by the Covid-19 pandemic. My opinion is not modified in respect of these matters

### Conclusions relating to going concern

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the responsible financial officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Council's or its group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.



# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FLINTSHIRE COUNTY COUNCIL

## Other information

The responsible financial officer is responsible for the other information in the Statement of Accounts. The other information comprises the information included in the Statement of Accounts other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated later in my report, I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

## Report on other requirements

### Opinion on other matters

In my opinion, based on the work undertaken in the course of my audit:

- the information contained in the Narrative Report for the financial year for which the financial statements are prepared is consistent with the financial statements and the Narrative Report has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019-20;
- The information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and the Annual Governance Statement has been prepared in accordance with guidance.

### Matters on which I report my exception

In the light of the knowledge and understanding of the Council and its group and its environment obtained in the course of the audit, I have not identified material misstatements in the Narrative Report or the Annual Governance Statement.

I have nothing to report in respect of the following matters, which I report to you, if, in my opinion:

- proper accounting records have not been kept;
- the financial statements are not in agreement with the accounting records and returns; or
- I have not received all the information and explanations I require for my audit.

### Certificate of completion of audit

I certify that I have completed the audit of the accounts of Flintshire County Council in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Auditor General for Wales' Code of Audit Practice.

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FLINTSHIRE COUNTY COUNCIL

## Responsibilities

### Responsibilities of the responsible financial officer for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 11, the responsible financial officer is responsible for the preparation of the statement of accounts, including Flintshire County Council's group financial statements, which give a true and fair view, and for such internal control as the responsible financial officer determines is necessary to enable the preparation of statements of accounts that are free from material misstatement, whether due to fraud or error.

In preparing the statement of accounts, the responsible financial officer is responsible for assessing the Council's and its group's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

### Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my auditor's report.

Anthony J Barrett  
For and on behalf of the Auditor General for Wales  
14 September 2020

24 Cathedral Road  
Cardiff  
CF11 9LJ

2019/20

Flintshire County Council – Annual Governance Statement

# What is Governance?

“Governance is at the heart of public services. It underpins how resources are managed, how decisions are made, how services are delivered and the impact they have, now and in the future. It also infuses how organisations are led and how they interact with the public. Governance needs to be robust but it must also be proportionate. Well-governed organisations are dynamic and take well-managed risks; they are not stagnant and bureaucratic.”<sup>1</sup>

The governance framework comprises the culture, values, systems and processes by which an organisation is directed and controlled. The framework brings together an underlying set of legislative requirements, good practice principles and management processes.

Flintshire County Council acknowledges its responsibility for ensuring that there is a sound system of governance. We have developed a Local Code of Corporate Governance that defines the principles that underpin the governance of the organisation. The Local Code forms part of the Council Constitution and can be accessed on our website. A summary of the principles upon which it is based can be found later in this document.

Our governance framework supports our aim as a modern public body which has the **philosophy** of operating as a social business which refers to it:

- being lean, modern, efficient and effective
- being designed, organised and operated to meet the needs of communities and the customer; and
- working with our partners to achieve the highest possible standards of public service for the well-being of Flintshire as a County.

To meet these aspirations, we have set the **standards** of:-

- achieving excellence in corporate governance and reputation.
- achieving excellence in performance against both our own targets and against those of high performing peer organisations.
- being modern and flexible, constantly adapting to provide the highest standards of public, customer, and client service and support.
- using its four resources - money, assets, people and information - strategically, effectively and efficiently.
- embracing and operating the leanest, least bureaucratic, efficient and effective business systems and processes.

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<sup>1</sup> Wales Audit Office: “Discussion Paper: The governance challenges posed by indirectly provided, publicly funded services in Wales” 2017

## ANNUAL GOVERNANCE STATEMENT

To achieve these standards, our **behaviours** are:-

- showing strategic leadership both of the organisation and our partnerships.
- continuously challenging, reviewing, changing and modernising the way we do things.
- being as lean and un-bureaucratic as possible.
- using new technology to its maximum advantage.
- using flexible working to its maximum advantage.

We are committed to the **principles** of being:-

- a modern, fair and caring employer.
- fair, equitable and inclusive in its policies and practices.
- conscientious in planning and managing its activities, and making decisions, in a sustainable way.

We are committed to specific values and principles in working with our key partners and partnerships. These cover strategic partnerships such as with the Public Services Board and with the third sector such as agreeing a set of Voluntary Sector Funding principles.

In previous years the Council's Annual Governance Statement has covered the Clwyd Pension Fund. From 2018/19 the Clwyd Pension Fund have produced their own Annual Governance Statement which will be presented to the Clwyd Pension Fund Board for consideration and approval.

The last quarter of 2019/20 has seen the growing Impact of the Corona Virus/COVID-19 emergency. The 'lock down' period commenced on 23<sup>rd</sup> March. However, our Chief and Senior Officers had already been planning our emergency response and the implications for our services as the gravity of the situation became apparent, commencing at the start of February. This had an immediate and significant impact as the Emergency Management Response Team (EMRT), led by the Chief Executive worked through significant changes to our working lives and culture. The emergency situation came at the end of the financial year; its impact for 2020/21 will be much more significant, resulting in significant changes to how we work and serve the people of Flintshire.

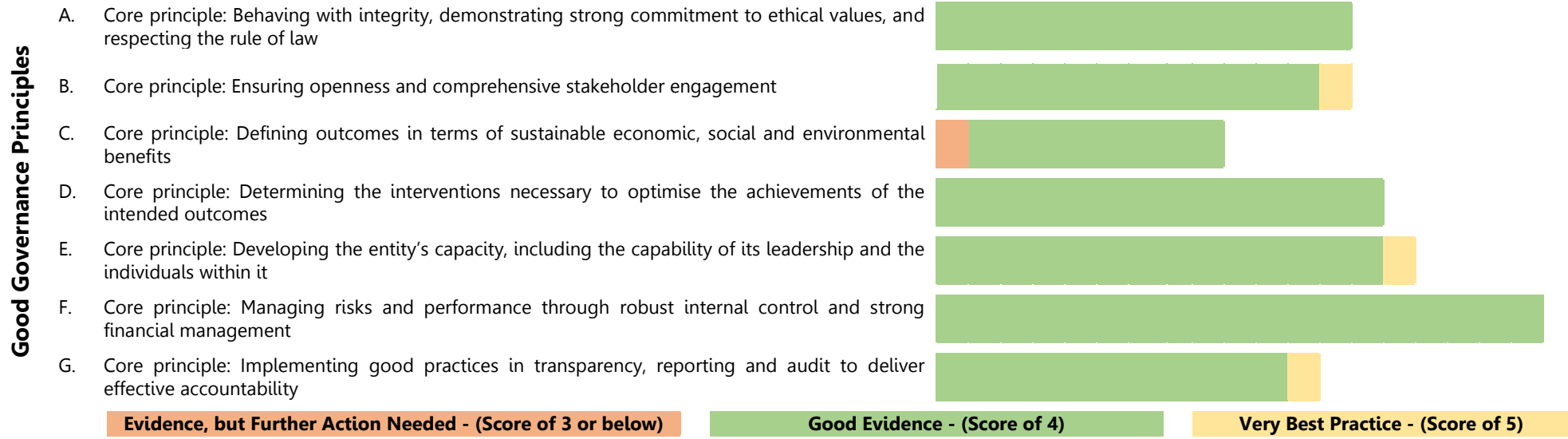
Following the Cabinet meeting on 17<sup>th</sup> March, a decision was made to cancel all of our formal meetings and events, initially until the end of April 2020.

## ANNUAL GOVERNANCE STATEMENT

For 2019/20, It had been our intention to have a formal contribution to the Annual Governance Statement (AGS) from the Members of the Audit Committee. This would have taken the form of a questionnaire (similar to that currently used for the Overview & Scrutiny chairs). There would then have been a 'challenge' workshop, where the draft statement would be submitted to ensure that the key themes within the CIPFA framework have received appropriate consideration and to highlight those areas where we think we are strong and where more work is needed. Audit Committee members would have been able to comment and ask questions. However, the Covid 19 emergency and subsequent lock down meant this innovation was not possible. The greater involvement of Audit Committee Members will be built into in the 2020/21 Annual Governance Statement process.

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Dashboard : Effectiveness of the Council’s Governance Framework



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**Further Action Required:**

Defining outcomes in terms of sustainable economic, social and environmental benefits

**Areas of Very Best Practice:**

- Ensuring partnerships are based on trust and shared commitment
- Recognising the benefits of partnership and collaboration
- Welcoming peer challenge, reviews and inspections from regulatory bodies and implementing recommendations in an open and embracing manner.

**Annual Internal Audit Opinion 2019/20:**

“For the year ending 31 March 2020, based on the work we have undertaken, my opinion is that Flintshire County Council has an adequate and effective framework of governance, risk management and control”.

**Internal Audit Manager, Flintshire County Council**

## ANNUAL GOVERNANCE STATEMENT

### What is the Annual Governance Statement?

We are required by the Accounts and Audit (Wales) Regulations 2018 to prepare a statement on internal control. Alongside many authorities in Wales, we refer to this as the 'Annual Governance Statement'. This is a public document that reports on the extent to which we as the Council comply with our own code of governance.

In this document, we, the Council:

- Acknowledge our responsibility for ensuring that there is a sound system of governance;
- summarise the key elements of that governance framework and the roles of those responsible for the development and maintenance of the governance environment;
- describe how we have monitored and evaluated the effectiveness of our governance arrangements in year, and any planned changes in the coming period;
- provide details of how we have responded to any issue(s) identified in last year's governance statement; and
- report on any significant governance issues identified from this review and provides a commitment to addressing them.

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The Annual Governance Statement reports on the governance framework that has been in place at Flintshire County Council for the financial year 2019/20 and up to the date of approval of the statement of accounts.



### How has the Annual Governance Statement been prepared?

The initial review of our governance framework was carried out by the Corporate Governance Working Group. This group worked with each corporate Chief Officer and also for some specific governance functions such as finance, human resources and legal. Our approach was based on the seven principles that follow in the main part of this document and were assessed to identify any areas for improvement. Questionnaires were also completed by the Chairs of Overview and Scrutiny committees. In addition the Audit Committee undertakes a self-assessment of its own effectiveness which has also informed this work.

The preparation and content of this year's governance framework has been considered by the Chief Officer Team, with assurance support from Internal Audit, Audit Committee and External Audit (Audit Wales). We recognise that our governance framework cannot eliminate all risk of failure to meet the targets in our policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

In preparing the Annual Governance Statement, we have:

- reviewed the Council's existing governance arrangements against the local Code of Corporate Governance.
- updated the local Code of Corporate Governance where necessary, to reflect changes in the Council's governance arrangements and the requirements of the new CIPFA/Solace 2016 – Guidance Notes for Welsh Authorities.
- assessed the effectiveness of the Council's governance arrangements and highlighted any planned changes in the coming period.

The Chief Officer Team, which is led by the Chief Executive, have also considered the significant governance issues and principles facing the Council. These are evidenced in pages 7-14 of the document. Principles assessed as needing further improvement are detailed from page 17.

Our Audit Committee, provides assurance to the Council on the effectiveness of its governance arrangements, risk management framework and internal control environment. As part of this role the Committee reviews and approves the Annual Governance Statement.

The six Overview & Scrutiny Chairs have also considered and commented on issues within the remit of their respective committees. They expressed general satisfaction with the Annual Governance Statement.

## ANNUAL GOVERNANCE STATEMENT

### What are the key principles of the Corporate Governance Framework?

We aim to achieve good standard of governance by adhering to the seven key principles of the new CIPFA/Solace 2016 – Guidance Notes for Welsh Authorities, which form the basis of the Local Code of Corporate Governance. The seven key principles are:

- |             |  |
|-------------|--|
| Principle A | Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law |
| Principle B | Ensuring openness and comprehensive stakeholder engagement   |
| Principle C | Defining outcomes in terms of sustainable economic, social, and environmental benefits                     |
| Principle D | Determining the interventions necessary to optimise the achievement of the intended outcomes               |
| Principle E | Developing the entity's capacity, including the capability of its leadership and the individuals within it |
| Principle F | Managing risks and performance through robust internal control and strong public financial management      |
| Principle G | Implementing good practices in transparency, reporting, and audit to deliver effective accountability      |

# ANNUAL GOVERNANCE STATEMENT

## Principle A

Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of the law

### Sub Principles:

#### Behaving with Integrity

#### Demonstrating strong commitment to ethical values

#### Respecting the rule of law

### How we do this:

- The behaviour and expectations of Members and Officers are set out in our Codes of Conduct, Constitution, and a suite of policies and procedures relating to Officers and Member induction, supervision, training and appraisals and leadership competencies.
- Case management both for Members and Officers.
- Codes of Conduct for Members and Officers specify the requirements around declarations of interests formally and at the beginning of meetings, gifts and hospitality etc
- **We take fraud seriously. Key policies are in place to prevent, minimise and manage such occurrences. Polices include:**
  - Whistleblowing Policy
  - Anti-Fraud and Corruption Strategy
  - Fraud Response Plan
  - Financial and Contract Procedure Rules
- Compliance with policies and protocols e.g. Contract Procedure Rules
- Enhanced profile of Internal Audit

- A set of leadership competencies are deployed in each Portfolio and led by each Chief Officer.
- Our recruitment policy, training and competencies based appraisal processes underpin personal behaviours with ethical values.
- **Robust policies and procedures are in place, subject to formal approval prior to adoption by formal committees.**
- **All contracts and external service providers, including partnerships are engaged through the robust procurement process and follow the Contract Procedure rules regulations.**
- **Application of the corporate operating model; our way of being organised, working internally to promote high standards of professional performance and ethical behaviour to achieve organisational priorities and objectives.**

- We ensure that statutory and other key officers and Members fulfil legislative and regulatory requirements through a robust framework which includes: Scheme of delegation; induction, development and training of existing and new requirements; application of standing operating procedures; and engagement of early / external advice where applicable.
- **We ensure that the full use of the Council powers are optimised by regular challenge and keeping abreast of new legislation to achieve corporate priorities and to benefit citizens, communities and other stakeholders e.g. alternative delivery models (ADM)**
- Effective Anti-Fraud and Corruption framework supported by a suite of policies; any breaches are handled in accordance with key legislative provision and guidance from appropriate bodies.
- **Our Monitoring Officer is responsible for ensuring the Council complies with the law and avoids maladministration. Our Constitution & Democratic Services Committee promotes high standards of conduct which are monitored by the Standards Committee**

Green = Chief Officer assessed as being consistently well across the Council

**Principle B**

**Ensuring openness and comprehensive stakeholder engagement**

**Sub Principles:**

**Openness**

**Engaging comprehensively with institutional stakeholders**

**Engaging stakeholders effectively, including individual citizens and service users**

**How we do this:**

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- We are committed to having an open culture. This is demonstrated by:
    - Complaints and Compliments Procedure
    - Meetings are conducted in an open environment
    - Our Council website
  - The most appropriate and effective interventions / courses of action are determined using formal and informal consultation and engagement supported by:
    - Public consultation around the Medium Term Financial Strategy (MTFS)
    - Consultation principles, e.g. School Modernisation Programme
    - Formal and informal engagement models with employee and communities e.g. alternative delivery models Member workshops
    - County Forum (Town and Community Councils)
- Positive engagement with Trade Unions both formally and informally

- We engage effectively with stakeholders to ensure successful and sustainable outcomes by:
  - Effective application and delivery of communication strategies to support delivery
  - Targeting communications and effective use of Social Media
  - Formal and Informal meetings with key stakeholder groups
  - Effective stakeholder engagement on strategic issues
  - Service led feedback questionnaires and events
- Effective use of resources and achievement of outcomes is undertaken by the Council both through informal and formal partnerships:
  - Extensive range of partnerships to support the delivery of the Council’s strategic priorities, including the Public Services Board
  - Open and productive partnership arrangements supported by an effective governance framework
  - Trust and good relations lead to delivery of intended outcomes e.g. community asset transfers
  - Partner representation at Scrutiny committees

- The achievement of intended outcomes by services is supported by a range of meaningful guidance on consultation engagement and feedback techniques with individual citizens, service users and other stakeholders. This includes:
  - Range of customer channels
  - Undertaking Impact assessments
  - Results from satisfaction surveys to enhance service delivery where applicable
  - Complaints reviewed to assess organisational learning and change
  - Sharing soft intelligence and good practice
  - Committee reports portray all relevant feedback
  - **Services are assessed for value for money and opportunities for efficiencies**
  - **Taking account of the interests of future generations of tax payers and service users**
- We have appropriate structures in place to encourage public participation governed through the Communication and Social Media Policies. These include:
  - E-newsletters
  - The Council’s website
  - Tenants Forums
  - Service user groups
  - Quality circles
  - Use of infographics

**Principle C**

**Defining outcomes in terms of sustainable economic, social, and environmental benefits**

**Sub Principles:**

**Defining outcomes**

**Sustainable economic, social and environmental benefits**

**How we do this**

- **We have a clear vision describing the organisation’s purpose and intended outcomes which is achieved through:**
  - **Linking of vision and intent to the MTFs which links to the Council Plan, Portfolio Business Plans and other plans and strategies with a focus on priorities for change and improvement**
  - **Organisational objectives are delivered through Programme Boards and political decision making processes**
  - Service Planning consideration including sustainability of service delivery
- Risk Management is applied consistently at project, partnership and business plan levels using the corporate performance system (CAMMS) which adheres to the Risk Management Policy and Strategy and ensures consistent application of risk registers and terminology.
- **Risk appetite is also considered whilst developing future scenarios and options with key staff.**
- The development of the County’s Well-being Plan and delivery of the Public Services Board’s priorities ensure that public services work effectively together to add value.

- We take a longer term view and balance the economic, social and environmental impact of policies, plans etc. along with the wider public interest when taking decisions about service provision. This is supported by a range of governance approaches:
  - **Budget setting of the Capital Programme and MTFs and longer term business planning through the use of effective forecasting models**
  - **Setting longer term objectives regardless of political term**
  - **Delivering defined outcomes**
  - **Multi-disciplinary approach to policy development and wider public interest of economic, social and environment issues e.g. Welfare Reform, Corporate Safeguarding**
  - **Ensuring fair access to services**
  - Procurement strategy defines expectations around economic, social and environment benefits which inform service specifications, tenders and contracts.
  - Communication plans for public and community engagement
  - Clear documented record of route to change

Principle D

Determining the interventions necessary to optimise the achievement of the intended outcomes

Sub Principles:

Determining interventions

Planning interventions

Optimising achievement of intended outcomes

How we do this

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- Good judgement in making decisions is achieved by ensuring decision makers receive objective and rigorous analysis of information and options to achieve intended outcomes including the related risks. This is achieved by:
  - **Full engagement with members on a longer term basis e.g. MTFS and Business Plans**
  - **Delivery of the MTFS and revenue and capital budget setting process providing options for the public, stakeholders and members to be engaged to consider modifications**
  - Development of forecasting models
  - Active engagement of key decision making in the development of initial ideas, options and potential outcomes and risks e.g. ADM Programme, Gateways
  - **Clear option appraisals detailing impacts, savings and risks to ensure best value is achieved**
  - Budget monitoring for each Portfolio and corporate considerations
  - **Managing expectation for key stakeholders**
  - Other key workforce strategies e.g. digital and procurement
  - Application of Impact Assessments

- We have established and implemented robust planning and control cycles covering strategic and business plans, priorities, targets, capacity and impact. This is achieved through:
  - Co-design of service solutions with key stakeholders
  - **Application of risk management principles when working in partnership and collaboratively and the active use of risk registers**
  - **Regular monitoring of business planning, efficiency and reliability including feedback on business planning model**
- **Service performance is measured through national performance indicators and establishing a range of local indicators, which are regularly monitored, reported and used for benchmarking purposes**
- **Robust and inclusive methodologies are in place to formulate the MTFS which is an integral part of the Council’s governance framework and Portfolio Business plans are linked to the Council Plan**

- Resource requirements for the services are identified through the business planning process and detailed within the MTFPs highlighting any shortfall in resources and spending requirements.
- **To ensure the budget process is all-inclusive, taking into account the full cost of the operations over the medium and longer term, regular engagement and ownership of the budget through the Chief Officer Team and consultation with members through workshops and robust scrutiny process is undertaken.**
- Social values are achieved through the effective commissioning of services and compliance with Council procedures.
- Consultation and engagement around the content of the MTFS through public and employee events sets the context for residents and employees. In particular relating to ongoing decisions on significant delivery issues or responses to changes in the external environment

# ANNUAL GOVERNANCE STATEMENT

## Principle E

Developing the entity's capacity, including the capability of its leadership and the individuals within it

### Sub Principles:

Developing the entity's capacity

Developing the capability of the entity's leadership and other individuals

### How we do this:

- We review our operations, performance, and use of assets on a regular basis to ensure their continuing effectiveness by:
  - Review of service delivery, performance and risks through team meetings and quarterly formal reporting,
  - Programme boards' development and monitoring
- We review the sufficiency and appropriateness of resource allocation through techniques such as:
  - Benchmarking both internal and external review undertaken to identify improvements in resource allocation, including the use of national and local PIs
  - Internal challenge
- Benefits of collaborative and partnership working both regionally and nationally to ensure added value is achieved by linking services and organisation priorities to partnership working
- Develop and maintain the workforce plan to enhance the strategic allocation of resources through the publication of regular workforce data reports and drawing intelligence from supervision and appraisal meetings.
- Future workforce and succession planning is undertaken in each portfolio to identify future workforce capability and progression.

- Effective shared leadership which enables us to respond successfully to changing external demands and risks is supported by:
  - a range of management and leadership development programme, run in partnership with Coleg Cambria
  - 'Development workforce' and 'leadership capacity' and 'managing performance' are three of the five priorities within the People Strategy 2016-2019
  - The Leader of the Council and the Chief Executive have clearly defined and distinct leadership roles
- Individual and organisational requirements are supported through:
  - Corporate induction for new employees to the Council
  - Inductions for employees in new jobs
  - Continued learning and development for employees identified through the competency based appraisal system and one to one meetings
  - A comprehensive range of training and development opportunities available, in partnership with Coleg Cambria and professional bodies.
  - Feedback and shared learning to the organisations both through reports and interactive sessions such as the 'Academi'
- To support and maintain the physical and mental wellbeing of the workforce a range of interventions is provided including: Occupational Health Service, Signposting employees and Members to Care First (independent Counselling support), Management Awareness and Support, internal training and awareness sessions to support stress related absences

# ANNUAL GOVERNANCE STATEMENT

## Principle F

### Managing risks and performance through robust internal control and strong public financial management

#### Sub Principles:



#### How we do this:

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# ANNUAL GOVERNANCE STATEMENT

## Principle G

### Implementing good practices in transparency, reporting, and audit to deliver effective accountability

#### Sub Principles:

##### Implementing good practice in transparency

#### How we do this:

- We recently improved the layout and presentation of its reports in order to improve the presentation of key information to decision-makers and monitor this regularly.
- We are mindful of providing the right amount of information to ensure transparency.
- A review of information sharing protocols has been undertaken and new principles adopted.

##### Implementing good practices in reporting

- **We report at least annually on the achievement and progress of its intended outcomes and financial position. This is delivered through the:**
  - Annual Performance report assessing performance against the Council Plan
  - Annual Statement of Accounts demonstrate how the Council has achieved performance, value for money and the stewardship of its resources
  - Progress against the Well-being Plan
- Our Annual Governance Statement is published following robust and rigorous challenge to assess and demonstrate good governance.

##### Assurance and effective accountability

- Through robust assurance mechanism, we can demonstrate effective accountability. These mechanisms include:
  - **Internal Audit undertakes independent reviews to provide an annual assurance opinion of the Council's control, risk management, and governance framework. To allow this Internal Audit has direct access to Chief Officer and members of the Council.**
  - **All agreed actions from Internal Audit reviews are monitored regularly with reports to Chief Officers monthly and each Audit Committee.**
  - **Any 'limited/red' assurance opinion are reported to Audit Committee in full and progress monitored closely**
  - **Peer challenge and inspection from regulatory bodies and external compliance reviews. The outcomes from these inspections are used to inform and improve service delivery**
  - Through effective commissioning and monitoring arrangements and compliance with Council's procedures, we gain assurance on risk associated with delivering services through third parties and any transitional risks.
  - Reports are presented to Cabinet and an annual report to Audit Committee of external feedback from regulatory work and peer reviews along with the Council's responses.

## ANNUAL GOVERNANCE STATEMENT

# Contributors to an effective Governance Framework

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Council	<ul style="list-style-type: none"> <li>– Approves the Council Plan</li> <li>– Endorses the Constitution</li> <li>– Approves the policy and financial frameworks</li> </ul>
Cabinet	<ul style="list-style-type: none"> <li>– Primary decision making body of the Council</li> <li>– Comprises of the Leader of the Council and Cabinet members who have responsibility for specific portfolios</li> </ul>
Audit Committee	<ul style="list-style-type: none"> <li>– Help raise the profile of internal control, risk management and financial reporting issues within the Council, as well as providing a forum for the discussion of issues raised by internal and external auditors</li> </ul>
Standards and Constitution & Democratic Services Committees	<ul style="list-style-type: none"> <li>– Standards Committee promotes high standards of conduct by elected and co-opted members and monitors the operation of the Members' Code of conduct.</li> <li>– Constitution &amp; Democratic Services Committee considers and proposes changes to the Constitution and the Code of Corporate Governance.</li> </ul>
Portfolio Programme Boards	<ul style="list-style-type: none"> <li>– Track efficiencies, highlighting risk and mitigating actions to achievement</li> <li>– Consider the robustness of efficiency planning and forecasting and consider resourcing of planned delivery</li> <li>– Plan communication and engagement activity</li> </ul>
Overview & Scrutiny Committees	<ul style="list-style-type: none"> <li>– Review and scrutinise the decisions and performance of Council, Cabinet, and Committees</li> <li>– Review and scrutinise the decisions and performance of other public bodies including partnerships</li> <li>– Assists the Council and Cabinet in the development of the Budget and Policy framework by in-depth analysis of policy issues.</li> <li>– Established the Chair/Vice Chair Liaison Group</li> </ul>
Chief Officers Team & Service Managers	<ul style="list-style-type: none"> <li>– Set governance standards</li> <li>– Lead and apply governance standards across portfolios</li> <li>– Undertake annual self-assessment</li> </ul>
Internal Audit	<ul style="list-style-type: none"> <li>– Provide an annual independent and objective opinion on the adequacy and effectiveness of internal control, risk management and governance arrangements</li> <li>– Investigates fraud and irregularity</li> </ul>

## ANNUAL GOVERNANCE STATEMENT

How have we monitored and evaluated the effectiveness of our governance arrangements?

On an annual basis, we review the effectiveness of our governance framework including the system of internal control. The key elements of assurance that inform this governance review are detailed below:

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Chief Officers Team	Monitoring Officer	Section 151 Officer	Information Governance	Internal Audit
<ul style="list-style-type: none"> <li>Corporate oversight and strategic planning</li> <li>Annual Corporate Governance Assessment</li> <li>Implement and monitor regulatory and other governance protocols</li> </ul>	<ul style="list-style-type: none"> <li>Legal and regulatory assurance</li> <li>Monitors the operation of the Constitution</li> <li>Ombudsman investigations</li> <li>Designated Senior Information Risk Owner (SIRO)</li> </ul>	<ul style="list-style-type: none"> <li>Proper administration of the Council's financial affairs</li> </ul>	<ul style="list-style-type: none"> <li>The Monitoring Officer is designated as our Senior Information Risk Owner (SIRO)</li> <li>Data Protection procedures including GDPR</li> <li>Information Security &amp; Records Management procedures</li> </ul>	<ul style="list-style-type: none"> <li>Annual opinion report on adequacy of internal controls, risk management and governance arrangements</li> <li>Internal Audit plan and report tracking / performance by Audit Committee</li> <li>Provision of advice &amp; consultancy</li> <li>Undertake Investigation and proactive Fraud work</li> </ul>
Overview & Scrutiny	Audit Committee	Risk Management	External Audit / Inspections	Counter Fraud
<ul style="list-style-type: none"> <li>Policy review and challenge</li> <li>Overview &amp; scrutiny of topics</li> <li>Corporate &amp; Portfolio Performance &amp; Risk monitoring</li> </ul>	<ul style="list-style-type: none"> <li>Self-assessment of Audit Committee</li> <li>Review effectiveness of internal and external audit</li> <li>Consider the adequacy of the internal control, risk management and Governance arrangements</li> </ul>	<ul style="list-style-type: none"> <li>Risk Management Policy and Strategy</li> <li>Quarterly monitoring and reporting of Strategic Risks</li> </ul>	<ul style="list-style-type: none"> <li>Financial statements audit</li> <li>Thematic &amp; national reviews</li> <li>Other external inspections</li> </ul>	<ul style="list-style-type: none"> <li>Anti-Fraud and Corruption &amp; Whistleblowing arrangements</li> <li>Codes of Conduct for Officers and Members</li> <li>Financial and Contract Procedure Rules</li> </ul>

## ANNUAL GOVERNANCE STATEMENT

### How have we addressed the governance and strategic issues from 2018/19 AGS

The 2018/19 Annual Governance Statement contained 16 key improvement areas as i) Internal Council Governance issues – those derived from the portfolio, Overview and Scrutiny and Audit Committee annual self-assessments that affect the internal governance arrangements of the Council; and, ii) Strategic Council Plan issues – those that were identified as part of the Council Plan for 2018/19 which remained unmitigated i.e. a 'Red' risk status. These key improvement areas within Annual Governance Statement 2018/19 also include some items which had been carried over from 2017/18.

The issues and how they were addressed are below:

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(i) Internal Council Governance issues from the 18/19 AGS	Risk	Mitigation	Management Comment	Current Status
Views and experiences of citizens, service users and organisations of different backgrounds including reference to future needs are taken into account.	<ul style="list-style-type: none"> <li>• Service planning does not take into account service user's needs in the future.</li> <li>• Legal and or judicial challenges.</li> <li>• Lack of effective feedback mechanisms to inform stakeholders how their views have been taken into account: stakeholders remain uninformed and less likely to support service change.</li> <li>• Lack of structures to encourage public participation</li> </ul>	<ul style="list-style-type: none"> <li>• Development of an integrated impact assessment approach to inform budget decisions and longer term sustainability of services.</li> <li>• Communication strategies developed and actioned for all major decisions affecting the public.</li> <li>• Ensure that effective feedback mechanisms are built into communication strategies, taking into account the diversity of communication methods.</li> </ul>	<p>Integrated Impact Assessments (IIA) now developed and used to inform 2018/19 business planning. CAMMS system been updated with IAA for all relevant efficiency projects and policies; process to be fully operational from May 2019.</p> <p>Although the Council has policies and procedures to ensure the lawfulness of its decisions the potential for legal and judicial challenges remain an ongoing risk to the Council.</p> <p>Communication strategies have been developed for policy change and other major decisions affecting the public, including feedback mechanisms.</p> <p>The system for completing IIAs within CAMMS is now fully operational. The inclusion of IIAs within committee reports ensures decision makers are aware of any impacts identified. Further training for IIA authors is being planned to improve robustness of IIAs undertaken.</p>	<b>Closed</b>

## ANNUAL GOVERNANCE STATEMENT

(i) Internal Council Governance issues from the 18/19 AGS	Risk	Mitigation	Management Comment	Current Status
Performance management: (Identified by Overview and Scrutiny Committee chair).	Council's approach to performance management and monitoring is not fully understood; leading to ineffective challenge and scrutiny.	Member workshop: understanding the Council's performance management approach and supporting systems.	A workshop explaining the Council Plan and it's measures in relation to performance management was held in 2018.  Workshops have been held with members on Performance Management.	<b>Closed</b>
(A1, A2, A3) Behaving with integrity. # (E54) Developing the capability of the entity's leadership and other individuals – developing protocols to ensure that elected and appointed leaders negotiate their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained. #	<ul style="list-style-type: none"> <li>• Protecting the reputation of the Council</li> <li>• Members not leading by example on the values for the organisation.</li> </ul>	<ul style="list-style-type: none"> <li>• Refresh training and advice.</li> <li>• Sustained work with Group Leaders and the Chair of the Council.</li> <li>• The Council has approved the Flintshire Standard which sets expectations about behaviour.</li> <li>• The Council regularly sends members on the WLGA Leadership Programme which will explain the roles of elected members and officers.</li> <li>• There is a process of induction for councillors who are new to positions of responsibility within the Council (e.g. committee chair or cabinet member). This explains the remits of elected councillors and officers.</li> <li>• Council procedures further reinforce the respective roles.</li> </ul>	The collective and coordinated approach by Group Leaders and members, supported by officers has led to an improvement in behaviour. Where isolated cases continue this is being addressed separately.	<b>Closed</b>

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## ANNUAL GOVERNANCE STATEMENT

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(i) Internal Council Governance issues from the 18/19 AGS	Risk	Mitigation	Management Comment	Current Status
(A8) Demonstrating strong commitment to ethical values. #	Under realisation of external service providers to provide social value benefits that communities can gain from.	<ul style="list-style-type: none"> <li>Review of expectations of external providers, both voluntary and contractual, as part of the implementation of a new Social Value Strategy (endorsed Cabinet March 2019).</li> <li>Initial focus is to generate social value through procurement</li> </ul>	The Social Value Strategy has been rolled out with the creation of a dedicated Social Value Officer. Action to remain open to fully embed process.	<b>Open</b>
(A8) Demonstrating strong commitment to ethical values. #	Under realisation of external service providers to provide social value benefits that communities can gain from.	<ul style="list-style-type: none"> <li>Review of expectations of external providers, both voluntary and contractual, as part of the implementation of a new Social Value Strategy (endorsed Cabinet March 2019).</li> <li>Initial focus is to generate social value through procurement</li> </ul>	The Social Value Strategy has been rolled out with the creation of a dedicated Social Value Officer. Action to remain open to fully embed process.	<b>Open</b>
<p>(B23,24,25) Engaging stakeholder effectively, including individuals citizens and service users. *</p> <p>(E61) Developing the capability of the entity's leadership and other individuals – ensure that there are structures in place to encourage public participation. *</p> <p>(F69) Managing performance – making decisions based on relevant, clear objective analysis and advice pointing out the</p>	<ul style="list-style-type: none"> <li>Ensuring that impacts, both negative and positive are fully understood when making Council decisions.</li> <li>Public participation is not built into consultation and communication strategies, leading to mis-communication and difficulties in implementing change.</li> </ul>	<ul style="list-style-type: none"> <li>Template and guidance for all committee reports to ensure that both communications and risk are comprehensively considered and reported on as part of the Integrated Impact Assessment captures specific issues which may be of consequence for protected groups and other issues of impact need to be considered and captured.</li> <li>New format for reporting introduced Autumn 2019 and subsequently monitored.</li> <li>Increased use of tools such as Gov. Delivery and Customer Accounts.</li> </ul>	<ul style="list-style-type: none"> <li>There has been an improved report format used during the year. This action needs to remain open action to capture the report of Integrated Impact Assessments.</li> <li>There is a detailed communications strategy in place for all aspects of engagement.</li> <li>All major decisions are based on clear objective analysis.</li> </ul>	<p><b>Open (B23, 24,25)</b></p> <p><b>Closed (E61)</b></p> <p><b>Closed (F69)</b></p>

## ANNUAL GOVERNANCE STATEMENT

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(i) Internal Council Governance issues from the 18/19 AGS	Risk	Mitigation	Management Comment	Current Status
implications and risks inherent in the organisation's financial, social and environmental position and outlook				
(C27,29) Defining outcomes in terms of sustainable economic, social and environmental benefits. #	<ul style="list-style-type: none"> <li>• Expectations of delivery in accordance with the Future Generations and Wellbeing Act have been raised.</li> <li>• Service planning does not take into account service user's needs in the future.</li> <li>• Legal and or judicial challenges.</li> </ul>	<ul style="list-style-type: none"> <li>• Part of the review of the Council Plan 2019/20 and the review of the current set of Well-Being Objectives.</li> <li>• Reflect within provisions made in the Medium Term Financial Strategy.</li> <li>• The financial impact on the Council from COVID-19 is currently unknown.</li> </ul>	Case studies to be included within the Annual Performance Report demonstrating best practise in line with Future Generations and Wellbeing Act	<b>Closed</b>
(C30,31) Defining outcomes – identifying and managing risks to the achievement of outcomes and making best use of the resources available. *	<ul style="list-style-type: none"> <li>• Risk management not fully related to the achievements of all that we do.</li> <li>• Inconsistent application of the risk management strategy across all portfolios.</li> <li>• Risks are not mitigated during transitional or implementation phases.</li> <li>• Outcomes are under-achieved</li> </ul>	<ul style="list-style-type: none"> <li>• Improvement still needed in this area to ensure that risk management is related fully and comprehensively to the achievement of outcomes in all that we do.</li> <li>• Ensured that within the new risk register that arrangements are in place to risk assess the achievement of outcomes.</li> </ul>	<ul style="list-style-type: none"> <li>• Revision of Risk Management Framework</li> <li>• Workshops with portfolios on revised risk framework.</li> </ul>	<b>Closed</b>

## ANNUAL GOVERNANCE STATEMENT

Tudalen 144

(i) Internal Council Governance issues from the 18/19 AGS	Risk	Mitigation	Management Comment	Current Status
<p>(D38,39) Planning interventions - establishing and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets.*</p> <p>Planning interventions – Engaging with internal and external stakeholders in determining how services and other interventions can best be delivered. *</p>	<ul style="list-style-type: none"> <li>• Inconsistent application of planning methodologies to ensure effective delivery of outcomes.</li> <li>• Ensuring that impacts, both negative and positive are fully understood when making Council decisions.</li> <li>• Lack of effective feedback mechanisms to inform stakeholders how their views have been taken into account: stakeholders remain uninformed and less likely to support service change.</li> <li>• Lack of structures to encourage public participation.</li> </ul>	<ul style="list-style-type: none"> <li>• Provided and applied a comprehensive set of tools and guidance to ensure that strategic and operational plans are maintained to inform other strategies such as the MTFS</li> </ul>	<p>There is a systematic approach to budget planning, production of the MTFS and risk escalation</p>	<p><b>Closed</b></p>
<p>(D43) Planning interventions – Ensuring capacity exists to generate the information required to review service quality regularly. *</p>	<p>Lack of appropriate information to inform service quality and policy decisions.</p>	<p>Review of the information available to inform service quality, as part of the Members’ Workshop on Performance Management.</p>	<p>Members workshops have now been held.</p>	<p><b>Closed</b></p>



## ANNUAL GOVERNANCE STATEMENT

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(i) Internal Council Governance issues from the 18/19 AGS	Risk	Mitigation	Management Comment	Current Status
(E53) Developing the entity's capacity – Developing and maintaining an effective workforce plan to enhance strategic allocation of resources. *	<ul style="list-style-type: none"> <li>• Sustainability of service provision.</li> <li>• Ineffective allocation of resources.</li> <li>• Reputational damage following reduction in quality of service.</li> </ul>	Whilst the Council already has individual Portfolio workforce plans, these need to be consolidated into one Council workforce plan in accordance with the People Strategy.	Whilst positive work has been undertaken, this action should remain open and under review.	<b>Open</b>
(E58) Developing the capability of the entity's leadership and other individuals – Ensuring employees have access to appropriate induction, with ongoing training and development matching individual and organisational requirements is available and encouraged. *	<ul style="list-style-type: none"> <li>• Employees unable to carry out their roles effectively following recruitment.</li> <li>• Employees not provided with the values and objectives of the organisation.</li> <li>• Changes to policies, technologies, practices, legislation and understood; leading to inefficiency and under productivity.</li> </ul>	<ul style="list-style-type: none"> <li>• Ensure that Induction sessions are carried out in a timely fashion and that all new employees attend.</li> <li>• Introduce monitoring of the corporate induction process as a quarterly report to CRO&amp;SC and Cabinet to monitor effectiveness and ensure compliance.</li> </ul>	There is a clear induction process in place for new members of staff. The action to open until a more effective corporate induction and remote e-learning tool is available.	<b>Open</b>
(E64) Developing the capability of the entity's leadership and other individuals – Ensuring arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing. *	Resilience of workforce is impacted by capacity and changing demands.	Next stage of development of the Mental Health and Wellbeing Plan for the workforce as one of the commitments within the People Strategy.	Positive work has taken place to develop the Mental Health and Wellbeing plan and will continue to evolve to support the changing workforce and their needs.	<b>Open</b>

## ANNUAL GOVERNANCE STATEMENT

Tudalen 146

(i) Internal Council Governance issues from the 18/19 AGS	Risk	Mitigation	Management Comment	Current Status
<p>(F68,F69) Managing performance – Monitoring service delivery effectively including planning, specification, execution and independent post implementation review. *</p>	<ul style="list-style-type: none"> <li>Outcomes following implementation may not have been delivered.</li> <li>Lessons not learned nor shared.</li> </ul>	<ul style="list-style-type: none"> <li>Inclusion of post implementation reviews in Scrutiny Forward Work Programmes.</li> <li>Work with Scrutiny Chairs and vice-chairs and the Liaison Group to ensure that risks and performance are 'cornerstone' items of O&amp;S FWPs.</li> <li>Ensure risks are adequately covered in committee reports.</li> <li>Brief committees on risk issues using half hour slots before meetings where necessary.</li> </ul>	<p>Whilst considerable work has taken place, further work is required to ensure there is a consistent approach for the inclusion of post implementation reviews in Scrutiny Forward Work Programmes.</p>	<p><b>Open</b></p>
<p>(F71) Managing performance – Providing members and senior management with regular reports on service delivery and on progress towards outcome achievement. *</p>	<p>Lack of timeliness of reporting leading to out of date information upon which to make decisions / assess risks.</p>	<ul style="list-style-type: none"> <li>Continue with Council Plan reporting on historical factual information within 2 months of the quarterly period, but with current updates contained within the report.</li> <li>Use of the most up to date data to inform reports for decision making.</li> <li>Members to be involved in what is valuable to be measured within portfolios (Performance Management workshop).</li> </ul>	<ul style="list-style-type: none"> <li>Performance reports are presented within 2months of the quarter end.</li> <li>Recruitment of Data Officer to lead support for reporting completion</li> </ul>	<p><b>Closed</b></p>

## ANNUAL GOVERNANCE STATEMENT

(i) Internal Council Governance issues from the 18/19 AGS	Risk	Mitigation	Management Comment	Current Status
(F78) Managing Data – Ensuring effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to ensure the security of personal data used. *	<ul style="list-style-type: none"> <li>• Legal challenge and fines.</li> <li>• Personal confidentiality breached.</li> </ul>	Continue with monitoring processes and procedures set out for compliance with GDPR, until evidence that consistent approaches are being undertaken in each portfolio	There is an effective framework in place however to ensure consistency in compliance this action is to remain open	<b>Open</b>
Agreed actions within the Red / Limited assurance (2) Internal Audit reports are implemented.	Failure to address control and governance issues identified as part of the audit work undertaken.	Detailed action places in place to address the funding.	All actions relating to these Red / Limited assurance Internal Audit report have been implemented.	<b>Closed</b>

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## ANNUAL GOVERNANCE STATEMENT

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(ii) Strategic Issues from the 2018/19 Council Plan	Risk	Mitigation	Management Comment	Current Status
<p><b>Supportive Council:</b> Availability of sufficient funding to resource key priorities – with particular reference to Disabled Facilities Grants (DFGs).</p>	<ul style="list-style-type: none"> <li>• Demand for DFGs and adaptations are not met due to budget availability.</li> <li>• DFGs are not delivered in a timely manner; under-performance nationally.</li> </ul>	<p>Response to Internal Audit recommendations to improve processes.</p>	<p>Oversight Board established to review and monitor progress. Improvements in process and timeliness evidenced in last half of the year.</p> <p>Performance of this has improved. All actions have been addressed and the oversight board has ceased.</p>	<b>Closed</b>
<p><b>Supportive Council:</b> Demand outstrips supply for residential and nursing home care bed availability.</p>	<ul style="list-style-type: none"> <li>• Lack of residential and nursing home care bed availability leading to more hospital stays.</li> <li>• Increased stress on carers.</li> <li>• Primary care resources stretched further.</li> </ul>	<ul style="list-style-type: none"> <li>• Expansion of Marleyfield to support the medium term development of the nursing sector is ongoing.</li> <li>• Re-phasing of Integrated Care Fund capital to fit in with the Council's capital programme has been agreed by Welsh Government.</li> <li>• Other active workstreams, including the development of resources to support the sector, diagnostic reviews for providers and Care Conferences.</li> </ul>	<p>The expansion of Marleyfield to support the medium term development of the nursing sector continues under the direction of the Programme Board.</p> <p>A review for Programme Board of demand and supply in light of the new capital developments has been undertaken.</p> <p>Risk had reduced due to developments on track and no care homes in escalating concern. However, the impact of COVID-19 and the need to open an additional care home at the Oaks still needs to be factored in</p>	<b>Open</b>
<p><b>Learning Council:</b> Limited funding to address the backlog of known repair and maintenance work in Education and Youth assets.</p>	<p>Fabric of Education and Youth buildings will continue to decline leading to an increase in health and safety issues and imbalance between surplus and unfilled places.</p>	<ul style="list-style-type: none"> <li>• Condition surveys continue to identify priorities for investment.</li> <li>• Implement County Policy for School re-organisation and modernisation.</li> </ul>	<p>The School Modernisation Programme is one of the strategic options to address the repairs and maintenance backlog.</p> <p>Capital business cases for improvement and repair and maintenance projects in schools are considered through the Council's business case process.</p> <p>This continues to be a financial risk to support the school infrastructure.</p>	<b>Open</b>
<p><b>Green Council:</b> Funding will not be</p>	<p>Flood alleviation schemes will not be delivered leading</p>	<p>Review our approach to funding capital projects.</p>	<p>Flintshire's local risk management strategy contains an action to 'identify projects and</p>	<b>Open</b>

## ANNUAL GOVERNANCE STATEMENT

(ii) Strategic Issues from the 2018/19 Council Plan	Risk	Mitigation	Management Comment	Current Status
secured for priority flood alleviation schemes.	to increased risks of damage to infrastructure and community disturbance.		<p>programmes that are affordable, maximising capital funding from internal and external sources'.</p> <p>A service review is intended to create a more effective approach / structure that balances the ability to secure funding for flood alleviation works with the delivery of statutory duties under the Flood and Water Management Act.</p> <p>New Strategic Urban Drainage Scheme (SUDS) legislation needs to be implemented.</p> <p>Due to increase pressure of statutory duties the status of risks still lie within the red RAG rating.</p>	
<p><b>Serving Council:</b> The scale of the financial challenge.</p>	The Council has insufficient funding to meet its priorities and obligations.	<ul style="list-style-type: none"> <li>• The Council's Medium Term Financial Strategy and efficiency programme.</li> <li>• National negotiations on local government funding.</li> </ul>	<p>The Council's budget setting process and management of the Medium Term Financial Strategy enabled the Council to set a balanced budget for 2019/20.</p> <p>The future of Council funding however, remains uncertain.</p> <p>The initial forecast for 2019/20 was considered by Cabinet in April 2019 and will continue to be closely monitored.</p>	<b>Open</b>

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**Those actions closed are shown in blue text**

## ANNUAL GOVERNANCE STATEMENT

# What are the significant governance and strategic issues identified during 2019/20

The review of the effectiveness of the Council’s governance framework has identified the following significant issues that will need to be addressed during 2019/20. These are categorised as:

- i) Internal Council Governance issues – those derived from the portfolio, Overview and Scrutiny and Audit Committee annual self-assessments that affect the internal governance arrangements of the Council.

NOTE: Issues marked \* have been retained as high profile for further work, even though the risk score was 3 or above.

Issues marked # show risk issues which have increased in risk significance, even though they still retained a score of 3 or above

- ii) Strategic Council Plan issues – those that have been identified as part of the Council Plan for 2019/20 which remain un-mitigated i.e. a ‘Red’ risk status.

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i) Internal Council Governance issues for 2019/20	Risk	Mitigation
(C29) Defining outcomes in terms of sustainable economic, social and environmental benefits. #	<ul style="list-style-type: none"> <li>Expectations of delivery in accordance with the Future Generations and Wellbeing Act have been raised.</li> <li>Service planning does not take into account service user’s needs in the future.</li> <li>Legal and or judicial challenges.</li> </ul>	<ul style="list-style-type: none"> <li>Part of the review of the Council Plan 2020/21 and the review of the current set of Well-Being Objectives.</li> <li>Reflect within provisions made in the Medium Term Financial Strategy.</li> <li>The financial impact on the Council from COVID- 19 is currently unknown.</li> </ul>

## ANNUAL GOVERNANCE STATEMENT

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ii) Strategic Issues from the 2019/20 Council Plan	Risk	Mitigation
<p><b>Supportive Council</b> Debt levels will rise if tenants are unable to afford to pay their rent or council tax.</p>	<ul style="list-style-type: none"> <li>• Council will not recover income to offset costs.</li> <li>• Tenants will fall into more categories of debt.</li> <li>• Potential rise in homelessness presentations.</li> </ul>	<ul style="list-style-type: none"> <li>• Early intervention for tenants claiming Universal Credit to tackle rent arrears and encourage payment of rent.</li> <li>• Avoid new or escalating arrears to ensure that homelessness is prevented where possible.</li> </ul>
<p><b>Supportive Council</b> Demand outstrips supply for residential and nursing home care bed availability.</p>	<ul style="list-style-type: none"> <li>• Lack of residential and nursing home care bed availability leading to more hospital stays.</li> <li>• Increased stress on carers.</li> <li>• Primary care resources stretched further .</li> </ul>	<ul style="list-style-type: none"> <li>• Expansion of Marleyfield to support the medium term development of the nursing sector is ongoing.</li> <li>• Re-phasing of Integrated Care Fund capital to fit in with the Council's capital programme has been agreed by Welsh Government.</li> <li>• Other active workstreams, including the development of resources to support the sector, diagnostic reviews for providers and Care Conferences.</li> </ul>
<p><b>Supportive Council</b> Homelessness will remain a growing area of demand due to the current economic climate.</p>	<ul style="list-style-type: none"> <li>• Lack of suitable, settled accommodation for those on welfare benefits has caused delays in being able to achieve positive outcomes for customers.</li> </ul>	<ul style="list-style-type: none"> <li>• We have been awarded in year funding to assist with additional measures to develop Landlord incentives within the private rented sector and a strategic partnership with HAWs commenced in May 2019.</li> <li>• The emergency beds provision is in place and is proving to be in demand.</li> <li>• Recruitment of an Outreach Worker in post, employed through Clwyd Alyn, who follows up on street homeless and individuals who attend the emergency bed provision.</li> </ul>
<p><b>Supportive Council</b> Insufficient supply and escalating cost of placements for children with complex needs.</p>	<ul style="list-style-type: none"> <li>• Increasingly difficult to secure appropriate placements for children with complex needs within budget constraints.</li> </ul>	<ul style="list-style-type: none"> <li>• Supporting resilient families through the Early Help Hub.</li> <li>• Targeted support to families on the edge of care.</li> <li>• Combat exploitation through the Strategic and Operational MET (Missing, Exploitation, Trafficking) group.</li> <li>• Policies and models to attract new foster carers and expand the type of placements offered.</li> <li>• Working with local providers to reshape the residential market.</li> <li>• Maximising local housing options.</li> </ul>

## ANNUAL GOVERNANCE STATEMENT

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ii) Strategic Issues from the 2019/20 Council Plan	Risk	Mitigation
<p><b>Green Council</b> Funding will not be secured for priority flood alleviation schemes.</p>	<ul style="list-style-type: none"> <li>Inability to secure the WG grant funding and/or FCC capital funding necessary to deliver priority flood alleviation schemes.</li> </ul>	<ul style="list-style-type: none"> <li>Review our approach to funding capital projects.</li> </ul>
<p><b>Serving Council</b> The scale of the financial challenge.</p>	<ul style="list-style-type: none"> <li>Reduction in funding of Revenue Support Grant leading to challenging financial position for the Council in its ability to set a balanced budget.</li> </ul>	<ul style="list-style-type: none"> <li>The Medium Term Financial Strategy (MTFS) continues to be reviewed to forecast the financial resources to be available to the Council during the period based on the best available intelligence and identification of solutions available.</li> <li>National and local solutions for addressing the budget gap continue to be explored.</li> </ul>
<p><b>Serving Council</b> Fully funding demand led services and inflationary pressures.</p>	<ul style="list-style-type: none"> <li>Reductions or cessation of services.</li> <li>High increases in Council Tax level.</li> </ul>	<ul style="list-style-type: none"> <li>National lobbying for improved funding for local government in Wales to include indexation of nationally agreed pay award, increases in demand and Nationally agreed legislative changes.</li> <li>Maximisation of business planning efficiencies from Portfolios and increases to fees and charges.</li> </ul>
<p><b>Serving Council</b> Meeting Internal Targets.</p>	<ul style="list-style-type: none"> <li>Impact on the overall financial position of the Authority impacting on Medium Term Financial Strategy.</li> </ul>	<ul style="list-style-type: none"> <li>Review of in year efficiencies and mitigate any shortfalls.</li> <li>Review of income and expenditure to ensure financial management is robust.</li> <li>Review at Programme Board and escalation as necessary.</li> </ul>
<p><b>Serving Council</b> Increasing costs of service delivery and rising demand for some services.</p>	<ul style="list-style-type: none"> <li>We may not be able to deliver services or may not be able to set a legal balanced budget.</li> </ul>	<ul style="list-style-type: none"> <li>Regular monitoring of budgets.</li> <li>Escalation of areas of increasing financial risk such as increased cost and demand.</li> <li>Seek additional national funding for inflationary uplifts and areas of high service demand.</li> <li>Challenge by finance for mitigation within the service.</li> <li>Prevention strategies to minimise demand.</li> <li>Regular reporting to COT/Cabinet/Council.</li> </ul>



## ANNUAL GOVERNANCE STATEMENT

ii) Strategic Issues from the 2019/20 Council Plan	Risk	Mitigation
<b>Corporate Finance</b> Increasing Debt.	<ul style="list-style-type: none"> <li>An increase in the level of debt owed to the Council.</li> </ul>	<ul style="list-style-type: none"> <li>We are still collecting income and are only making flexibilities where tax-payers, tenants, customers and businesses approach us to request support.</li> <li>'Soft' enforcement has begun for tax-payers and tenants who are falling into debt and not made any contact with us and a first batch of reminder letters is to be issued in late May/early June.</li> <li>Full enforcement action cannot resume until it is sensitive to do so.</li> <li>This risk will need to be taken into account in the review of the Medium-Term Financial Strategy (MTFS).</li> </ul>
<b>Corporate Finance</b> Insufficient reserves level.	<ul style="list-style-type: none"> <li>Insufficient reserves remain following the response phase.</li> </ul>	<ul style="list-style-type: none"> <li>Protect an over-exposure of our reserves by maximising our claim grants to Welsh Government for refunds of additional emergency expenditure and the recovery of lost income.</li> </ul>
<b>Corporate Finance</b> Insufficient reserves level impacts financial resilience.	<ul style="list-style-type: none"> <li>Insufficient reserves impact on the financial resilience of the Council to sustain a lengthy recovery phase.</li> </ul>	<ul style="list-style-type: none"> <li>This risk will need to be taken into account in the review of the Medium-Term Financial Strategy (MTFS).</li> </ul>

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## ANNUAL GOVERNANCE STATEMENT

### Certification

The review provides good overall assurance that Flintshire County Council's arrangements continue to be regarded as fit for purpose in accordance with the governance framework requirements for Local Authorities within Wales.

Opportunities to maintain and develop the Council's governance arrangements have been identified through this review. We pledge our commitment to addressing these issues over the coming year and we will monitor their implementation and operation as part of our next annual review.

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Signed on behalf of Flintshire County Council

**Colin Everett – Chief Executive**

**Cllr. Ian B Roberts – Leader of the Council**

**Flintshire County Council Corporate Governance Framework  
Principal Statutory Obligations and Organisational Objectives**

Behaving with integrity, demonstrating strong commitment to ethical values & respecting the rule of the Law

Ensuring Openness & Comprehensive Stakeholder Engagement

Defining Outcomes in terms of Sustainable Economic, Social & Environmental Benefits

Determining the Interventions to optimise the achievements of the intended outcomes

Developing the Council's capacity, including capability of its leadership & individuals within it

Managing risks & performance through robust internal control & strong financial management

Implementing good practices in transparency, reporting & audit to deliver effective accountability

Assurance Statement

Corporate Governance comprises the systems and processes, cultures and values, by which Flintshire County Council are directed and controlled and through which they account to, engage with and, where appropriate, lead their communities

**Public Key Documents: Annual Review / Production**

**Key Documents: Ad-hoc Review / Production**

**Contributing Processes Regulatory Monitoring**

- Annual Governance Statement
- Annual Outturn Finance Report
- Annual Performance Report
- Annual Information Governance Statement
- Capital Strategy and Asset Management Plan
- Code of Corporate Governance
- Code of Ethical Practice on Procurement
- Contract Procedure Rules
- Digital Strategy
- Financial Regulations
- Council Plan
- Medium Term Financial Strategy
- Members' Allowance Scheme
- Overview and Scrutiny Annual Report
- People Strategy
- Portfolio Business Plans
- Public Services Board Wellbeing Plan
- Statement of Accounts
- Strategic Equality Plan
- Strategic Risk Register
- Treasury Management Strategy
- Annual Audit Report

- Anti-Fraud Work plan
- Business Continuity Plans
- Communications Principles
- Constitution
- Data Protection Policy
- Equality and Diversity Policies
- HR Policies
- Health & Safety Policies
- Internal/External Audit Protocol
- IT Policies
- Members Code of Conduct
- Officers Code of Conduct
- Procurement Strategy
- Social Media Policy
- Welsh Language Standards
- Whistle Blowing Policy

- Appraisal and Supervision
- Attendance management
- Audit Committee
- Budget Monitoring Reports
- Comments, Complaints and Compliments
- Corporate Governance
- Corporate Health & Safety
- Council (Plan) Governance Framework
- Council Meetings
- Engagement and Consultation
- External Audit
- FCC Web site
- Induction
- Inspectorate Reports
- Internal Audit
- Job Descriptions
- Manager Toolkits
- Member Training
- Monitoring Officer
- Partnership Self Assessments
- Performance Management
- Risk Management
- Scrutiny Framework
- Staff induction
- Your Council newsletter

Mae'r dudalen hon yn wag yn bwrpasol

## Audit of Accounts Report – Flintshire County Council

Audit year: 2019-20

Date issued: September 2020

Document reference: 1995A2020-21

This document has been prepared as part of work performed in accordance with statutory functions.

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

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

Mae'r ddogfen hon hefyd ar gael yn Gymraeg. This document is also available in Welsh.

# Contents

We intend to issue an unqualified audit report on your Accounts. There are some issues to report to you prior to their approval.

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# Audit of Accounts Report

## Introduction

- 1 We summarise the main findings from our audit of your 2019-20 group accounts in this report. We have already discussed these issues with your Accounts Governance Group and the Corporate Finance Manager and his team.
- 2 You are required to prepare accounts and we have now substantially completed this year's audit, despite the challenges posed by the Covid-19 pandemic. It is of considerable testament to the commitment of your officers that you have succeeded in doing so this year in the face of the challenges posed by the pandemic. To help overcome these challenges we adopted new ways of working such as establishing a remote access to your financial systems and a secure file transfer portal. We are extremely grateful to the professionalism of officers in producing the financial statements and supporting us to complete our audit in such challenging circumstances. We will be reviewing what we have learned from the impact of the pandemic on our audit and whether there are innovative practices that we might adopt in the future to enhance our work.
- 3 Auditors can never give complete assurance that your group accounts are correctly stated. Instead, we work to a level of 'materiality'. This level of materiality is set to try to identify and correct misstatements that might otherwise cause a user of the accounts into being misled.
- 4 We set this level at £5.2 million for this year's audit.
- 5 There are some areas of the accounts that may be of more importance to the reader and we have set a lower materiality level for these, as follows:
  - Related Party Disclosures £100,000
  - Senior officer remuneration £5,000
- 6 In our professional view, we have complied with the ethical standards that apply to our work; remain independent of yourselves; and, our objectivity has not been compromised in any way. There are no relationships between ourselves and yourselves that we believe could undermine our objectivity and independence. We have previously notified you of a potential threat to auditor independence and objectivity arising from a member of the audit team's family being employed as a teacher by the Council. We can confirm that the planned safeguards set out in our Audit Plan have operated as intended.

## Impact of COVID-19 on this Year's Audit

- 7 The COVID-19 pandemic has had a significant impact on all aspects of our society and continues to do so. You are required by law to prepare accounts and it is of considerable testament to the commitment of your accounts team that you have succeeded in doing so this year in the face of the challenges posed by this pandemic. We are extremely grateful to the professionalism of the team in supporting us to complete our audit in such difficult circumstances.



- 8 The pandemic has unsurprisingly affected our audit and we summarise in **Exhibit 1** the main impacts. Other than where we specifically make recommendations, the detail in **Exhibit 1** is provided for information purposes only to help you understand the impact of the COVID-19 pandemic on this year's audit process.

Exhibit 1 – impact of COVID-19 on this year's audit

<b>Timetable</b>	Officers provided us with good-quality draft accounts on 12 June 2020 as planned. This is in line with last year and complies with regulatory deadlines. We expect your audit report to be signed by 14 September 2020.
<b>Electronic signatures</b>	Given current social distancing requirements, it may be difficult for signing and certification of the accounts in hard copy this year. We may need to use electronic signatures for this purpose. We will accept electronic signatures from you though understand it is not your intention to use them. We will liaise with management to ensure arrangements are in place irrespective of the approach taken.
<b>Conducting the audit approach and obtaining audit evidence</b>	<p>Due to social distancing measures, Audit Wales and the majority of council staff are currently working remotely from home. As a result, we adopted new ways of working:</p> <ul style="list-style-type: none"> <li>• refined our audit deliverables to clarify working paper requirement;</li> <li>• held weekly Webex meetings with the finance team throughout the audit to discuss progress and emerging issues;</li> <li>• secured remote access to enable the audit team to access the Council's financial systems; and</li> <li>• established a secure remote file transfer portal to safely share information.</li> </ul>

- 9 We will be reviewing what we have learned for our audit process from the COVID-19 pandemic (both locally and nationally) and whether there are innovative practices that we might adopt in the future to enhance that process.

## Proposed Audit Opinion

- 10 We intend to issue an unqualified audit opinion on this year's group accounts once you have provided us with a Letter of Representation based on that set out in **Appendix 1**.
- 11 We issue a 'qualified' audit opinion where we have material concerns about some aspects of your accounts; otherwise we issue an unqualified opinion.

- 12 Our proposed audit report is set out in **Appendix 2**. The audit report also includes an Emphasis of Matter which draws attention to uncertainties arising from circumstances caused by the Covid-19 pandemic:
- Note 8 'Property Plant and Equipment' which describes an estimation uncertainty at the end of the reporting period, that has a significant risk of resulting in a material adjustment to the carrying amounts of the Council's property; and
  - Note 42 'Pensions' which describes material valuation uncertainty clauses in the valuation reports on Pooled Property Funds held by the Clwyd Pension Fund.

My opinion is not modified in respect of these matters.

- 13 The Letter of Representation contains certain confirmations we are required to obtain from you under auditing standards along with confirmation of other specific information you have provided to us during our audit.

## Significant Issues arising from the Audit

### Uncorrected misstatements

- 14 There are no misstatements identified in the accounts, which remain uncorrected.

### Corrected misstatements

- 15 There were initially misstatements in the accounts that have now been corrected by management. However, we believe that these should be drawn to your attention and they are set out with explanations in **Appendix 3**.

### Other Significant Issues arising from the Audit

- 16 In the course of the audit, we consider a number of matters relating to the accounts and report any significant issues arising. There is one issue arising that we are reporting to you as the useful lives of the Council buildings have not been reviewed since 2017-18 and are not considered as part of the rolling annual asset revaluation exercise undertaken by the Council's internal valuers.
- 17 Reviewing asset lives is an important internal control and is a requirement of CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom 2019-20. It requires '*useful lives to be reviewed at least at the end of each financial year and changed where expectations differ from previous estimates*'. The control also ensures that assets are correctly depreciated in line with an accurate estimate of the useful lives of the Council buildings. We found that the Council has not been undertaking this review of the useful lives since 2017-18 and the internal valuers no longer provide an estimated useful life as part of their rolling annual revaluations exercise.

- 18 To establish the potential impact this issue could have, the Council completed an exercise using obsolescence factors identified in the 2018-19 and 2019-20 valuations certificates as a proxy to estimate the remaining useful lives. We are satisfied that this issue does not give rise to a material misstatement for 2019-20. Officers have confirmed that they will fully address the issue in 2020-21 to provide assurance that asset lives and depreciation charges remain appropriate.

# Appendix 1

## Final Letter of Representation

Audited body's letterhead

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

9 September 2020

### Representations regarding the 2019-20 financial statements

This letter is provided in connection with your audit of the financial statements (including that part of the Remuneration Report that is subject to audit) of Flintshire County Council and its group for the year ended 31 March 2020 for the purpose of expressing an opinion on their truth and fairness and their proper preparation.

We confirm that to the best of our] knowledge and belief, having made enquiries as we consider sufficient, we can make the following representations to you.

### Management representations

#### Responsibilities

We have fulfilled our responsibilities for:

- The preparation of the financial statements in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2019-20; in particular the financial statements give a true and fair view in accordance therewith.
- The design, implementation, maintenance and review of internal control to prevent and detect fraud and error.

### Information provided

We have provided you with:

- Full access to:
  - all information of which we are aware that is relevant to the preparation of the financial statements such as books of account and supporting documentation, minutes of meetings and other matters;

- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to staff from whom you determined it necessary to obtain audit evidence.
- The results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- Our knowledge of fraud or suspected fraud that we are aware of and that affects Flintshire County Council and its group and involves:
  - management;
  - employees who have significant roles in internal control; or
  - others where the fraud could have a material effect on the financial statements.
- Our knowledge of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, regulators or others.
- Our knowledge of all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
- The identity of all related parties and all the related party relationships and transactions of which we are aware.

## Financial statement representations

All transactions, assets and liabilities have been recorded in the accounting records and are reflected in the financial statements.

Significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable.

Related party relationships and transactions have been appropriately accounted for and disclosed.

All events occurring subsequent to the reporting date which require adjustment or disclosure have been adjusted for or disclosed.

All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

The financial statements are free of material misstatements, including omissions. The effects of uncorrected misstatements identified during the audit are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

## Representations by Flintshire County Council

We acknowledge that the representations made by management, above, have been discussed with us.

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by the Audit Committee on 9 September 2020.

We confirm that we have taken all the steps that we ought to have taken in order to make ourselves aware of any relevant audit information and to establish that it has been communicated to you. We confirm that, as far as we are aware, there is no relevant audit information of which you are unaware.

Signed by:

Gary Ferguson

Corporate Finance Manager

9 September 2020

Signed by:

Councillor Chris Dolphin

Chair of the Audit Committee

9 September 2020

# Appendix 2

## Proposed independent auditor's report of the Auditor General for Wales to the members of Flintshire County Council

### Report on the audit of the financial statements

#### Opinion

I have audited the financial statements of:

- Flintshire County Council; and
- Flintshire County Council's Group.

for the year ended 31 March 2020 under the Public Audit (Wales) Act 2004.

Flintshire County Council's financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the accounting policies. Movement on the Housing Revenue Account Statement and the Housing Revenue Account Income and Expenditure Statement and the related notes, including a summary of significant accounting policies.

Flintshire County Council's Group financial statements comprise the Group Movement in Reserves Statement, the Group Comprehensive Income and Expenditure Statement, the Group Balance Sheet and the Group Cash Flow Statement and the related notes.

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2019-2020 based on International Financial Reporting Standards (IFRSs).

In my opinion the financial statements:

- give a true and fair view of the financial position of Flintshire County Council Flintshire County Council's Group as at 31 March 2020 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2019-20.

#### Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)). My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the council and its group in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

## **Emphasis of Matter – effects of Covid-19 on the Council’s assets and property pension fund valuations**

I draw attention to Notes 8 and 42 to the financial statements, which describe material valuation uncertainty clauses in the valuation report’s on the Council’s property and on Pooled Property Funds held by the Clwyd Pension Fund arising from circumstances caused by the Covid-19 pandemic. My opinion is not modified in respect of these matters.

## **Conclusions relating to going concern**

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the responsible financial officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Council’s or its group’s ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

## **Other information**

The responsible financial officer is responsible for the other information in the Statement of Accounts. The other information comprises the information included in the Statement of Accounts other than the financial statements and my auditor’s report thereon. My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated later in my report, I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

## **Report on other requirements**

### **Opinion on other matters**

In my opinion, based on the work undertaken in the course of my audit:

- the information contained in the Narrative Report for the financial year for which the financial statements are prepared is consistent with the financial statements and the Narrative Report has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019-20; and



- The information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and the Annual Governance Statement has been prepared in accordance with guidance.

### **Matters on which I report by exception**

In the light of the knowledge and understanding of the Council and its group and its environment obtained in the course of the audit, I have not identified material misstatements in the Narrative Report or the Annual Governance Statement.

I have nothing to report in respect of the following matters, which I report to you, if, in my opinion:

- proper accounting records have not been kept;
- the financial statements are not in agreement with the accounting records and returns; or
- I have not received all the information and explanations I require for my audit.

### **Certificate of completion of audit**

I certify that I have completed the audit of the accounts of Flintshire County Council in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Auditor General for Wales' Code of Audit Practice.

### **Responsibilities**

#### **Responsibilities of the responsible financial officer for the financial statements**

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 11, the responsible financial officer is responsible for the preparation of the statement of accounts, including Flintshire County Council's group financial statements, which give a true and fair view, and for such internal control as the responsible financial officer determines is necessary to enable the preparation of statements of accounts that are free from material misstatement, whether due to fraud or error.

In preparing the statement of accounts, the responsible financial officer is responsible for assessing the Council's and its group's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

#### **Auditor's responsibilities for the audit of the financial statements**

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level

of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my auditor's report.

Anthony J Barrett  
For and on behalf of the Auditor General for Wales  
14 September 2020

24 Cathedral Road  
Cardiff  
CF11 9LJ

# Appendix 3

## Summary of Corrections Made

During our audit we identified the following misstatements that have been corrected by management, but which we consider should be drawn to your attention due to their relevance to your responsibilities over the financial reporting process.

### Exhibit 2: summary of corrections made

Nature of correction	Reason for correction	Impact
<p><b>Note 8 ‘Property, Plant and Equipment – Other, Land &amp; Buildings’</b> was amended:</p> <ul style="list-style-type: none"> <li>• <b>‘Impairments recognised in the Surplus/Deficit on the Provision of services’</b> from £(3,725,000) to £(2,705,000).</li> <li>• <b>‘Revaluation increase/(decrease) recognised in the Revaluation reserve’</b> from £20,374,000 to £19,354,000.</li> </ul>	<p>Land at Ysgol Penyffordd (Abott’s Lane site) was incorrectly impaired and a corresponding revaluation gain was recognised in error.</p>	<p>Appropriate corresponding adjustments were also reflected in the Comprehensive Income and Expenditure Statements’, the Expenditure and Funding Analysis, Cash Flow Statement, the Revaluations Reserve and the Capital Adjustment Account.</p>
<p><b>Note 10 ‘Assets held for sale’ ‘Net reclassifications’</b> for 2018-19 were amended:</p> <ul style="list-style-type: none"> <li>• <b>‘Other property, Plant and Equipment’</b> from £2,098,000 to £1,298,000.</li> <li>• <b>Investment Properties’</b> from £1,214,000 to £497,000.</li> </ul>	<p>The ‘Net reclassifications’ line in Note 10 for 2018-19 included the opening balance at 1 April 2018 in error.</p>	<p>The adjustment amended the total prior year ‘Net reclassifications’ from £3,382,000 to £1,865,000.</p>
<p><b>Note 17 ‘Creditors – Short Term -Other’</b> was amended from <b>£21,189,000 to £19,425,000.</b></p>	<p>A 2020-21 payment was incorrectly recognised as a creditor and a corresponding debtor was included to offset the impact of the transaction resulting in the both creditors and debtors being overstated.</p>	<p>An appropriate corresponding adjustment was made to note 13 ‘Short term debtors – payments in advance’ to remove the contra entry.</p>

<p><b>Note 28 ‘Related Parties’</b> was amended to include additional narrative to fully describe the nature of relationships with related parties for officers and members.</p>	<p>To fully comply with CIPFA’s Code requirements – section 3.9.4.</p>	<p>The adjustment had no other impact on the financial statements. <b>Presentation disclosure only.</b></p>
<p><b>Note 39 ‘Leases – Lessor rentals– Operating leases - Buildings’</b> was amended:</p> <ul style="list-style-type: none"> <li>• <b>‘Not later than one year’</b> from £1,996,000 to £1,890,000.</li> <li>• <b>‘Later than one year and not later than five years’</b> from £5,211,000 to £4,787,000.</li> <li>• <b>‘Later than five years’</b> from £8,226,000 to £7,485,000.</li> </ul>	<p>The Council has been unable to provide evidence to demonstrate that it is entitled to lease income in future years relating to two leased industrial units.</p>	<p>The adjustments have no overall impact on the in-year financial position of the Council. <b>Presentation disclosure only.</b></p>
<p><b>‘Comprehensive Income and Expenditure Account – Actuarial (gains) or losses on pension assets and liabilities’</b> was amended from £(33,803,000) to £(24,415,000).</p>	<p>To account for the financial impact of the material change in revised pension fund valuations at 31 March 2020.</p>	<p>The adjustment impacted upon the ‘Net liability arising from defined benefit’ and ‘the Pension reserve’ on the Balance sheet by corresponding amounts.</p> <p>Appropriate corresponding adjustments were also reflected in:</p> <ul style="list-style-type: none"> <li>• the ‘Movement in reserves Statement’; and</li> <li>• Note 22 ‘Pensions Reserve’</li> <li>• Note 42 ‘Pensions’.</li> </ul> <p>The adjustments have no overall impact on the in-year financial position of the Authority.</p>





Audit Wales  
24 Cathedral Road  
Cardiff CF11 9LJ

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We welcome correspondence and telephone calls in Welsh and English.  
Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg.

**Gary Ferguson**  
Corporate Finance Manager  
Rheolwr Cyllid Corfforaethol



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

9 September 2020

Your Ref/Eich Cyl

Our Ref/Ein Cyf

Date/Dyddiad

Ask for/Gofynner am

Direct Dial/Rhif Union

Fax/Ffacs

## Representations regarding the 2019-20 financial statements

This letter is provided in connection with your audit of the financial statements (including that part of the Remuneration Report that is subject to audit) of Flintshire County Council and its group for the year ended 31 March 2020 for the purpose of expressing an opinion on their truth and fairness and their proper preparation.

We confirm that to the best of our] knowledge and belief, having made enquiries as we consider sufficient, we can make the following representations to you.

## Management representations

### Responsibilities

We have fulfilled our responsibilities for:

The preparation of the financial statements in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2019-20; in particular the financial statements give a true and fair view in accordance therewith.

The design, implementation, maintenance and review of internal control to prevent and detect fraud and error.

County Hall, Mold. CH7 6NB  
[www.flintshire.gov.uk](http://www.flintshire.gov.uk)  
Neuadd y Sir, Yr Wyddgrug. CH7 6NB  
[www.siryfflint.gov.uk](http://www.siryfflint.gov.uk)



The Council welcomes correspondence in Welsh or English  
Mae'r Cyngor yn croesawu gohebiaeth yn y Gymraeg neu'r Saesneg

## Information provided

We have provided you with:

Full access to:

all information of which we are aware that is relevant to the preparation of the financial statements such as books of account and supporting documentation, minutes of meetings and other matters;

additional information that you have requested from us for the purpose of the audit; and

unrestricted access to staff from whom you determined it necessary to obtain audit evidence.

The results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

Our knowledge of fraud or suspected fraud that we are aware of and that affects Flintshire County Council and its group and involves:

management;

employees who have significant roles in internal control; or

others where the fraud could have a material effect on the financial statements.

Our knowledge of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, regulators or others.

Our knowledge of all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

The identity of all related parties and all the related party relationships and transactions of which we are aware.

## Financial statement representations

All transactions, assets and liabilities have been recorded in the accounting records and are reflected in the financial statements.

Significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable.

Related party relationships and transactions have been appropriately accounted for and disclosed.

All events occurring subsequent to the reporting date which require adjustment or disclosure have been adjusted for or disclosed.



All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

The financial statements are free of material misstatements, including omissions. The effects of uncorrected misstatements identified during the audit are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

## **Representations by Flintshire County Council**

We acknowledge that the representations made by management, above, have been discussed with us.

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by the Audit Committee on 9 September 2020.

We confirm that we have taken all the steps that we ought to have taken in order to make ourselves aware of any relevant audit information and to establish that it has been communicated to you. We confirm that, as far as we are aware, there is no relevant audit information of which you are unaware.

Signed by:

Gary Ferguson

Corporate Finance Manager

9 September 2020

Signed by:

Councillor Chris Dolphin

Chair of the Audit Committee

9 September 2020

Mae'r dudalen hon yn wag yn bwrpasol

# Eitem ar gyfer y Rhaglen 5



## AUDIT COMMITTEE

<b>Date of Meeting</b>	Wednesday, 9 <sup>th</sup> September 2020
<b>Report Subject</b>	Wales Audit Office (WAO) Audit Plan 2020
<b>Report Author</b>	Corporate Finance Manager

## EXECUTIVE SUMMARY

External auditors are required to carry out an audit to discharge their statutory duties as Auditor General and fulfil their obligations under the Public Audit (Wales) Act 2004, the Local Government (Wales) Measure 2009, Wellbeing of Future Generations (Wales) Act 2015, the Local Government Act 1999, and the Code of Audit Practice.

The Wales Audit Office, being the Council's external auditor, has prepared an audit plan for 2020 for the Council (attached at Appendix 1 to this report) which sets out their proposed audit work for the year along with timescales, costs and the audit teams responsible for carrying out the work.

## RECOMMENDATIONS

1	Members review the WAO report.
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## **REPORT DETAILS**

<b>1.00</b>	<b>EXPLAINING THE WAO AUDIT PLAN</b>
1.01	The 2020 Audit Plan for Flintshire County Council is attached at Appendix 1
1.02	The Audit Plan for Flintshire County Council is a combined plan covering; <ul style="list-style-type: none"><li>• Financial audit of the 2019/20 Statement of Accounts</li><li>• Other audit work relating to North Wales Residual Waste Joint Committee</li><li>• Performance audit including annual improvement assessment</li></ul>
1.03	The programme of performance audit work in 2020/21 is outlined in paragraph 11 and in exhibit 2 within the WAO report.

<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
2.01	Proposed fees charged for the audit work for Flintshire County Council has been included in the WAO report at exhibit 4.

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

<b>4.00</b>	<b>RISK MANAGEMENT</b>
4.01	All audit work is carried out on a risk based approach which is covered in detail within the WAO's reports.

<b>5.00</b>	<b>APPENDICES</b>
5.01	Appendix 1 - WAO 2020 Audit Plan Flintshire County Council

<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
6.01	None

<b>7.00</b>	<b>CONTACT OFFICER DETAILS</b>
7.01	<p><b>Contact Officer:</b> Gary Ferguson – Corporate Finance Manager</p> <p><b>Telephone:</b> 01352 702271</p> <p><b>E-mail:</b> <a href="mailto:gary.ferguson@flintshire.gov.uk">gary.ferguson@flintshire.gov.uk</a></p>

<b>8.00</b>	<b>GLOSSARY OF TERMS</b>
	<p><b>Financial Audit:</b> The annual external audit of the Council’s Statement of Accounts.</p> <p><b>Financial Year:</b> the period of 12 months commencing on 1 April</p> <p><b>Material:</b> A concept used to inform judgements regarding the accuracy of the Council’s Statement of Accounts. The basis could be quantitative with an assigned value or qualitative and affected by issues that are legal, regulatory, or politically sensitive.</p> <p><b>Statement of Accounts / Final Accounts / Financial Accounts or Statements:</b> The Council’s annual finance report providing details of the Council’s financial performance and position at the end of the financial year. The format is prescribed to enable external comparison with other public and private entities.</p> <p><b>Wales Audit Office:</b> works to support the Auditor General as the public sector watchdog for Wales. They aim to ensure that the people of Wales know whether public money is being managed wisely and that public bodies in Wales understand how to improve outcomes.</p>

Mae'r dudalen hon yn wag yn bwrpasol



WALES AUDIT OFFICE  
SWYDDFA ARCHWILIO CYMRU

Archwilydd Cyffredinol Cymru  
Auditor General for Wales

# 2020 Audit Plan – **Flintshire County Council**

Audit year: 2019-20

Date issued: March 2020

Document reference: 1776A2020-21

This document has been prepared as part of work performed in accordance with statutory functions.

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

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

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



# Contents

## 2020 Audit Plan

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# 2020 Audit Plan

## Our duties

- 1 We complete work each year to meet the following duties.

### Audit of financial statements

- 2 Each year we audit Flintshire County Council's (the Council) financial statements to make sure that public money is being properly accounted for.

### Value for money

- 3 The Council has to put in place arrangements to get value for money for the resources it uses, and we have to be satisfied that it has done this.

### Continuous improvement

- 4 The Council also has to put in place arrangements to make continuous improvements and we also check if it has done this.

### Sustainable development principle

- 5 Public bodies need to make sure that when making decisions they consider the impact they could have on people living in Wales now and in the future. We have to assess the extent to which they are doing this.

## Audit of financial statements

- 6 It is my responsibility to issue a certificate and report on the financial statements which includes an opinion on their 'truth and fairness':
  - We plan to give an opinion on the Council's financial statements by 31 July 2020 in advance of the statutory deadline of 15 September 2020.
  - We will assess whether the Council's Annual Governance Statement and Narrative Report were prepared in line with the CIPFA Code and relevant guidance. We also review whether they are consistent with the financial statements prepared by the Council and with our knowledge of the body.
- 7 In addition to our responsibilities for auditing the Council's financial statements, we also have responsibility for:
  - certifying a return to the Welsh Government which provides information about Council to support preparation of Whole of Government Accounts;
  - responding to questions and objections about the accounts from local electors (additional fees will be charged for this work, if necessary);
  - auditing the Council's pension fund accounts (a separate audit plan will be prepared for the audit of the pension fund);

- the audit of North Wales Residual Waste Joint Committee by 15 September 2020;
  - the certification of a number of grant claims and returns by various dates agreed with the funding bodies.
- 8 There have been no limitations imposed on me in planning the scope of this audit.
- 9 Further information about our work is provided in our Statement of Responsibilities, which is available on our website ([www.audit.wales](http://www.audit.wales)).

## Financial Statement Audit Risks

- 10 The following table sets out the significant risks I have identified for the audit of the Council.

### Exhibit 1: financial statement audit risks

This table summarises the key financial statement audit risks identified at the planning stage of the audit.

Audit risk	Proposed audit response
<b>Significant risks</b>	
The risk of management override of controls is present in all entities. Due to the unpredictable way in which such override could occur, it is viewed as a significant risk [ISA 240.31-33].	<p>My audit team will:</p> <ul style="list-style-type: none"> <li>• test the appropriateness of journal entries and other adjustments made in preparing the financial statements;</li> <li>• review accounting estimates for biases; and</li> <li>• evaluate the rationale for any significant transactions outside the normal course of business.</li> </ul>
<b>Other areas of audit attention</b>	
<p><b>Significant estimates</b></p> <p>The preparation of the financial statement will involve a number of significant estimates, such as employee benefits under International Accounting Standard 19.</p>	<p>My audit team will:</p> <ul style="list-style-type: none"> <li>• review the annual assessment made by officers of the basis on which estimates are made and revised in line with the latest information;</li> <li>• evaluate the competence, capabilities and objectivity of the experts engaged by the Council to provide the estimates and evaluate the work carried out by the expert; and</li> <li>• review other documentation held to support estimates and assess the appropriateness of the Council's judgements made in determining the estimates.</li> </ul>

Audit risk	Proposed audit response
<p><b>Revaluation of Property, Plant &amp; Equipment</b></p> <p>Our audit of the Council's 2018-19 Financial Statements identified a number of errors related to the accounting treatment applied to the revaluation of assets.</p>	<p>We will design audit tests to ensure that the revaluation exercise has been undertaken appropriately and the required revaluations are correctly accounted for in the 2019-20 financial statements.</p>
<p><b>McCloud judgement</b></p> <p>In 2015 the Government introduced reforms to public sector pensions, meaning most public sector workers were moved into new pension schemes in 2015.</p> <p>In December 2018, the Court of Appeal ruled that the 'transitional protection' offered to some members of the judges' and firefighters' schemes, as part of the reforms, amounted to unlawful discrimination. On 15 July 2019 the Government announced that they accept that the judgment applies to all of the main public service pension schemes.</p> <p>The impact of the judgement is likely to have a significant impact on the IAS 19 disclosed liabilities.</p>	<p>My audit team will review the provision made in relation to the McCloud judgement and monitor progress on the development of proposals for a remedy to be applied in the Local Government pension scheme.</p>
<p><b>IFRS 16 Leases</b></p> <p>The introduction of the new standard in 2020-21 may pose implementation risks.</p>	<p>My team will undertake some early work to review preparedness for the introduction of IFRS 16 Leases.</p>

## Performance audit

- 11 In addition to our Audit of Financial Statements we also carry out a programme of performance audit work to discharge the Auditor General's duties set out on [page 4](#) in relation to value for money, continuous improvement and sustainable development. For 2020-21 this work is set out below.

### Exhibit 2: Performance Audit Programme 2020-21

This table summarises the performance audit programme for 2020-21

Performance audit programme	Brief description
Improvement audit and assessment work including improvement planning and reporting audit	Audit of discharge of duty to publish an improvement plan, and to publish an assessment of performance.
Well-being of Future Generations Act (Wales) 2015 (WFG Act) examination	A project common to all local councils that will focus on the theme of 'prevention'.

Performance audit programme	Brief description
Assurance and Risk Assessment	Project to identify the level of audit assurance and/or where further audit work may be required in future years in relation to risks to the Council putting in place proper arrangements to secure value for money in the use of resources.
Financial Sustainability.	A project common to all local councils that will assess financial sustainability in light of current and anticipated future challenges building on work undertaken during 2019-20.
Regional review of residential and nursing care commissioning across BCUHB and the six North Wales councils.	A regional review of residential and nursing care commissioning.
A further local review.	Subject to further discussion with the Council.

## Certification of grant claims and returns

- 12 I have been requested to undertake certification work on the Council's grant claims and returns. A total of ten claims and returns were audited in 2018-19, although based on our current understanding, we anticipate auditing fewer claims and returns in 2019-20.

## Fee, audit team and timetable

- 13 My fees and planned timescales for completion of the audit are based on the following assumptions:
- the financial statements are provided in accordance with the agreed timescales, to the quality expected and have been subject to a robust quality assurance review;
  - information provided to support the financial statements is in accordance with the agreed audit deliverables document;
  - appropriate accommodation and facilities are provided to enable my audit team to deliver the audit in an efficient manner;
  - all appropriate officials will be available during the audit;
  - you have all the necessary controls and checks in place to enable the Responsible Financial Officer to provide all the assurances that I require in the Letter of Representation addressed to me;

- Internal Audit's planned programme of work is complete and management has responded to issues that may have affected the financial statements; and
  - set out the extent to which you intend to rely on Internal Audit's work and where reliance is to be placed on the work of other auditors, specialists, etc.
- 14 If I do receive questions or objections, I will discuss potential audit fees at the time.

## Fee

- 15 Your estimated fee for 2020 is set out in [Exhibit 4](#). There have been some small changes to my fees rates however my audit teams will continue to drive efficiency in their audits to ensure any resulting increases will not be passed to you. This represents a 7.1% decrease compared to your actual 2019 fee.

### Exhibit 4: audit fee

This table sets out the proposed audit fee for 2020, by area of audit work, alongside the actual audit fee for last year.

Audit area	Proposed fee (£) <sup>1</sup>	Actual fee last year (£)
Audit of accounts <sup>2</sup>	196,699	206,699
Performance audit work <sup>3</sup>	100,390	100,216
Grant certification work <sup>4</sup>	40,000-45,000	61,479
North Wales Residual Waste Joint Committee <sup>5</sup>	550	550
<b>Total fee</b>	<b>342,639</b>	<b>368,944</b>

- 16 Planning will be ongoing, and changes to my programme of audit work and therefore my fee, may be required if any key new risks emerge. I shall make no changes without first discussing them with the Council.
- 17 Further information on my [fee scales and fee setting](#) can be found on our website.

<sup>1</sup> Notes: The fees shown in this document are exclusive of VAT, which is not charged to you.

<sup>2</sup> Payable November 2019 to October 2020.

<sup>3</sup> Payable April 2020 to March 2021.

<sup>4</sup> Payable as work is undertaken. The reduction in the proposed fee range reflects auditing fewer claims and returns in 2019-20.

<sup>5</sup> Payable as work is undertaken and subject to the level of testing required.

## Audit team

- 18 The main members of my team, together with their contact details, are summarised in Exhibit 5.

### Exhibit 5: my audit team

This table lists the members of the local audit team and their contact details.

Name	Role	Contact number	E-mail address
Richard Harries	Engagement Director Engagement Lead – Financial Audit	07789 397018	<a href="mailto:richard.harries@audit.wales">richard.harries@audit.wales</a>
Huw Rees	Engagement Lead – Performance Audit	02920 320599	<a href="mailto:huw.rees@audit.wales">huw.rees@audit.wales</a>
Matthew Edwards	Audit Manager (Financial Audit)	07837 385420	<a href="mailto:matthew.edwards@audit.wales">matthew.edwards@audit.wales</a>
Mike Whiteley	Audit Lead (Financial Audit)	01352 702185	<a href="mailto:mike.whiteley@audit.wales">mike.whiteley@audit.wales</a>
Jeremy Evans	Audit Manager (Performance Audit)	07825 052861	<a href="mailto:jeremy.evans@audit.wales">jeremy.evans@audit.wales</a>
Gwilym Bury	Audit Lead (Performance Audit)	07813 564432	<a href="mailto:gwilym.bury@audit.wales">gwilym.bury@audit.wales</a>

- 19 I can confirm that, except as set out in paragraph 20, there are no known threats to the independence of the Appointed Auditor or other audit staff and I have complied with the Wales Audit Office rotation policy.
- 20 The only known threats that we need to bring to your attention relate to Matthew Edwards, the Audit Manager (Financial Audit). A member of Financial Audit Manager's family is employed as a teacher by the Council. As a result, he will not be involved in any work at that school and his involvement in any other audit work in relation to education will only be permitted following a risk assessment.

## Timetable

- 21 My team intends undertaking the financial accounts work between February and July 2020. The timing and exact scope of individual performance audit projects will be confirmed by the Audit Manager with responsibility for performance audit work in due course.

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# Eitem ar gyfer y Rhaglen 6



## AUDIT COMMITTEE

<b>Date of Meeting</b>	Wednesday, 9 <sup>th</sup> September 2020
<b>Report Subject</b>	Certification of Grants and Returns 2018/19
<b>Report Author</b>	Corporate Finance Manager

### EXECUTIVE SUMMARY

The purpose of the report is to inform Members of the grant claim certification for the year ended 31<sup>st</sup> March 2019.

The Council's external auditors, the Wales Audit Office (WAO) are required to report annually on the certification of grant claims and returns and the annual report for 2018/19 is appended to this report.

The Finance Management Team and the services concerned have considered the report in detail and have addressed the specific findings contained in the report as required.

A number of recommendations have been made and all agreed management actions in response to the recommendations are in progress.

Whilst the findings are not a major risk to performance there is still some improvement to be made within some services and an action plan will be put in place to address these issues.

The Council will work to enhance the systems in place for the 2019/20 audit and continues to work closely with WAO and Internal Audit to ensure that the processes in place are adequate.

### RECOMMENDATIONS

1	Members are requested to note the content of the Grant Claim Certification report for 2018/19
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## **REPORT DETAILS**

<b>1.00</b>	<b>EXPLAINING THE GRANT CERTIFICATION REPORT 2018/19</b>
1.01	The Councils external auditors, the Wales Audit Office (WAO) are required to report annually on the certification of grant claims and returns and the annual report for 2018/19 is appended to this report.
1.02	The Finance Management Team and the services concerned have considered the report in detail and have addressed the specific findings in the report as required.
1.03	In relation to the overall grants total of £148m, the net adjustment to claims was £44,320 which is a relatively small proportion and did not result in any financial loss to the Council.
1.04	All grants were submitted in accordance with the deadline and of the ten grants audited six were unqualified with the remaining four requiring qualification. This is a slight improvement on the performance for last year and a number of recommendations have been made to address the issues raised.
1.05	As in previous years Officers will continue to work alongside WAO to further improve the quality of the claims and to address specific issues as they arise.
1.06	Recommendations made by WAO have been considered by Officers and responses on actions to be taken are noted within the report and are in progress.
1.07	Performance will be reviewed by the Accounts Governance Group and reported to the Chief Officer Team to ensure ownership and action where appropriate from grant leads.

<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
2.01	As set out in the report

<b>3.00</b>	<b>CONSULTATIONS REQUIRED / CARRIED OUT</b>
3.01	The report has been shared with staff with responsibility with dealing with grants.

<b>4.00</b>	<b>RISK MANAGEMENT</b>
4.01	As set out in the report

<b>5.00</b>	<b>APPENDICES</b>
5.01	Appendix 1 – Certification of Grants and Returns 2018-19, Wales Audit Office report

<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
6.01	None

<b>7.00</b>	<b>CONTACT OFFICER DETAILS</b>
7.01	<b>Contact Officer:</b> Gary Ferguson – Corporate Finance Manager <b>Telephone:</b> 01352 702271 <b>E-mail:</b> <a href="mailto:gary.ferguson@flintshire.gov.uk">gary.ferguson@flintshire.gov.uk</a>

<b>8.00</b>	<b>GLOSSARY OF TERMS</b>
8.01	<p><b>Grant:</b> The annual external audit of the Council’s Statement of Accounts.</p> <p><b>Financial Year:</b> a financial assistance mechanism providing money, property, or both to an eligible entity to carry out an approved project or activity.</p> <p><b>Certification:</b> A statement, signed by an applicant or grantee as a prerequisite for receiving funds, that it (1) meets or will adhere to certain conditions and/or (2) will undertake or not undertake certain actions.</p> <p><b>Wales Audit Office:</b> works to support the Auditor General as the public sector watchdog for Wales. They aim to ensure that the people of Wales know whether public money is being managed wisely and that public bodies in Wales understand how to improve outcomes.</p> <p><b>Grant Completion Checklist:</b> a template produced to determine the evidence and information required to be prepared to support a grant claim submission.</p> <p><b>Revenue:</b> a term used to describe the day to day costs of running the Council services and income derived from those services. It also includes charges for the repayment of debt, including interest, and may include direct funding of capital expenditure.</p> <p><b>Budget:</b> a statement expressing the Councils policies and service levels in financial terms for a particular financial year. In its broadest sense it includes both the revenue budget and capital programme and any authorised amendments to them.</p>

Mae'r dudalen hon yn wag yn bwrpasol



APPENDIX 1

WALES AUDIT OFFICE  
SWYDDFA ARCHWILIO CYMRU

# Certification of Grants and Returns 2018-19 – **Flintshire County Council**

Audit year: 2018-19

Date issued: March 2020

Document reference: 1754A2020-21

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This document has been prepared as part of work performed in accordance with statutory functions.

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

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

# Contents

Summary report

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# Summary

- Tudalen 200
- 1 Under Paragraph 20 of Schedule 8 to the Government of Wales Act 2006 the Auditor General shall, if required by a local government or other grant-receiving body, make arrangements for certifying claims and returns (referred to as grant claims, hereafter).
  - 2 We undertook our work with the aim of certifying individual claims and to answer the question:  
‘Does Flintshire County Council (the Authority) have adequate arrangements in place to ensure the production of co-ordinated, accurate, timely and properly documented grant claims?’
  - We have completed the audit and conclude that while the Authority had generally adequate arrangements in place for the production and submission of its 2018-19 grant claims, there is scope for improvement. We are continuing to work with the Authority to make these improvements for 2019-20. Our conclusion for 2018-19 is based on the following overall findings:  
For 2018-19 we certified 10 grant claims, the same as 2017-18; however, the grant value was £18 million more due to changes in the grants requiring certification.
  - 5 The Authority submitted all of its 2018-19 grant claims to us on time, which is an improvement from prior years. We can confirm that we have certified all of the claims, at a total audit cost of some £61,479 (2017-18: £64,687). The audits resulted in an additional £45,285 being claimable by the Authority in respect of 2018-19.
  - 6 Forty percent of the claims were qualified; this represent an improvement from 2017-18 where half of the claims were qualified.
  - 7 We would like to acknowledge the assistance and co-operation received from officers during the audit.



# Summary of certification work outcomes

<p><b>Introduction and background</b></p>	<p><b>This report summarises the results of work on the certification of the Authority's 2018-19 grant claims and returns</b></p> <ul style="list-style-type: none"> <li>• As appointed auditors of the Authority, we are asked on behalf of the Auditor General to certify grant claims made by the Authority.</li> <li>• For 2018-19, we certified ten grants with a total value of £148 million.</li> <li>• We have produced this report so that we can provide feedback collectively to those officers having the responsibility for grant management so that we can work together to identify further improvements which can be made to improve the Authority's grants managements arrangements, as it prepares for the implementation of the recent changes announced by Welsh Government to the certification requirements for its grants from 2019-20.</li> </ul>
<p><b>Timely receipt of claims</b></p>	<ul style="list-style-type: none"> <li>• Our analysis shows that all the grants received during the year were received by the Authority's deadline.</li> <li>• We encountered some difficulties obtaining timely responses to a number of audit queries. This was due in part to new officers being responsible for some of the claims this year. This contributed to delays in the submission of certified claims, with half of the claims being submitted after the required deadlines.</li> </ul>
<p><b>Certification results</b></p>	<p><b>We issued unqualified certificates for six grants and returns but qualifications were necessary in four cases (40 per cent)</b></p> <ul style="list-style-type: none"> <li>• The reasons for qualifying the grants can be grouped into ongoing issues which have been reported in previous financial years and issues which have come to our attention (for the first time) during our grant work carried out in 2018-19:</li> </ul> <p><b>Qualification issues reported in previous financial years</b></p> <ul style="list-style-type: none"> <li>• Insufficient monitoring of third-party expenditure;</li> <li>• Lack of supporting evidence to demonstrate compliance with the Authority's Standing Orders for contracts;</li> </ul>

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	<ul style="list-style-type: none"> <li>• Incorrect rent amount used when determining housing benefit entitlement;</li> <li>• Assessed income amounts for housing benefit claims were incorrect; and</li> <li>• Misclassification of housing benefit overpayments in the housing benefit subsidy claim.</li> </ul> <p><b>Qualification issues reported for the first time in 2018-19</b></p> <ul style="list-style-type: none"> <li>• Misclassification of expenditure between tenure types in the housing benefit subsidy claim; and</li> <li>• Ineligible expenditure items included within claims.</li> </ul> <p><b>Qualification issues outside the Authority’s control</b></p> <ul style="list-style-type: none"> <li>• Technical issues with the housing benefit system (Civica) which resulted in a number of errors in the Housing Subsidy claim. This was also reported in previous financial years.</li> </ul>
<p><b>Audit adjustments</b></p>	<p><b>Adjustments were necessary to five of the Authority’s grants and returns as a result of our auditor certification work this year</b></p> <ul style="list-style-type: none"> <li>• There were only two significant adjustments (i.e. over £10,000). An adjustment of £11,564 was made on the Non-Domestic Rates return, and £55,884 was made on the Bus Services Support Grant.</li> <li>• The net adjustment to the two grants resulted in an increase of £44,320 compared to the original claims submitted. The element relating to the Bus Services Support Grant, £55,884, relates to the BSSG reserve held by the Authority on behalf of Welsh Government, which does not directly increase the amount payable to the Authority. Excluding the significant adjustment above, the net adjustment of the other three grants was an increase of £965 to the Authority.</li> </ul>
<p><b>The Authority’s arrangements</b></p>	<p><b>The Authority has generally adequate arrangements for preparing its grants and returns, and supporting our certification work, but some improvements are required:</b></p> <ul style="list-style-type: none"> <li>• We have made a number of recommendations which are detailed on page 12 of this report. The Authority needs to focus on implementing these recommendations in preparation for the changes to the Welsh Government grants certification arrangements from 2019-20.</li> </ul>

- 8 Detailed on the following page is a summary of the key outcomes from our certification work on the Authority’s 2018-19 grants and returns, showing where either audit amendments were made as a result of our work or where we had to qualify our audit certificate.
- 9 A qualification means that issues were identified concerning the Authority’s compliance with a scheme’s requirements that could not be resolved through adjustment. In these circumstances, it is likely that the relevant grant-paying body will require further information from the Authority to satisfy itself that the full amounts of grant claimed are appropriate.

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Key information for 2018-19
<p><b>Overall, we certified 10 grants and returns:</b></p> <ul style="list-style-type: none"> <li>• Three were unqualified with no amendment.</li> <li>• Two were unqualified but required some amendment to the final figures.</li> <li>• One required a qualification to our audit certificate with no amendment.</li> <li>• Three were qualified and required some amendment to the final figures.</li> <li>• One claim requires auditor findings to be reported in an observation letter.</li> </ul>

Ref	Grants and returns	Claim due	Claim received	Late	Qualified certificate	Adjustment (>£10,000)	Adjustment (<£10,000)	Unqualified certificate
1 – BEN01	Housing Benefit Subsidy	30/04	30/04	No	Yes	No	£5,022	No
2 – LA01	NDR Non-Domestic Rates Return	31/05	31/05	No	No	(£11,564)	No	Yes
3 – EDU18	21 <sup>st</sup> Century Schools	30/09	27/09	No	No	No	No	Yes
4 – LA99	Single Summary of Grants	30/09	30/09	No	^	^	^	^
5 – TRA15	Local Transport Fund	30/09	27/09	No	No	No	No	Yes
6 – TRA23	Free Concessionary Travel	30/09	27/09	No	Yes	No	(£4,057)	No
7 – TRA27	Bus Services Support Grant	30/09	27/09	No	Yes	£55,884	No	No
8 – PEN05	Teachers Pensions'	30/06	30/06	No	Yes	No	No	No
9 – LA12	Sustainable Waste Management	31/08	22/08	No	No	No	£0*	Yes
10 – TRA28	Youth Travel Scheme	30/09	30/09	No	No	No	No	Yes
<b>Total</b>					<b>4</b>	<b>£44,320</b>	<b>£965</b>	<b>5</b>

^ The Welsh Government requires auditor findings to be reported in an observations letter, so no qualification is possible on this claim. Consequently, no amendments are possible to the claim.

\* Amendment required to claim form as not properly completed, however there was no financial impact on the claim.

10 This table summarises the key issues behind each of the adjustments or qualifications that were identified on page 8.

Ref	Summary observations	Amendment
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Tudalen 205</p> <p>1</p>	<p><b>Housing Benefit Subsidy</b></p> <ul style="list-style-type: none"> <li>• Incorrect assessed earnings figure – our testing identified 39 cases where the Authority had used the incorrect amount. This resulted in an overpayment of benefit in 20 of these cases.</li> <li>• Overpayment classification – our testing identified 12 cases where the Authority misclassified the overpayment in the subsidy claim.</li> <li>• Incorrect rent – our testing identified two cases where the Authority input the claimant’s rent incorrectly, resulting in an overpayment.</li> <li>• Expenditure misclassification – our testing identified that all the cases within a cell on the claim (82 cases) were incorrectly classified as HRA tenancy but should have been Non-HRA Rent Rebate tenancy. The total value of the error was £67,036, which the Authority chose not to correct. There was no impact in subsidy as a result of this error.</li> <li>• System issues – our testing identified two cases where issues with the Authority’s housing benefit system (Civica) resulted in errors being identified in the housing subsidy claim. The Authority has raised these issues with Civica and is working to resolve them. There are still issues identified as part of the 2017-18 audit that remain outstanding with Civica.</li> </ul> <p>The claim was amended as our audit identified errors that affected a number of cells within the return. The net effect of these amendments was to increase the amount receivable by the Authority by £5,022.</p>	<p>Our qualification letter to the Department for Work and Pensions (DWP) reported extrapolated errors totalling £10,254.</p> <p>The Department is currently considering our findings and is proceeding to decide on the potential recovery of any overpaid subsidy.</p> <p>An increase of £5,022 to the amount receivable by the Authority.</p>

Ref	Summary observations	Amendment
2	<p><b>NDR Non-Domestic Rates Return</b></p> <ul style="list-style-type: none"> <li>• Our testing identified that the return had been incorrectly compiled in relation to transitional relief, which resulted in an overstatement of £11,564.</li> <li>• The return was qualified in 2017-18 as the Authority was unable to fully reconcile claim expenditure to the financial ledger. The difference in 2017-18 was £19,047. Whilst not being a qualification issue this year, as it was below the Welsh Government's reporting threshold of £10,000, a difference of £6,383 remained between the claim expenditure and amounts recorded in the financial ledger.</li> </ul>	<p>The Authority's contribution to the NNDR Collection Pool increased by £11,564</p>
6	<p><b>Single Summary of Grants</b></p> <ul style="list-style-type: none"> <li>• Our review of a sample of new contracts awarded in the year identified that one service level agreement was not awarded in accordance with the Authority's standing orders.</li> <li>• Testing a sample of expenditure items identified £17,600 of ineligible expenditure included on the Families First scheme.</li> <li>• The grant awarded amount recorded in the return was incorrect for both the Flying Start schemes.</li> </ul>	<p>Not applicable as the Welsh Government requires auditor findings to be reported in an observations letter. No qualification or amendments are required to be made to the claim for issues identified.</p>
6	<p><b>Free Concessionary Travel</b></p> <ul style="list-style-type: none"> <li>• Operator costs had been incorrectly duplicated in the claim expenditure.</li> <li>• The Authority was unable to demonstrate there was sufficient monitoring of third-party expenditure within the claim, to ensure it was in accordance with the terms and conditions of the grant.</li> </ul>	<p>A decrease of (£4,057) to the amount receivable by the Authority.</p>

Ref	Summary observations	Amendment
7	<p><b>Bus Services Support Grant</b></p> <ul style="list-style-type: none"> <li>Annual expenditure was understated due to balances from prior years being incorrectly omitted from the current year's claim form.</li> <li>The claim allows for a carry forward of 10% of the grant allocation. Due to the claim being amended to correct for the above error, the carry forward amount was 10.9%.</li> </ul>	An increase of £55,884 to the BSSG reserve held on behalf of Welsh Government.
Fudalen 207	<p><b>Teachers' Pensions</b></p> <ul style="list-style-type: none"> <li>The breakdown of pension contributions for each tier of salary on the return did not agree to the amount calculated using the expected pension contribution rate specified by Teachers' Pensions. Contributions included on the return were £79 higher than the figures recalculated as part of the audit.</li> <li>Our testing identified that two teachers were in the incorrect tier and therefore their employee contributions were being deducted at the incorrect rate.</li> </ul>	<p>No amendments required – differences identified from analytical review and not separately identifiable to individuals.</p> <p>The matters have been reported to Teachers' Pensions as required by the certification instruction.</p>
	<b>Total effect of amendments to the Authority</b>	<b>£45,285</b>

# Recommendations

- 11 We have given each recommendation a risk rating and agreed what action management will need to take. We will follow up these recommendations during next year's audit.

Priority 1	Priority 2	Priority 3
Issues that are fundamental and material to your overall arrangements for managing grants and returns or compliance with scheme requirements. We believe that these issues might mean that you do not meet a grant scheme requirement or reduce (mitigate) a risk.	Issues that have an important effect on your arrangements for managing grants and returns or complying with scheme requirements, but do not need immediate action. You may still meet scheme requirements in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.	Issues that would, if corrected, improve your arrangements for managing grants and returns or compliance with scheme requirements in general, but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.



Issue	Implication	Recommendation	Priority	Comment	Responsible officer and target date
Lack of effective monitoring of third-party expenditure to ensure grant has been used for the intended purpose.	The Authority has not complied with the terms and conditions of grant.	R1 The Authority must have adequate procedures in place to ensure only eligible expenditure incurred by third parties is included in the claim.	1	Systems are in place with expenditure monitored. Evidence of this process will be included as part of the monitoring information supplied to auditors from 2019-20.	Ceri Hansom 01/04/2020
Contracts not awarded in accordance with procurement procedures.	The Authority has not complied with the terms and conditions of grant.	R2 Ensure evidence is retained to demonstrate contract procedure rules have been complied with and that this evidence is available for audit.	1	Service and Finance leads will be reminded of their responsibilities around contract procedure rules and the need to provide evidence for audit.	Dave Ledsham 01/04/2020
Housing subsidy overpayments misclassified.	Claims may be qualified.	R3 Review the existing quality assurance arrangements for housing benefit overpayments to	2	A review of current arrangements is being undertaken as part of the services	Jen Griffiths 01/06/2020

Issue	Implication	Recommendation	Priority	Comment	Responsible officer and target date
		determine whether they can be strengthened to reduce the number of errors in the housing subsidy claim.		Quality Assurance Testing Plan.	
Tudalen 210 Housing benefit system issues resulting in errors in the housing subsidy claim	Claims may be qualified.	R4 Continue to engage with the Authority's software supplier (Civica) to resolve all issues and correct affected claims as appropriate.	1	Engagement with Civica is ongoing to resolve the issues.	Jen Griffiths 01/06/2020
Assessed earned figures being inaccurately recorded in the assessment of housing benefit claims	Claims may be qualified.	R5 Develop quality assurance arrangements to ensure that assessed income figures used are correctly stated.	1	A review of current arrangements is being undertaken as part of the services Quality Assurance Testing Plan.	Jen Griffiths 01/06/2020
Claim expenditure not fully reconciled to the Authority's financial ledger.	Any over claim may need to be recovered by the Welsh Government.	R6 Fully reconcile all claim expenditure to the financial ledger prior to submission to the Welsh Government.	1	Additional checks will be carried out at financial year end and WG have now amended the NDR3	David Barnes 01/04/2020

Issue	Implication	Recommendation	Priority	Comment	Responsible officer and target date
				return forms for 2019/20 onwards to simplify the process.	
Teachers' pension contributions deducted at the incorrect rate.	Teachers' pension records may be inaccurate if not resolved, which could result in an incorrect pension being paid on retirement.	R7 Engage with the Authority's payroll software supplier (Midland) to determine the cause of the errors to help avoid similar errors reoccurring.	2	The service is engaging with the software supplier with the aim of resolving this issue.	Janet Roberts 01/06/2020
Ineligible expenditure.	Grant may be reclaimed by the Welsh Government	R8 Only eligible expenditure, and that incurred within the claim period, should be included within the claim. Welsh Government advice should be sought prior to claim completion if in any doubt of the eligibility of expenditure	2	A reminder will be issued to all grant service leads to ensure only eligible expenditure is included within grant claims in accordance with grant conditions.	Dave Ledsham 01/04/2020

Tudalen 211

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# Eitem ar gyfer y Rhaglen 7



## AUDIT COMMITTEE

<b>Date of Meeting</b>	Wednesday 9 September 2020
<b>Report Subject</b>	External Regulation Assurance Report
<b>Report Author</b>	Chief Executive

### EXECUTIVE SUMMARY

The Council receives reports from our external regulators and inspectors. Under its Terms of Reference the Audit Committee is to ensure that effective processes are in place for setting and monitoring actions arising from these reports.

This report covers the work conducted by the Wales Audit Office (WAO) – now called Audit Wales (AW) - as part of their National Study Programme and locally.

No studies were undertaken by either the Care Inspectorate Wales or Estyn during the period of this report 2018/19.

This summary report provides assurance to the Audit Committee that the reports have been considered, and actions taken in response to the recommendations received.

### RECOMMENDATIONS

1	To be assured over the Council's response to pieces of external regulation work.
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## REPORT DETAILS

1.00	<b>EXPLAINING THE EXTERNAL REGULATORS AND INSPECTIONS REPORT</b>
1.01	<p>The Local Government (Wales) Measure contains provisions for the work of audit committees. Statutory guidance made under Section 85 of the Measure, issued in June 2012, says that audit committees should receive and consider reports from external auditors, regulators and inspectors. This arrangement has been in place for a number of years within this Council.</p>
1.02	<p>Since 2014 arrangements have been made that all local reports issued by external auditors, regulators and inspectors are tracked and reported. We have been making an annual tracking report to this Audit Committee. Our locally adopted reporting protocol separates out executive and non-executive roles as follows:-</p> <ul style="list-style-type: none"> <li>• Cabinet – makes the executive response</li> <li>• Overview and Scrutiny – scrutinises the executive response</li> <li>• Audit Committee – assures the above arrangements</li> </ul> <p>The protocol is attached at Appendix 2.</p>
1.03	<p>Where reports by an external auditor, other regulator or inspector contains recommendations specifically for the Council, it is important that they receive proper consideration by both officers and members and are responded to.</p> <p>The responses will, on occasion, require an action plan to implement changes and appropriate procedures need to be in place to oversee their implementation.</p> <p>It should be noted that there is no requirement to report or respond to recommendations within the WAO/AW national study reports. However the Council undertakes this as a matter of good practice as part of our protocol.</p>
1.04	<p>It is part of the Terms of Reference of the Audit Committee to ensure that effective processes are in place for setting and monitoring proportionate and effective action plans. The Audit Committee has the specific responsibility for ensuring all audit report recommendations issued by external auditors are implemented.</p>
1.05	<p>Appendix 1 shows the reports received from the Wales Audit Office during 2018/19 and the summary findings and responses from the Council including the current status of any actions, marked as follows:</p> <ul style="list-style-type: none"> <li>• Green – on track / completed</li> <li>• Amber – on track, but within acceptable limits</li> <li>• Red – limited progress.</li> </ul>

1.06	No studies were undertaken by either the Care Inspectorate Wales or Estyn during the period of this report.
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<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
2.01	There are no direct resource implications related to this report.

<b>3.00</b>	<b>CONSULTATIONS REQUIRED / CARRIED OUT</b>
3.01	External reports are considered by Chief Officers and senior managers to determine the actions needed. Where appropriate, Cabinet and Overview and Scrutiny committees review the findings of reports and the Council's responses.

<b>4.00</b>	<b>RISK MANAGEMENT</b>
4.01	<p>The work of the external regulators, and the actions in response to their reports provide assurance to the Council that adequate and effective controls are in place to mitigate risks.</p> <p>The Council's protocol in relation to reporting of external assurance reports is attached at Appendix 2</p>

<b>5.00</b>	<b>APPENDICES</b>
5.01	<p>Appendix 1: External Audit Report Summary</p> <p>Appendix 2: External Assurance reports protocol</p>

<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
6.01	<p><a href="#">Wales Audit Office Annual Improvement Report 2018/19</a></p> <p><b>Contact Officer:</b> Jay Davies, Strategic Performance Advisor  <b>Telephone:</b> 01352 702744  <b>E-mail:</b> <a href="mailto:jay.davies@flintshire.gov.uk">jay.davies@flintshire.gov.uk</a></p>

<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.

**Care Inspectorate for Wales (CIW):** The powers and functions of CIW are enabled through legislation. CIW has the powers to review Local Authority social services at a local and national level, to inform the public whether services are up to standard, to promote improvement of services and to help safeguard the interests of vulnerable people who use services and their carers. They provide professional advice to Welsh Ministers and policy makers.

**Estyn:** Estyn is the education and training inspectorate for Wales. Estyn is responsible for inspecting primary and secondary schools and nursery schools maintained by, or receiving funding from, local authorities.



**Wales Audit Office Annual Improvement Report**

**Executive Response**

**June 2019**

The following is a progress report on the Proposals for Improvement contained in response to the Annual Improvement Report published June 2019.

<b>Report Title</b>	<b>Proposals for Improvement including overall lead.</b>	<b>Action response</b>	<b>RAG Status</b>
<b>Well-being of Future Generations:</b> An examination of the Green Council: Maximising the recovery and recycling of waste.	<b>Long term</b> There is a need to think longer term and for the Council to develop its own regional and local needs, challenges and opportunities to help it deliver its 2050 aim of zero waste.  Chief Officer – Streetscene and Transportation	This is embodied within the Council’s five-year Waste Strategy.	<b>G</b>
	<b>Prevention</b> Although the Council regularly monitors the total amount of waste generated within the county and the proportion being recycled, it could take further action to reduce overall waste volume.  Chief Officer – Streetscene and Transportation	This is embodied within the Council’s five-year Waste Strategy.	<b>G</b>
	<b>Prevention</b> Improve the customer experience at HRCs with better support from staff.  Chief Officer – Streetscene and Transportation	We will work with the Wales Audit Office on their Service User perspective at our HRC sites.	<b>G</b>
	<b>Integration</b>		<b>G</b>

Report Title	Proposals for Improvement including overall lead.	Action response	RAG Status
<b>Tudalen 218</b>	<p>The Council should give more consideration to how it can integrate its well-being objectives and assess their impact on the well-being objectives of other bodies.</p> <p>Chief Executive</p>	<p>The Council will be re-setting its well-being objectives as part of the Council Plan setting, which will include not just the work led by the Council, but also consideration of partnership working and its impact on the well-being objectives of other bodies.</p>	
	<p><b>Involvement</b> Sometimes the Council may benefit from engaging with stakeholders earlier in the process. For example, by involving stakeholders in the early design stage of the HRC process, the Council may have avoided negative publicity and agreed on a final approach more quickly and easily.</p> <p>Chief Executive</p>	<p>We will review where we have been successful in other involvement exercises to apply lessons learned to future policy reviews.</p>	<b>A</b>
	<p><b>Involvement</b> A more consistent approach needs to be taken to completing comprehensive equality impact assessments (EIA) and making them available to the decision-making process.</p> <p>Chief Executive</p>	<p>The work undertaken on developing the EIA approach into a fully integrated impact assessment (including the well-being goals and sustainable development principles) is currently on going and will continue to be developed.</p>	<b>A</b>
	<p><b>Involvement</b> Members we spoke to reflected that, although they are confident that officers consider the WFG Act, this is not clearly demonstrated in the reports we receive.</p> <p>Chief Executive</p>	<p>Member's reports now incorporate work being undertaken and the thinking behind the WFG Act.</p>	
	<p><b>Corporate arrangements</b> The Council needs to assure itself that it is considering the five ways of working in the actions it takes to achieve its well-being objectives.</p>	<p>This will be undertaken as part of the re-setting of the Council's well-being objectives.</p>	<b>A</b>

Report Title	Proposals for Improvement including overall lead.	Action response	RAG Status
Tudalen 2199	Chief Executive		
	<p><b>Corporate arrangements</b> The Council needs to consider how to include a learning cycle to help it further embed the five ways of working in setting and delivering its well-being objectives.</p> <p>Chief Executive</p>	Setting and delivery of the revised set of well-being objectives will be fully integrated with the five ways of working.	A
		<p><b>All the above 'Ways of working'</b> The 'ways of working' and the Councils well-being objectives will be referred to in all Strategic Cabinet (and other relevant) reports from September 2019 as a significant positive, negative or neutral contribution.</p> <p>An overview of the integrated impact assessment will also be included to inform strategic decisions.</p>	A
Local government use of data local report	<p><b>P1</b> The Authority needs to develop a more unified and corporate approach to using data. It can do this by: Continuing to embed its 'tell us once' project and build on the integration of datasets as was done with the datasets which informed the Council Plan. More generally, data tool respondents feel the Authority lacks a corporate ownership of data projects. A change in culture and a stronger leadership on data will support the creation of an environment that treats data as a key resource. This will help to extend the benefits of data-led decisions to all service areas.</p> <p>Chief Officer – Governance</p>	We will review and publish our Information Management Strategy so that there is a clear and understood approach to data management. As identified within the report, Tell Us Once is a key part of Digital Strategy.	A

Report Title	Proposals for Improvement including overall lead.	Action response	RAG Status
Tudalen 220	<p><b>P2</b>                      The Authority collects data at almost every interaction with its citizens, whether face to face, over the phone or on social media and it needs to ensure it continues to protect the information it holds whilst making the best use of this wealth of data. Updating data sharing protocols and providing refresher training – focusing on what people can do rather than what they cannot do – will help to ensure that service managers know when and what they can share, thereby helping to make better use of shared data.</p> <p>Chief Officer – Governance</p>	<p>Following work on compliance for GDPR we are working on how best to use data and information between portfolios in the provision of services for our customers and service users. We are reviewing how we balance security with the proactive use of data.</p>	A
	<p><b>P3</b>                      Our national report highlights Flintshire County Council’s approach to building capacity and driving a more collaborative culture across the county. Whilst the Digital Flintshire 2017-2022 strategy outlines how digital information and technology will be used to support the Authority’s improvement priorities and strategic plans, and ensuring customers have the digital skills to access services and information online, having the right staff with the right skills to turn its wealth of data into usable evidence remains a challenge. Indeed, ensuring adequate resources and sufficient capacity are ongoing challenges for all local authorities.</p> <p>A significant proportion who responded to our data tool do not believe the Authority has sufficient staff with the skills to maximise the use of data. Without upskilling staff to make better use of data the Authority risks missing opportunities to better use data to improve its efficiency and effectiveness. Investing to make better use of data will result in better outcomes for citizens and create long-term efficiencies for the Authority.</p> <p>The Well-being of Future Generations (Wales) Act 2015 provides the perfect impetus for the Authority to think long term.</p>	<p>We are developing a comprehensive plan within our digital strategy programme to ensure that each project contains as standard a strong emphasis on training and the development of digital skills. We are reviewing how we can have better control, visibility of and confidence in our data to support effective design and delivery of services.</p>	A

Report Title	Proposals for Improvement including overall lead.	Action response	RAG Status
	Chief Executive		
	<p><b>P4</b>                      Understanding the data and the level of analysis provided to inform business planning and decision making is an area for improvement for all local authorities.                      The Authority should review the range and quality of the information needed by decision makers and the format it is presented in. This will enable the Authority to set corporate data reporting standards to ensure the data that is presented to senior officer and Elected Members is accessible, easily understandable and equips decision makers to fulfil their responsibilities as effectively as possible.</p> Chief Executive	Work is being undertaken around the structure of reports to ensure that risks and options are well presented. This will also cover the presentation of data.	<b>A</b>

Tudalen 221

Mae'r dudalen hon yn wag yn bwrpasol

## **External Regulation – Reporting Protocol**

**External arrangements** for regulation and assurance are provided by a number of statutorily appointed bodies such as the Wales Audit Office (WAO), Estyn and the Care Inspectorate Wales (CIW), plus a number of other external regulatory bodies.

Their role is independent of government and they examine various aspects of how Welsh public bodies work. For example the WAO carries out financial audits and examines how the organisation manages and spends public money, including achieving value in the delivery of public services. Other bodies such as Estyn focus on the quality and standards in education and training providers in Wales.

According to the role and remit of each body, they produce either periodic or annual reports on their findings. All formal reports, also known as local reports which are specific to the Council are presented to the Cabinet and Audit Committee and considered by the various Overview and Scrutiny Committees as appropriate.

The roles are as follows:

- i) Cabinet – the Executive response
- ii) Overview and Scrutiny – scrutiny of the response
- iii) Audit Committee – assurance of the arrangements.

Progress against the resultant action plans are also monitored by Cabinet and Overview & Scrutiny. Some reports, such as the Annual Improvement Report are presented to the full Council.

National study reports published by the WAO are also considered as to the relevance of the recommendations and responses made accordingly.

The WAO meets regularly with the Chief Executive to discuss the achievement of co-ordination and proportionality of external regulatory work, as well as the role that regulation can play in ‘adding value’ through supporting improvement.

**Internal arrangements** for co-ordinating regulatory activity is held by Chief Executive’s (Corporate Business and Communications Team). All external reports are to be shared with the Team (if they have not already been sent direct from the external regulatory agency) and, agreement reached as to which Committee the report is to be presented to. In addition a Council response is to be prepared by the lead portfolio for presentation with each report.

Mae'r dudalen hon yn wag yn bwrpasol



# Eitem ar gyfer y Rhaglen 8



## AUDIT COMMITTEE

<b>Date of Meeting</b>	Wednesday, 9 <sup>th</sup> September 2020
<b>Report Subject</b>	Public Sector Internal Audit Standards
<b>Report Author</b>	Internal Audit Manager
<b>Type of Report</b>	Assurance

### EXECUTIVE SUMMARY

Internal Audit must conform to the Public Sector Internal Audit Standards (PSIAS). There must be an assessment every year which must be reported to Audit Committee. These assessments are normally carried out internally as self-assessments, but there must be an external assessment every five years.

Internal assessment has been carried out every year since the standards were introduced. The external assessment was last undertaken in March 2017. In order to minimise costs, the Chief Auditors within the Wales Chief Auditors Group, for 18 Councils in Wales, have agreed to undertake a peer review, each one reviewing the other Council. The Chief Internal Auditor from Ceredigion reviewed Flintshire. A new programme for external assessment is currently being developed.

This report shows the results of the current internal self-assessment, the progress against actions arising from last years' assessment, and further actions being undertaken on an ongoing basis to maintain compliance with the components of the standards and improve the operation of the service. This is reflected in Appendices A to C.

### RECOMMENDATIONS

1	The committee is requested to note the report.
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### REPORT DETAILS

<b>1.00</b>	<b>EXPLAINING THE PUBLIC SECTOR INTERNAL AUDIT STANDARDS</b>
1.01	In December 2012 the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Chartered Institute of Internal Auditors (CIIA) published new Public Sector Internal Audit Standards (PSIAS) for

	internal audit across the public sector. The Standards apply to Central Government departments including Scotland, Wales and Northern Ireland, Local Authorities across the UK, the NHS, Police and Fire Authorities, and National Parks. These Standards replaced the CIPFA Code of Practice for Internal Audit in Local Government published in 2006. The standards are based on the CIIA standards and came into force on 1 <sup>st</sup> April 2013 and were updated in 2016 and 2017. The standards and the Local Government application note set out the basis for an adequate and effective internal audit.
1.02	PSIAS includes the Mission of Internal Audit, Definition of Internal Auditing, Core Principles of the Professional Practice for Internal Auditing, Code of Ethics, four Attribute Standards and seven Performance Standards, leading to the overall level of conformance. Internal Audit departments should achieve General Conformance (definition given in Appendix A) overall with the PSIAS.
1.03	There is a requirement within the PSIAS for a Quality Assurance and Improvement Programme (QAIP). The requirement is for the Internal Audit Manager to develop and maintain a QAIP to enable the audit activity to be assessed against the PSIAS. The QAIP is documented in Appendix B. External assessments should be carried out at least once every five years, with internal assessments carried out on an annual basis. Flintshire's external assessment was last undertaken in March 2017.
1.04	Internal assessments must include: <ul style="list-style-type: none"> <li>• Ongoing monitoring of the performance of the internal audit activity; and</li> <li>• Periodic self-assessment, or assessment by other persons within the organisation with sufficient knowledge of internal audit practices.</li> </ul>
1.05	Internal Audit departments must report their level of conformance with the PSIAS to the Audit Committee. It should then be reported in the Internal Audit Annual Report.
1.06	Based on the outcome of both the internal self-assessment for 2019/20 and the external assessment in 2016/17, overall Flintshire Internal Audit Service generally conforms to the PSIAS. The external assessor stated that 'Flintshire County Council complies with the standards in all significant areas and operates independently and objectively'.
1.07	Whilst overall Flintshire Internal Audit generally conforms to the PSIAS the external assessment identified there were some elements with partial conformance, one non-conformance and suggestions made. These actions have been implemented with one action in progress. All actions carried out from 2018/19 from both the external assessment and self-assessment, showing progress to date are shown within the Quality Assurance Improvement Programme (QAIP), Appendix B.

<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
2.01	None.

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

<b>4.00</b>	<b>RISK MANAGEMENT</b>
4.01	Internal Audit is part of the governance framework for the Council. It is important that it meets the required operational standards to give assurance to the Council that it is functioning properly. This paper shows the results of the assessment of the department against those standards.

<b>5.00</b>	<b>APPENDICES</b>
5.01	Appendix A – Checklist for compliance with PSIAS Appendix B – QAIP Actions Appendix C – QAIP Components

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

<b>7.00</b>	<b>GLOSSARY OF TERMS</b>
7.01	<b>Public Sector Internal Audit Standard</b> A set of standards that all Internal Audit teams working in the public sector must comply with.

Mae'r dudalen hon yn wag yn bwrpasol

**CHECKLIST FOR ASSESSING CONFORMANCE WITH THE PUBLIC SECTOR INTERNAL AUDIT STANDARDS AND THE LOCAL GOVERNMENT APPLICATION NOTE (LGAN)**

Tudalen 229

Glossary	
<b>GC</b>	<b>Generally Conforms with PSIAS</b> - The relevant structures, policies and procedures of the activity, as well as the processes by which they are applied, comply with the requirements of individual Standard or element of the Code of Ethics in all material respects. For the sections and major categories, this means that there is general conformance to a majority of the individual Standards or elements of the Code of Ethics, and at least partial conformance to the others, within the section / category. General conformance does not require complete / perfect conformance, the ideal situation, successful practice, etc.
<b>PC</b>	<b>Partially Conforms with PSIAS</b> - The activity is making good-faith efforts to comply with the requirements of the individual Standard or element of the Code of Ethics, section or major category, but falls short of achieving some major objectives. These will usually represent significant opportunities for improvement in effectively applying the Standards or Code of Ethics and / or achieving their objectives.
<b>DNC</b>	<b>Does Not Conform with PSIAS</b> - The activity is not aware of, is not making good-faith efforts to comply with, or is failing to achieve many / all of the objectives of the individual Standard or element of the Code of Ethics, section, or major category. These deficiencies will usually have a significant negative impact on the activity's effectiveness and its potential to add value to the organisation. These may also represent significant opportunities for improvement, including actions by senior management or the board.
<b>N/A</b>	<b>Not Applicable</b> - The sections marked N/A do not apply to this assessment, i.e. there has not yet been an external assessment, the use of 'conforms with International Standards' or disclosure of non-conformance can only be used after this assessment, there are no external providers of audit services.
<b>CAE</b>	<b>Chief Audit Executive</b> - A generic title used to describe the person responsible for managing the internal audit activity. In Flintshire, it is the Internal Audit Manager

	SUMMARY OF RESULTS	GC	PC	DNC
1	Mission of Internal Audit	✓		
2	Definition of Internal Auditing	✓		
3	Core Principles for the Professional Practice of Internal Auditing			
4	Code of Ethics	✓		
5	Attribute Standards	✓		
<b>Ref</b>				
1000	Purpose, Authority and Responsibility	✓		
1010	Recognition of the Definition of Internal Auditing, the Code of Ethics, and the Standards in the Internal Audit Charter	✓		
1100	Independence and Objectivity (The sum of <i>Standards</i> 1100-1130)	✓		
1110	Organisational Independence	✓		
1111	Direct Interaction with the Board	✓		
1120	Individual Objectivity	✓		
1130	Impairments to Independence or Objectivity	✓		
1200	Proficiency and Due Professional Care (The sum of <i>Standards</i> 1210-1230)	✓		
1210	Proficiency	✓		
1220	Due Professional Care	✓		
1230	Continuing Professional Development	✓		
1300	Quality Assurance and Improvement Programme (The sum of <i>Standards</i> 1310-1320)	✓		
1310	Requirements of the Quality Assurance and Improvement Programme	✓		
1311	Internal Assessments	✓		
1312	External Assessments	✓		

1320	Reporting on the Quality Assurance and Improvement Programme	✓		
1321	Use of Conforms with the International Standards for the Professional Practice of Internal Auditing	✓		
	<b>SUMMARY OF RESULTS</b>	<b>GC</b>	<b>PC</b>	<b>DNC</b>
1322	Disclosure of Non-conformance	✓		
2000	Managing the Internal Audit Activity (Sum total of <i>Standards</i> 2010 – 2060)	✓		
2010	Planning	✓		
2020	Communication and Approval	✓		
2030	Resource Management	✓		
2040	Policies and Procedures	✓		
2050	Coordination	✓		
2060	Reporting to Senior Management and the Board	✓		
2070	External service Provider and Organisational Responsibility for Internal Audit	N/A	N/A	N/A
2100	Nature of Work (Sum of <i>Standards</i> 2110 – 2130)	✓		
2110	Governance	✓		
2120	Risk Management	✓		
2130	Control	✓		
2200	Engagement Planning (Sum of <i>Standards</i> 2201-2240)	✓		
2201	Planning Considerations	✓		
2210	Engagement Objectives	✓		
2220	Engagement Scope	✓		
2230	Engagement Resource Allocation	✓		
2240	Engagement Work Programme	✓		
2300	Performing the Engagement (The sum of <i>Standards</i> 2300-2340)	✓		

2310	Identifying Information	✓		
2320	Analysis and Evaluation	✓		
	<b>SUMMARY OF RESULTS</b>	<b>GC</b>	<b>PC</b>	<b>DNC</b>
2240	Engagement Work Programme	✓		
2300	Performing the Engagement (The sum of <i>Standards</i> 2300-2340)	✓		
2310	Identifying Information	✓		
2320	Analysis and Evaluation	✓		
2330	Documenting Information	✓		
2340	Engagement Supervision	✓		
2400	Communicating Results (Sum of <i>Standards</i> 2410-2440)	✓		
2410	Criteria for Communicating	✓		
2420	Quality of Communications	✓		
2421	Errors and Omissions	✓		
2430	Use of 'conducted in conformance with the International Standards for the Professional Practice of Internal Auditing'.	✓		
2431	Engagement Disclosure of Non-conformance	N/A	N/A	N/A
2440	Disseminating Results	✓		
2450	Overall Opinions	✓		
2500	Monitoring Progress	✓		
2600	Resolution of Senior Managements Acceptance of Risks	✓		
	<b>OVERALL CONCLUSION – CONFORMANCE WITH PSIAS</b>	✓		



Ref	Conformance with the Standard	GC	PC	DNC	Evidence
<b>1</b>	<b>Mission of Internal Audit</b>				
	Based on your review of conformance with other requirements of the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN), does the internal audit activity aspire to accomplish the Mission of Internal Audit as set out in the PSIAS? <i>To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.</i>	✓			In accordance with the mission statement set out in the PSIAS our work aims to provide organisational value to the Council whilst understanding its objectives we can provide a risk based approach to our work and deliver value for money for the Council.
	<b>Mission of Internal Audit</b>	✓			
<b>2</b>	<b>Definition of Internal Auditing</b>				
	Using evidence gained from assessing conformance with other Standards, is the internal audit activity: a) Independent? b) Objective?	✓ ✓			See questions and answers below Charter updated during 2018/19 to reflect the actions within the QAIP.
	Using evidence gained from assessing conformance with other Standards, does the internal audit activity use a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes within the organisation?	✓			See questions and answers below Prioritisation of work through risk based approach and action tracking. Furthermore the work we undertake provides insight, is proactive and future focused.
	<b>Definition of Internal Audit Conclusion</b>	✓			
<b>3</b>	<b>Core Principles for the Professional Practice of Internal Auditing</b>				
	Using the evidence gained from assessing conformance with other Standards, does the internal audit activity demonstrate the core principles in its practice: <ul style="list-style-type: none"><li>• Demonstrates integrity.</li><li>• Demonstrates competence and due professional care.</li><li>• Is objective and free from undue influence (independent).</li><li>• Aligns with the strategies, objectives, and risks of the organisation.</li></ul>	✓			See questions and answers below As professional officers delivering a service to the Council, it is an essential that the core principles are followed at all times. This is monitored and evaluated through the planning process, quality assurance reviews and regular supervision and competency based appraisal process.

Ref	Conformance with the Standard	GC	PC	DNC	Evidence
	<ul style="list-style-type: none"> <li>Is appropriately positioned and adequately resourced.</li> <li>Demonstrates quality and continuous improvement.</li> <li>Communicates effectively.</li> <li>Provides risk-based assurance.</li> <li>Is insightful, proactive, and future-focused.</li> <li>Promotes organisational improvement.</li> </ul>				
	<b>Core Principles for the Professional Practice of Internal Auditing</b>	✓			
<b>4</b>	<b>Code of Ethics</b>				
	<p><b>Integrity</b> Using evidence gained from assessing conformance with other Standards, do internal auditors:</p> <p>a) Perform their work with honesty, diligence and responsibility? ✓</p> <p>b) Observe the law and make disclosures expected by the law and the profession? ✓</p> <p>c) Not knowingly partake in any illegal activity nor engage in acts that are discreditable to the profession of internal auditing or to the organisation? ✓</p> <p>d) Respect and contribute to the legitimate and ethical objectives of the organisation? ✓</p>				<p>See questions and answers below.</p> <p>As professional officers, each internal auditor is expected to perform their duties in accordance with the CIAA's code of ethics, as well as Flintshire County Council code of conduct.</p> <p>The CIAAs code of Ethics has been adopted for all and included within the Audit Manual and Charter. Anyone delivering internal audit work for FCC must comply with the PSIAS Code of Ethics. The PSIAS also require that if an individual internal auditor is a member of another professional body then he or she must also comply with the relevant requirements of that body.</p>
	<p><b>Objectivity</b> Using evidence gained from assessing conformance with other Standards, do internal auditors display objectivity by not:</p> <p>a) Taking part in any activity or relationship that may impair or be presumed to impair their unbiased assessment? ✓</p> <p>b) Accepting anything that may impair or be presumed to impair their professional judgement? ✓</p>				<p>See questions and answers below</p> <p>All members of the team complete an annual declaration of interest (Independence Certificate) (last updated August 2019) compliance with Flintshire County Council's Code of Conduct. In addition to this, the service is also part of a Corporate pilot for</p>

Ref	Conformance with the Standard	GC	PC	DNC	Evidence
	c) Disclosing all material facts known to them that, if not disclosed, may distort the reporting of activities under review?	✓			monitoring declarations of interests and any gifts and hospitality received. This was last updated in August 2019.
	<p><b>Confidentiality</b></p> <p>Using evidence gained from assessing conformance with other Standards, do internal auditors display objectivity by:</p> <p>a) Acting prudently when using information acquired in the course of their duties and protecting that information?</p> <p>b) Not using information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organisation?</p>	<p>✓</p> <p>✓</p>			<p>See questions and answers below.</p> <p>All work is undertaken in a confidential manner. All documentation is held securely with retention policies in place. Laptops all encrypted. The IA door has a secure key pad and swipe access.</p> <p>As professional officers, each internal auditor is expected to perform their duties in accordance with the adopted CIIA's code of ethics. The Code of Ethics is included within the Audit Manual and Audit Charter</p>
	<p><b>Competency</b></p> <p>Using evidence gained from assessing conformance with other Standards, do internal auditors display objectivity by:</p> <p>a) Only carrying out services for which they have the necessary knowledge, skills and experience?</p> <p>b) Performing services in accordance with the PSIAS?</p> <p>c) Continually improving their proficiency and effectiveness and quality of their services, for example through CPD schemes?</p>	<p>✓</p> <p>✓</p> <p>✓</p>			<p>See questions below.</p> <p>Regular training in services to be audited. Expertise developed over time in complex areas and assigned to those areas.</p> <p>Training plans based on appraisals, now competency based. Development Plan compiled from latest appraisals and training provided.</p> <p>Qualified Certified Internal Auditors also have to undertake mandatory 30 hours CPE per year.</p>
	Do internal auditors have regard to the Standards in Public Life's – The Seven Principles of Public Life?	✓			As started within the Audit Manual: Internal auditors who work in the public sector must have regard to the Committee on Standards of

Ref	Conformance with the Standard	GC	PC	DNC	Evidence
					<p>Public Life's Seven Principles of Public Life:</p> <ul style="list-style-type: none"> <li>• Selflessness;</li> <li>• Integrity;</li> <li>• Objectivity;</li> <li>• Accountability;</li> <li>• Openness;</li> <li>• Honesty; and</li> <li>• Leadership.</li> </ul> <p>Anyone delivering internal audit work for FCC must comply with the PSIAS Code of Ethics. This includes being aware and flagging any potential conflicts of interest, including friends or family who may be employed by FCC.</p>
	<b>Code of Ethics Conclusion</b>	✓			
	Standards				
<b>5</b>	<b>Attribute Standards</b>				
<b>5.1</b>	<b>1000 Purpose, Authority and Responsibility</b>				
	<p>Does the internal audit charter include a formal definition of:</p> <p>a) the purpose</p> <p>b) the authority, and</p> <p>c) the responsibility</p> <p>of the internal audit activity consistent with the Public Sector Internal Audit Standards (PSIAS)?</p>	<p>✓</p> <p>✓</p> <p>✓</p>			<p>The Internal Audit Charter includes the responsibilities, independence, role and rights of access. It is part of the Constitution. These are also included in the Council's Financial Regulations.</p>
<b>LGAN</b>	<p>Does the internal audit charter define the terms 'board' and 'senior management', for the purposes of the internal audit activity?</p> <p>Note that it is expected that the audit committee will fulfil the role of the board in the majority of instances.</p>	✓			<p>Sets out each of the functions of the board and where it lies.</p> <p>The Charter is currently being update to define the term 'senior manager' and includes reference to auditing third parties (Aura and NEWydd), addressing the QAIP action. The</p>

Ref	Conformance with the Standard	GC	PC	DNC	Evidence
					revised Charter will be presented to Audit Committee for approval in June 2019.
<b>LGAN</b>	Does the internal audit charter also: a) Set out the internal audit activity's position within the organisation?	✓			a/b) The Charter includes sections on the Role and Scope of IA, Independence and Authority, Audit Responsibility, Resources, Training, Reporting and Performance Reporting.
<b>LGAN</b>	b) Establish the CAE's functional reporting relationship with the board?	✓			It includes the reporting relationships of the Internal Audit Manager to statutory officers and the Audit Committee.
<b>LGAN</b>	c) Establish the accountability, reporting line and relationship between the CAE and those to whom the CAE may report administratively?	✓			
<b>LGAN</b>	d) Establish the responsibility of the board and also the role of the statutory officers (such as the CFO, the monitoring officer and the head of paid service) with regards to internal audit?	✓			Unrestricted access to all activities, functions, records and property.
<b>LGAN</b>	e) Establish internal audit's right of access to all records, assets, personnel and premises and its authority to obtain such information and explanations as it considers necessary to fulfil its responsibilities?	✓			The right to require information from officers.
<b>LGAN</b>	f) Define the scope of internal audit activities?	✓			
<b>LGAN</b>	g) Recognise that internal audit's remit extends to the entire control environment of the organisation?	✓			The contribution is in place through all audit work and the Internal Manager's being a member of the Corporate Governance Working Group.
<b>LGAN</b>	h) Identify internal audit's contribution to the review of effectiveness of the control environment, as set out in the Accounts and Audit (England) Regulations 2011?	✓			
<b>LGAN</b>	i) Establish the organisational independence of internal audit?	✓			Responsible for investigating potential fraud and irregularity.
<b>LGAN</b>	j) Cover the arrangements for appropriate resourcing?	✓			
<b>LGAN</b>	k) Define the role of internal audit in any fraud-related work?	✓			
<b>LGAN</b>	l) Set out the existing arrangements within the organisation's anti-fraud and anti-corruption policies, to be notified of all suspected or detected fraud, corruption or impropriety?	✓			The Audit Charter has been updated to include the new work with Aura / NEWydd. The revised Audit Charter was presented to Audit Committee in June 2019.
<b>LGAN</b>	m) Include arrangements for avoiding conflicts of interest if internal audit undertakes non-audit activities?	✓			
<b>LGAN</b>	n) Define the nature of assurance services provided to the organisation, as well as assurances provided to parties external to the organisation?	✓			

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Ref	Conformance with the Standard	GC	PC	DNC	Evidence
	o) Define the nature of consulting services? p) Recognise the mandatory nature of the PSIAS?	✓ ✓			PSIAS recognised within the scope.
	Does the chief audit executive (CAE) periodically review the internal audit charter and present it to senior management and the board for approval?	✓			The Charter was last reviewed and updated Feb 2019. It was presented to Audit Committee in June 2019 for approval.
	Does the CAE attend audit committee meetings?	✓			Attendance at all meetings.
	Does the CAE contribute to audit committee agendas?	✓			Produces the Forward Work Programme and Actions Carried Forward. Both of which form the basis of the agenda.
	<b>1000 Conclusion</b>	✓			
<b>5.2</b>	<b>1100 Independence and Objectivity</b>				
	Does the CAE have direct and unrestricted access to senior management and the board?	✓			The Internal Audit Manager reports functionally to the Audit Committee and Administratively to the Chief Officer Governance. Bi monthly meeting are held with the Chief Executive and quarterly with Chief Officers.  She can contact the s151 Officer, any Chief Officer or the Chief Officer Team as a whole at any time, and also can contact the Audit Committee at any time.
	Does the CAE have free and unfettered access to, as well as communicate effectively with, the chief executive or equivalent and the chair of the audit committee?	✓			The Internal Audit Manager can contact Chief Executive and Chair of Audit at any time.
	Are threats to objectivity identified and managed at the following levels: a) Individual auditor? b) Engagement? c) Functional?	✓ ✓ ✓			Auditors identify any conflict and report them to audit management.  All other levels included in the Charter and Constitution.

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Ref	Conformance with the Standard	GC	PC	DNC	Evidence
	d) Organisation?	✓			
	<b>1100 Conclusion</b>	✓			
	<i>1110 organisational Independence</i>				
	Does the CAE report to an organisational level equal or higher than the corporate management team?	✓			See above – Internal Audit Manager reports to the Chief Officer Governance.
<b>LGAN</b>	Does the CAE report to a level within the organisation that allows the internal audit activity to fulfil its responsibilities?	✓			See above - Internal Audit Manager reports to the Chief Officer Governance.
<b>LGAN</b>	Have reporting and management arrangements been put in place that preserve the CAE's independence and objectivity? This is of particular importance when the CAE is line managed by another officer of the authority.	✓			See above - Internal Audit Manager reports to the Chief Officer Governance and the Audit Committee and can contact the Chief Executive at any time.
<b>LGAN</b>	Does the CAE's position in the management structure: a) Reflect the influence he or she has on the control environment? b) Provide the CAE with sufficient status to ensure that audit plans, reports and action plans are discussed effectively with the board? c) Ensure that he or she is sufficiently senior and independent to be able to provide credibly constructive challenge to senior management?	✓ ✓ ✓			Internal Audit Manager is a member of the Governance Management Team. Audit plans are agreed with COT and Audit Committee. Audit Reports, including action plans, are issued to the relevant Chief Officer.
	Does the CAE confirm to the board, at least annually, that the internal audit activity is organisationally independent? The following examples can be used by the CAE when assessing the organisational independence of the internal audit activity: The board: a) approves the internal audit charter  b) approves the risk-based audit plan  c) approves the internal audit budget and resource plan d) receives communications from the CAE on the activity's	✓ ✓ ✓ ✓ ✓			Within the Annual Report. Also in annual meeting with the AC. Audit Committee  Chief Officer Team and Audit Committee.  Chief Officer Governance Audit Committee

Ref	Conformance with the Standard	GC	PC	DNC	Evidence
	performance (in relation to the plan, for example) e) approves decisions relating to the appointment and removal of the CAE f) seeks reassurance from management and the CAE as to whether there are any inappropriate scope or resource limitations.	✓			Chief Officer Governance / Chief Executive / Chair of Audit Committee Audit Committee
	Does the chief executive or equivalent undertake, Countersign, contribute feedback to or review the performance appraisal of the CAE?	✓			The Chief Officer, Governance, seeks feedback from the Chief Executive prior to the appraisal of the Internal Audit Manager. Next due May 2020.
	Is feedback sought from the chair of the audit committee for the CAE's performance appraisal?		✓		The current procedure has been deemed sufficient given the Chief Officer Governance and the Chief Executive attend each Audit Committee meeting. Direct contact is also in place between the Internal Audit Manager with the Chief Officer, Governance, the Chief Executive and the Chair and Vice Chair of the Audit Committee. Any performance issues would be addressed immediately rather than wait for a formal appraisal.
	<b>1110 Conclusion</b>	✓			
	<i>1111 Direct Interaction with the Board</i>				
	Does the CAE communicate and interact directly with the board?	✓			Reports to each Audit Committee meeting. Private meeting takes place annually. If necessary, Internal Audit Manager can meet with the Committee or Chair at any time.
	<b>1111 Conclusion</b>	✓			
	<i>1120 Individual Objectivity</i>				
	Do internal auditors have an impartial, unbiased attitude?	✓			
	Do internal auditors avoid any conflict of interest, whether apparent	✓			Auditors complete annual declaration (Auditor



Ref	Conformance with the Standard	GC	PC	DNC	Evidence
	or actual?				Independence Certificate August 2019) of interests. Auditors report any potential conflict to audit management. Also considered during the allocation of work to auditors. No members of the team have recently worked in other areas of the Authority.
	<b>1120 Conclusion</b>	✓			
	<i>1130 Impairment to Independence or Objectivity</i>				
	If there has been any real or apparent impairment of independence or objectivity, has this been disclosed to appropriate parties (depending on the nature of the impairment and the relationship between the CAE and senior management/the board as set out in the internal audit charter)?	N/A	N/A	N/A	N/A. None has arisen.
	Have internal auditors assessed specific operations for which they have been responsible within the previous year?	✓			No members of the team have recently worked in other areas of the Authority.
	If there have been any assurance engagements in areas over which the CAE also has operational responsibility, have these engagements been overseen by someone outside of the internal audit activity?		✓		The Internal Audit Manager has recently taken over the responsibility for Central Despatch. Given this appointment is in its early stage there is no requirement for an independent review of the service at this stage.
<b>LGAN</b>	Are assignments for ongoing assurance engagements and other audit responsibilities rotated periodically within the internal audit team?	✓			The team is large enough to allow this. However this would limit specialist development and increase audit time.
<b>LGAN</b>	Have internal auditors declared interests in accordance with organisational requirements?	✓			Auditors sign declarations of interest forms annually (August 2019).
<b>LGAN</b>	Where any internal auditor has accepted any gifts, hospitality, inducements or other benefits from employees, clients, suppliers or other third parties (other than as may be allowed by the organisation's own policies), has this been declared and investigated fully?	N/A	N/A	N/A	N/A. None accepted. If this happened, they would be reported to the Internal Audit Manager via the new gifts and hospitality declaration form.
<b>LGAN</b>	Have any instances been discovered where an internal auditor has	✓			No. This has not happened.

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Ref	Conformance with the Standard	GC	PC	DNC	Evidence
	used information obtained during the course of duties for personal gain?				
<b>LGAN</b>	Have internal auditors disclosed all material facts known to them which, if not disclosed, could distort their reports or conceal unlawful practice, subject to any confidentiality agreements?	✓			Auditors sign declaration of interest forms annually and report any conflicts of interest if they arise.
<b>LGAN</b>	Have internal auditors complied with the Bribery Act 2010?	✓			See above.
	If there has been any real or apparent impairment of independence or objectivity relating to a proposed consulting services engagement, was this disclosed to the engagement client before the engagement was accepted?	N/A	N/A	N/A	N/A. None has arisen.
	Where there have been significant additional consulting services agreed during the year that were not already included in the audit plan, was approval sought from the board before the engagement was accepted?	N/A	N/A	N/A	N/A. Plan allows time for consulting work.
	<b>1130 Conclusion</b>	✓			
<b>5.3</b>	<b>1200 Proficiency and Due Professional Care</b>				
	<i>1210 Proficiency</i>				
	Does the CAE hold a professional qualification, such as CMIIA/CCAB or equivalent?	✓			CMIIA
	Is the CAE suitably experienced?	✓			Internal Audit Manager has worked within Internal Audit since 1992, Management positions since 2012 with Flintshire County Council. Interim Internal Audit Manager since October 2016 and Internal Audit Manager since July 2017.
<b>LGAN</b>	Is the CAE responsible for recruiting appropriate internal audit staff, in accordance with the organisation's human resources processes?	✓			Internal Audit Manager fully responsible for recruitment within Internal Audit.
<b>LGAN</b>	Does the CAE ensure that up-to-date job descriptions exist that reflect roles and responsibilities and that person specifications define the required qualifications, competencies, skills, experience and personal	✓			Job descriptions (JD) and person specifications (PS) redefined as part of Finance Function Review, 2012. The JD and SP for the Principal

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Ref	Conformance with the Standard	GC	PC	DNC	Evidence
	attributes?				Auditor was reviewed as part of the recruitment process in January 2018.
	Does the internal audit activity collectively possess or obtain the skills, knowledge and other competencies required to perform its responsibilities?	✓			Auditor competencies assessed. Annual competency based appraisals carried out. Next due May 2020.
	Where the internal audit activity does not possess the skills, knowledge and other competencies required to perform its responsibilities, does the CAE obtain competent advice and assistance?	✓			If necessary can buy in expertise, e.g. IT audit
	Do internal auditors have sufficient knowledge to evaluate the risk of fraud and anti-fraud arrangements in the organisation?	✓			Internal Audit Manager, Principal Auditors and some Senior Auditors keep up to date on fraud requirements and attend training days. External Fraud training attended Dec 2018
	Do internal auditors have sufficient knowledge of key information technology risks and controls?	✓			Principal Auditors and some Senior Auditors specialise in IT work. The Internal Audit Manager is a qualified IT Auditor.
	Do internal auditors have sufficient knowledge of the appropriate computer-assisted audit techniques that are available to them to perform their work, including data analysis techniques?	✓			Members of the team keep up to date on Computer Assisted Audit Techniques.
	<b>1210 Conclusion</b>	✓			
	<i>1220 Due Professional Care</i>				
	Do internal auditors exercise due professional care by considering the:				
	a) Extent of work needed to achieve the engagement's objectives?	✓			a) Overall consideration for the organisation takes place as part of the annual planning cycle.
	b) Relative complexity, materiality or significance of matters to which assurance procedures are applied?	✓			b) Analysis of these factors takes place in the planning stage of every assignment. CAATs used (Active Data for Excel) where appropriate.
	c) Adequacy and effectiveness of governance, risk management and control processes?	✓			
	d) Probability of significant errors, fraud, or non-compliance?	✓			c) Specific fraud questions are asked of all service managers for each audit to determine the extent of fraud awareness.
	e) Cost of assurance in relation to potential benefits?	✓			

Ref	Conformance with the Standard	GC	PC	DNC	Evidence
					d) Specific GDPR questions are used for each audit to determine the extent of Data Protection awareness. e) Yes.
	Do internal auditors exercise due professional care during a consulting engagement by considering the: a) Needs and expectations of clients, including the nature, timing and communication of engagement results? b) Relative complexity and extent of work needed to achieve the engagement's objectives? c) Cost of the consulting engagement in relation to potential benefits?	✓ ✓ ✓			Yes. Considered during the planning of any work by Senior Auditors and Principal Auditors.
	<b>1220 Conclusion</b>	✓			
	<i>1230 Continuing Professional Development</i>				
<b>LGAN</b>	Has the CAE defined the skills and competencies for each level of auditor?	✓			Defined in the person specification for each position.
<b>LGAN</b>	Does the CAE periodically assess individual auditors against the predetermined skills and competencies?	✓			Annual competency based appraisal process.
	Do internal auditors undertake a programme of continuing professional development?	✓			Each auditor is responsible for identifying their own CPD to meet the requirements of their professional body.
	Do internal auditors maintain a record of their professional development and training activities?	✓			Training log maintained by the department. However, each auditor is responsible for identifying their own CPD to meet the requirements of their professional body.
	<b>1230 Conclusion</b>	✓			
<b>5.4</b>	<b>1300 Quality Assurance and Improvement Programme</b>				
	Has the CAE developed a Quality Assurance and Improvement Programme (QAIP) that covers all aspects of the internal audit activity and enables conformance with all aspects of the PSIAS to be	✓			QAIP in place based on overall requirements and results of last year's internal assessment.

Ref	Conformance with the Standard	GC	PC	DNC	Evidence
	evaluated?				
	Does the QAIP assess the efficiency and effectiveness of the internal audit activity and identify opportunities for improvement?	✓			Yes.
	Does the CAE maintain the QAIP?	✓			Yes.
<b>LGAN</b>	If the organisation is a 'larger relevant body' in England, does it conduct a review of the effectiveness of its internal audit at least annually, in accordance with the Accounts and Audit (England) Regulations 2011 section 6(3)?	✓			Now also a requirement in Wales. This review meets the requirement.
	<b>1300 Conclusion</b>	✓			
	<i>1310 Requirements of the Quality Assurance and Improvement Programme</i>				
	Does the QAIP include both internal and external assessments?	✓			Internal assessments completed each year. The last external assessment was completed in March 2017. The next programme of external assessment is currently being devised.
	<b>1310 Conclusion</b>	✓			
	<i>1311 Internal Assessments</i>				
<b>LGAN</b>	Does the CAE ensure that audit work is allocated to staff with the appropriate skills, experience and competence?	✓			Part of the planning process annually and for individual assignments. Personal development and consider rotation.
	Do internal assessments include ongoing monitoring of the internal audit activity such as: a) Routine quality monitoring processes? b) Periodic assessments for evaluating conformance with the PSIAS?	✓ ✓			All work is subject to quality review by Principal Auditors. Annual internal assessments during the appraisal process.
<b>LGAN</b>	Does ongoing performance monitoring include comprehensive performance targets?	✓			There are performance targets for the department and each staff member.

Ref	Conformance with the Standard	GC	PC	DNC	Evidence
<b>LGAN</b>	Are the performance targets developed in consultation with appropriate parties and included in any service level agreement?	✓			Departmental targets agreed with Audit Committee. Detailed within the Strategic Plan. Individual targets agreed during annual appraisals. Benchmarking of the service is carried out with the Welsh Chief Auditors Group.
<b>LGAN</b>	Does the CAE measure, monitor and report on progress against these targets?	✓			Progress against departmental targets reported to Audit Committee quarterly and as part of the appraisal process.
<b>LGAN</b>	Does ongoing performance monitoring include obtaining stakeholder feedback?	✓			Feedback questionnaires issued on completion of every assignment. Results are positive. Client questionnaires now form part of the audit management system
	Are the periodic self-assessments or assessments carried out by people external to the internal audit activity undertaken by those with a sufficient knowledge of internal audit practices? Sufficiency would require knowledge of the PSIAS and the wider guidance available such as the Local Government Application Note and/or IIA practice advisories, etc.	✓			Self Assessments have been carried out against these Standards by the Internal Audit Manager and Principal Auditors.
<b>LGAN</b>	Does the periodic assessment include a review of the activity against the risk-based plan and the achievement of its aims and objectives?	✓			Yes
	<b>1311 Conclusion</b>	✓			
	<i>1312 External Assessments</i>				
	Has an external assessment been carried out, or is planned to be carried out, at least once every five years?	✓			The last external assessment was completed in March 2017. The next programme of external assessment is currently being devised by the Wales Chief Internal Auditors Group.
<b>LGAN</b>	Has the CAE considered the pros and cons for the different types of external assessment (i.e. 'full' or self-assessment plus 'independent validation')?	✓			Yes. Self-assessment plus independent validation completed. Organised via the Wales Chief Internal Auditors Group. The last external assessment was performed by the Head of

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Ref	Conformance with the Standard	GC	PC	DNC	Evidence
					Internal Audit Ceredigion. This approach was agreed by the Audit Committee when the PSIAS were launched.
	Has the CAE discussed the proposed form of the external assessment and the qualifications and independence of the assessor or assessment team with the board?	✓			See above.
<b>LGAN</b>	Has the CAE agreed the scope of the external assessment with an appropriate sponsor, such as the chair of the audit committee, the CEO or the chief executive?	✓			As determined by the Standard.
	Has the CAE agreed the scope of the external assessment with the external assessor or assessment team?	✓			As determined by the Standard.
	Has the assessor or assessment team demonstrated its competence in both areas of professional practice of internal auditing and the external assessment process? Competence can be determined in the following ways: a) experience gained in organisations of similar size b) complexity c) sector (i.e. the public sector) d) industry (i.e. local government), and e) technical experience. Note that if an assessment team is used, competence needs to be demonstrated across the team and not for each individual member.	✓			As determined by the Standard.
	How has the CAE used his or her professional judgement to decide whether the assessor or assessment team demonstrates sufficient competence to carry out the external assessment?	✓			Agreed by the Wales Chief Internal Auditors Group and ratified by Flintshire's Audit Committee. The last external assessment was undertaken by the Head of Internal Audit - Ceredigion.
	Does the assessor or assessment team have any real or apparent conflicts of interest with the organisation? This may include, but is not limited to, being a part of or under the control of the organisation to	✓			No. Completed by the Head of Internal Audit for Ceredigion.

Ref	Conformance with the Standard	GC	PC	DNC	Evidence
	which the internal audit activity belongs.				
	<b>1312 Conclusion</b>	✓			N/A
	<i>1320 Reporting on the Quality Assurance and Improvement Programme</i>				
	Has the CAE reported the results of the QAIP to senior management and the board? Note that: a) the results of both external and periodic internal assessment must be communicated upon completion b) the results of ongoing monitoring must be communicated at least annually c) the results must include the assessor's or assessment team's evaluation with regards to the degree of the internal audit activity's conformance with the PSIAS.	✓			Annually. This report for 2019/20. Progress against action plan also reported.
	Has the CAE included the results of the QAIP and progress against any improvement plans in the annual report?	✓			Included in the report to this meeting and Annual Report (last published June 2019).
	<b>1320 Conclusion</b>	✓			
	<i>1321 Use of 'Conforms with the International Standards for the Professional Practice of Internal Auditing'</i>				
	Has the CAE stated that the internal audit activity conforms with the PSIAS only if the results of the QAIP support this?	✓			Stated in each audit report (Front cover)
	<b>1321 Conclusion</b>	✓			
	<i>1322 Disclosure of Non-conformance</i>				
	Has the CAE reported any instances of non-conformance with the PSIAS to the board?	✓			N/A. This report shows conformance.
	Has the CAE considered including any significant deviations from the PSIAS in the governance statement and has this been evidenced?	✓			Would do if relevant.
	<b>1322 Conclusion</b>	✓			



Ref	Conformance with the Standard	GC	PC	DNC	Evidence
<b>6</b>	<b>Performance Standards</b>				
<b>6.1</b>	<b>2000 Managing the Internal Audit Activity</b>				
	Do the results of the internal audit activity's work achieve the purposes and responsibility of the activity, as set out in the internal audit charter?	✓			Through the audit plan, as reported in the annual report.
	Does the internal audit activity conform with the <i>Definition of Internal Auditing</i> and the <i>Standards</i>	✓			Yes. Through the Charter and the audit manual.
	Do individual internal auditors, who are part of the internal audit activity, demonstrate conformance with the <i>Code of Ethics</i> and the <i>Standards</i> ?	✓			Yes. Through the audit manual. All work subject to review. All Auditors complete an Annual Independence Certificate to declare any Interests.
	Does the internal audit activity add value to the organisation and its stakeholders by a) Providing objective and relevant assurance? b) Contributing to the effectiveness and efficiency of the governance, risk management and internal control processes?	✓ ✓			Audit plan is based on the Council's priorities. Audit reports contain actions for improving effectiveness and efficiency. Additional advisory work and presence on project groups requested by management.
	<b>2000 Conclusion</b>	✓			
	<i>2010 Planning</i>				
	Has the CAE determined the priorities of the internal audit activity in a risk-based plan and are these priorities consistent with the organisation's goals?	✓			RBIA in place. Strategic and operational plan based on the organisations objectives and risks, from the Improvement Plan.
	Does the risk-based plan take into account the requirement to produce an annual internal audit opinion?	✓			Strategic and operational plan designed to provide evidence needed for annual opinion.
	Does the risk-based plan take into account the organisation's assurance framework?	✓			Sources of assurance considered during planning and the use of the CAMMS system (Risk & Performance Management System).
	Does the risk-based plan incorporate or is it linked to a strategic or high-level statement of:				a & c - Part of the Strategic Plan.

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Ref	Conformance with the Standard	GC	PC	DNC	Evidence
	a) How the internal audit service will be delivered? b) How the internal audit service will be developed in accordance with the internal audit charter? c) How the internal audit service links to organisational objectives and priorities?	✓ ✓ ✓			
	Does the risk-based plan set out how internal audit's work will identify and address local and national issues and risks?	✓			Strategic Plan includes how the plan was developed, including links to risk management.
	In developing the risk-based plan, has the CAE taken into account the organisation's risk management framework and relative risk maturity of the organisation?	✓			Risk management framework assessed by internal audit. Audit Universe given audit risk/priority ratings.
	If such a risk management framework does not exist, has the CAE used his or her judgement of risks after input from senior management and the board and evidenced this?	N/A	N/A	N/A	N/A
<b>LGAN</b>	Does the risk-based plan set out the: a) Audit work to be carried out? b) Respective priorities of those pieces of audit work? c) Estimated resources needed for the work?	✓ ✓ ✓			All included in the plan for 2019/20.
<b>LGAN</b>	Does the risk-based plan differentiate between audit and other types of work?	✓			All work is included within the plan.
<b>LGAN</b>	Is the risk-based plan sufficiently flexible to reflect the changing risks and priorities of the organisation?	✓			The plan is renewed quarterly and updated to reflect emerging issues.
	Does the CAE review the plan on a regular basis and has he or she adjusted the plan when necessary in response to changes in the organisation's business, risks, operations, programmes, systems and controls?	✓			The plan is subject to review throughout the year, with amendments reported to the Audit Committee.
	Is the internal audit activity's plan of engagements based on a documented risk assessment?	✓			The Council's strategic and operational risks are assessed and used in audit planning.
	Is the risk assessment used to develop the plan of engagements undertaken at least annually?	✓			The Council's strategic and operational risks are assessed at least annually.

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Ref	Conformance with the Standard	GC	PC	DNC	Evidence
<b>LGAN</b>	In developing the risk-based plan, has the CAE also considered the following: a) Any declarations of interest (for the avoidance for conflicts of interest)? b) The requirement to use specialists, e.g. IT or contract and procurement auditors? c) Allowing contingency time to undertake ad hoc reviews or fraud investigations as necessary? d) The time required to carry out the audit planning process effectively as well as regular reporting to and attendance of the board, the development of the annual report and the CAE opinion?	✓ ✓ ✓ ✓			Considered in strategic and assignment planning. Considered in strategic and assignment planning. Included in the plan.  Included in the plan.
	Is the input of senior management and the board considered in the risk assessment process?	✓			Consultation takes place with senior management whilst producing the audit plan. Audit Committee views also taken into account.
	Does the CAE identify and consider the expectations of senior management, the board and other stakeholders for internal audit opinion and any other conclusions?	✓			During audit planning.
	Does the CAE take into consideration any proposed consulting engagement's potential to improve the management of risks, to add value and to improve the organisation's operations before accepting them?	✓			All proposed consulting work is considered before it is accepted.
	Are consulting engagements that have been accepted included in the risk-based plan?	✓			Added to the plan and reported to the Audit Committee.
	<b>2010 Conclusion</b>	✓			
	<i>2020 Communication and Approval</i>				
	Has the CAE communicated the internal audit activity's plans and resource requirements to senior management and the board for review and approval?	✓			Reported to Chief Officer Team and Audit Committee. Resource level supported by senior management and Audit Committee. This is evidenced in committee meeting minutes.
	Has the CAE communicated any significant interim changes to the	✓			Updated to Audit Committee as and when.

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Ref	Conformance with the Standard	GC	PC	DNC	Evidence
	plan and/or resource requirements to senior management and the board for review and approval, where such changes have arisen?				
	Has the CAE communicated the impact of any resource limitations to senior management and the board?	✓			Reported to the Audit Committee and COT. Annual plan included possible deferrals.
	<b>2020 Conclusion</b>	✓			
	<i>2030 Resource Management</i>				
	Does the risk-based plan explain how internal audit's resource requirements have been assessed?	✓			Yes.
<b>LGAN</b>	Has the CAE planned the deployment of resources, especially the timing of engagements, in conjunction with management to minimise abortive work and time?	✓			Discussed in planning meetings and planned throughout the year
<b>LGAN</b>	If the CAE believes that the level of agreed resources will impact adversely on the provision of the internal audit opinion, has he or she brought these consequences to the attention of the board?  This may include an imbalance between the work plan and resource availability and/or other significant matters that jeopardise the delivery of the plan or require it to be changed.	✓			Audit plan uses the resources available, sufficient to provide the audit opinion. May need to bring in specialised external resource for IT reviews. Budget allocation based on historic allocation however if additional resources are required the Audit Committee will give consideration.
	<b>2030 Conclusion</b>	✓			
	<i>2040 Policies and Procedures</i>				
	Has the CAE developed and put into place policies and procedures to guide the internal audit activity?	✓			Policies and procedures in place. Audit manual updated in Feb 2019. MKI checklist also produced and continually updated.
<b>LGAN</b>	Has the CAE established policies and procedures to guide staff in performing their duties in a manner that conforms to the PSIAS?  Examples include maintaining an audit manual and/or using electronic management systems.	✓			Policies and procedures in place. Audit manual updated in Feb 2019. MKI checklist also produced and continually updated.
<b>LGAN</b>	Are the policies and procedures regularly reviewed and updated to	✓			See above – updated during 2019.

Ref	Conformance with the Standard	GC	PC	DNC	Evidence
	reflect changes in working practices and standards?				
	<b>2040 Conclusion</b>	✓			
	<i>2050 Coordination</i>				
	Does the risk-based plan include the approach to using other sources of assurance and any work that may be required to place reliance upon those sources?	✓			Reliance placed on external auditors and regulators. In Plan for 19/20.
<b>LGAN</b>	Has the CAE carried out an assurance mapping exercise as part of identifying and determining the approach to using other sources of assurance?	✓			An assurance mapping exercise was undertaken as part of the 2019/22 Strategic Planning process and the 2020/23 planning progress.
	Does the CAE share information and coordinate activities with other internal and external providers of assurance and consulting services?	✓			Regular meetings with external auditors and Denbighshire County Council for joint audits.
<b>LGAN</b>	Does the CAE meet regularly with the nominated external audit representative to consult on and coordinate their respective audit plans?	✓			Regular meetings with external auditors. A Joint Working Protocol is in place with WAO. This has been approved by the Audit Committee in 2017.
	<b>2050 Conclusion</b>	✓			
	<i>2060 Reporting to Senior Management and the Board</i>				
	Does the CAE report periodically to senior management and the board on the internal audit activity's purpose, authority, responsibility and performance relative to its plan?	✓			Quarterly performance reports to Audit Committee.
	Does the periodic reporting also include significant risk exposures and control issues, including fraud risks, governance issues and other matters needed or requested by senior management and the board?	✓			Major findings reported. In addition, reports provided as requested by the Audit Committee.
	Is the frequency and content of such reporting determined in discussion with senior management and the board and are they dependent on the importance of the information to be communicated and the urgency of the related actions to be taken by senior management or the board?	✓			Standard quarterly reporting. However, additional reporting would take place if there was sufficient importance and urgency. Major reports dealt with in full and management called to attend AC meetings.

Ref	Conformance with the Standard	GC	PC	DNC	Evidence
	<b>2060 Conclusion</b>	✓			
	<i>2070 External Service Provider and Organisational Responsibility for Internal Auditing</i>				
	Where an external internal audit service provider acts as the internal audit activity, does that provider ensure that the organisation is aware that the responsibility for maintaining and effective internal audit activity remains with the organisation?	N/A	N/A	N/A	N/A
	<b>2070 Conclusion</b>	N/A	N/A	N/A	N/A
<b>6.2</b>	<b>2100 Nature of Work</b>				
	Does the internal audit activity evaluate and contribute to the improvement of the organisation's governance, risk management and internal control processes?	✓			Overall aim of the department. Internal Audit Manager Chairs the Corporate Governance Working Group.
	Does the internal audit activity evaluate and contribute to the improvement of the above using a systematic and disciplined approach and is this evidenced?	✓			Through the completion of the audit plan.
	<b>2100 Conclusion</b>	✓			
	<i>2110 Governance</i>				
	Does the internal audit activity: a) Promote appropriate ethics and values within the organisation? b) Ensure effective organisational performance management and accountability? c) Communicate risk and control information to appropriate areas of the organisation? d) Coordinate the activities of and communicate information among the board, external and internal auditors and management?	✓ ✓ ✓ ✓			Through the completion of the audit plan and communication of findings to management.
	Does the internal audit activity assess and make appropriate recommendations for improving the governance process as part of accomplishing the above objectives?	✓			Through individual assignments and by the input of the manager to the Corporate Governance Working Group.

Ref	Conformance with the Standard	GC	PC	DNC	Evidence
	Has the internal audit activity evaluated the: a) design b) implementation, and c) effectiveness of the organisation’s ethics-related objectives, programmes and activities?	✓			Audit work is based on the Council’s objectives, priorities and risks and covers some of the areas in the Code of Corporate Governance such as organisational performance management and communication of risk and control information. The Future Generations Wellbeing act will be incorporated into future audits. Whilst ethics does form part of audits a separate audit on ethic related objectives is currently in progress.
	Has the internal audit activity assessed whether the organisation’s information technology governance supports the organisation’s strategies and objectives?	✓			Information technology governance included in the 19/20 audit plan.
<b>LGAN</b>	Has the CAE considered the proportionality of the amount of work required to assess the ethics and information technology governance of the organisation when developing the risk-based plan?	✓			Completed as part of the Assurance Mapping exercise undertaken as part of the 2019/22 Strategic Planning process and 20/23 planning process.
	<b>2110 Conclusion</b>	✓			
	<i>2120 Risk Management</i>				
	Has the internal audit activity evaluated the effectiveness of the organisation’s risk management processes by determining that: a) Organisational objectives support and align with the organisation’s mission? b) Significant risks are identified and assessed? c) Appropriate risk responses are selected that align risks with the organisation’s risk appetite? d) Relevant risk information is captured and communicated in a timely manner across the organisation, thus enabling the staff, management and the board to carry out their responsibilities?	✓ ✓ ✓ ✓			Risk management included in the audit plan every year. Risks now aligned within the Improvement Plan and managed within the CAMMS system. Reported to O&S in Performance Reports. Currently supporting the role out of the updated Risk Management Framework.

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Ref	Conformance with the Standard	GC	PC	DNC	Evidence
	<p>Has the internal audit activity evaluated the risks relating to the organisation's governance, operations and information systems regarding the:</p> <p>a) Achievement of the organisation's strategic objectives?</p> <p>b) Reliability and integrity of financial and operational information?</p> <p>c) Effectiveness and efficiency of operations and programmes?</p> <p>d) Safeguarding of assets?</p> <p>e) Compliance with laws, regulations, policies, procedures and contracts?</p>	<p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p>			<p>As part of audit planning and the completion of individual audit assignments.</p> <p>Evaluated and reported to O&amp;S in Performance Reports and within specific audits.</p> <p>Sections b to e within specific audits.</p>
	<p>Has the internal audit activity evaluated the potential for fraud and also how the organisation itself manages fraud risk?</p>	<p>✓</p>			<p>As part of the audit, management are asked to consider the risk of fraud in their area.</p> <p>The department is responsible for the maintenance of the Anti Fraud Strategy, Fraud Response Plan and Whistleblowing procedure. All updated during 2018/19. Fraud risks considered for each review (specific work programme used). A workshop on Whistleblowing was delivered to social Services are their request.</p>
	<p>Do internal auditors address risk during consulting engagements consistently with the objectives of the engagement?</p>	<p>✓</p>			<p>Yes.</p> <p>There is further opportunity to develop the process for delivering consultancy / advisory work to have a more structured approach.</p>
	<p>Are internal auditors alert to other significant risks when undertaking consulting engagements?</p>	<p>✓</p>			<p>Any other risks are reported to audit management. It would be the requirement of management to alert audit to emerging risks that would affect our consultancy engagements.</p>
	<p>Do internal auditors successfully avoid managing risks themselves, which would in effect lead to taking on management responsibility,</p>	<p>✓</p>			<p>Terms of engagement are clear from the outset as evidenced by the "scope" Auditors do not</p>



Ref	Conformance with the Standard	GC	PC	DNC	Evidence
	when assisting management in establishing or improving risk management processes?				take on management responsibility or risk management roles. Reports are produced with the following statement “advice / recommendations are provided without prejudice to the right of Internal Audit to review and make further recommendations at a later date” after providing a consultation service in an area that may be later audited.”
	<b>2120 Conclusion</b>	✓			
	<i>2130 Control</i>				
	Has the internal audit activity evaluated the adequacy and effectiveness of controls in the organisation’s governance, operations and information systems regarding the: a) Achievement of the organisation’s strategic objectives? b) Reliability and integrity of financial and operational information? c) Effectiveness and efficiency of operations and programmes? d) Safeguarding of assets? e) Compliance with laws, regulations, policies, procedures and contracts?	✓ ✓ ✓ ✓ ✓			As part of audit planning and the completion of individual risk based audit assignments.
	Do internal auditors utilise knowledge of controls gained during consulting engagements when evaluating the organisation’s control processes?	✓			All relevant knowledge is used.
	<b>2130 Conclusion</b>	✓			
<b>6.3</b>	<b>2200 Engagement Planning</b>				
	Do internal auditors develop and document a plan for each engagement?	✓			Scope Document developed and agreed for each audit revised Dec 2019.
	Does the engagement plan include the engagement’s: a) Objectives? b) Scope?	✓ ✓			Standard format that includes all these.

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Ref	Conformance with the Standard	GC	PC	DNC	Evidence
	c) Timing? d) Resource allocations?	✓ ✓			
	Do internal auditors consider the following in planning an engagement, and is this documented: a) The objectives of the activity being reviewed? b) The means by which the activity controls its performance? c) The significant risks to the activity being audited? d) The activity's resources? e) The activity's operations? f) The means by which the potential impact of risk is kept to an acceptable level? g) The adequacy and effectiveness of the activity's governance, risk management and control processes compared to a relevant framework or model? h) The opportunities for making significant improvements to the activity's governance, risk management and control processes?	✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓			All considered and documented in the scope document where relevant. Not all are relevant to each audit.
	Where an engagement plan has been drawn up for an audit to a party outside of the organisation, have the internal auditors established a written understanding with that party about the following: a) Objectives? b) Scope? c) The respective responsibilities and other expectations of the internal auditors and the outside party (including restrictions on distribution of the results of the engagement and access to engagement records)?	✓			NWRWTP – objectives and scope of the audits agreed. Responsibility of IA included in Inter-Authority Agreement. Aura/Newydd - SLA in place.
	For consulting engagements, have internal auditors established an understanding with the engagement clients about the following: a) Objectives? b) Scope? c) The respective responsibilities of the internal auditors and the client	✓ ✓ ✓			Agreed with management at the start of the work. Scope document includes the respective responsibilities of the internal auditors and the client and other client expectations

Ref	Conformance with the Standard	GC	PC	DNC	Evidence
	and other client expectations?				
	For significant consulting engagements, has this understanding been documented?	✓			As part of the scope document.
	<b>2200 Conclusion</b>	✓			
	<i>2210 Engagement Objectives</i>				
	Have objectives been agreed for each engagement?	✓			Part of the Scope Document.
	Have internal auditors carried out a preliminary risk assessment of the activity under review?	✓			Where applicable. Strategic and operational risks considered. Carried out using the Pre Audit Questionnaire and Scoping Meeting
	Do the engagement objectives reflect the results of the preliminary risk assessment that has been carried out?	✓			Where applicable.
	Have internal auditors considered the probability of the following, when developing the engagement objectives: a) Significant errors? b) Fraud? c) Non-compliance? d) Any other risks?	✓ ✓ ✓ ✓			When developing the Scope Document.
	Have internal auditors ascertained whether management and/or the board have established adequate criteria to evaluate and determine whether objectives and goals have been accomplished?	✓			PI's included within the audits.
	If the criteria have been deemed adequate, have the internal auditors used the criteria in their evaluation of governance, risk management and controls?	✓			Part of overall evaluation.
	If the criteria have been deemed inadequate, have the internal auditors worked with management and/or the board to develop appropriate evaluation criteria?	✓			Part of the review and appropriate actions would be put in place.
<b>LGAN</b>	If the value for money criteria have been referred to, has the use of all the organisation's main types of resources been considered; including money, people and assets?	✓			Where referred to. Increased focus on value for money assignments during the year. There is further scope to include as part of

Ref	Conformance with the Standard	GC	PC	DNC	Evidence
					future scopes whether management are making best use of resources.
	Do the objectives set for consulting engagements address governance, risk management and control processes as agreed with the client?	✓			Yes would be. Objectives agreed with the client.
	Are the objectives set for consulting engagements consistent with the organisation's own values, strategies and objectives?	✓			Yes would be. Objectives agreed with the client.
	<b>2210 Conclusion</b>	✓			
	<i>2220 Engagement Scope</i>				
	Is the scope that is established for the engagement sufficient to satisfy the engagement's objectives?	✓			Recorded in Scope Document
	Does the engagement scope include consideration of the following relevant areas of the organisation: a) Systems? b) Records? c) Personnel? d) Premises?	✓			All include consideration of systems. Others considered when appropriate,
	Does the engagement scope include consideration of the following relevant areas under the control of outside parties, where appropriate: a) Systems? b) Records? c) Personnel? d) Premises?	✓			NWRWTP – objectives and scope of the audits agreed. Responsibility of IA included in Inter-Authority Agreement. Aura/Newydd - SLA in place.
	Where significant consulting opportunities have arisen during an assurance engagement, was a specific written understanding as to the objectives, scope, respective responsibilities and other expectations drawn up?	✓			
	Where significant consulting opportunities have arisen during an assurance engagement, were the results of the subsequent	✓			

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Ref	Conformance with the Standard	GC	PC	DNC	Evidence
	engagement communicated in accordance with the relevant consulting Standards?				
	For a consulting engagement, was the scope of the engagement sufficient to address any agreed-upon objectives?	✓			Scope agreed at the start of the audit.
	If the internal auditors developed any reservations about the scope of a consulting engagement while undertaking that engagement, did they discuss those reservations with the client and therefore determine whether or not to continue with the engagement?	✓			This would be and has been raised with Service managers.
	During consulting engagements, did internal auditors address the controls that are consistent with the objectives of those engagements?	✓			As normal procedure.
	During consulting engagements, were internal auditors alert to any significant control issues?	✓			As normal procedure.
	<b>2220 Conclusion</b>	✓			
	<i>2230 Engagement Resource Allocation</i>				
	Have internal auditors decided upon the appropriate and sufficient level of resources required to achieve the objectives of the engagement based on: a) The nature and complexity of each individual engagement? b) Any time constraints? c) The resources available?	✓ ✓ ✓			Planned at start of the year, then amended with detailed planning.
	<b>2230 Conclusion</b>	✓			
	<i>2240 Engagement Work Programme</i>				
	Have internal auditors developed and documented work programmes that achieve the engagement objectives?	✓			Work programmes developed by auditors and reviewed by PAs for each engagement. In absence of 1 x Principal (retired) supervision by Audit Manager.
	Do the engagement work programmes include the following	✓			Information, including analysis and evaluation, recorded in the engagement file, held within

Ref	Conformance with the Standard	GC	PC	DNC	Evidence
	procedures for: a) Identifying information? b) Analysing information? c) Evaluating information? d) Documenting information?				MK.
	Were work programmes approved prior to implementation for each engagement?	✓			Yes. Reviewed by Principal Auditors. In absence of 1 x Principal (retired) supervision by Audit Manager.
	Were any adjustments required to work programmes approved promptly?	✓			If applicable. By Principal Auditors. In absence of 1 x Principal (retired) supervision by Audit Manager.
	<b>2240 Conclusion</b>	✓			
<b>6.4</b>	<b>2300 Performing the Engagement</b>				
	Have internal auditors carried out the following in order to achieve each engagement's objectives: a) Identify sufficient information? b) Analyse sufficient information? c) Evaluate sufficient information? d) Document sufficient information?	✓			Standard methodology, trained and experienced staff, files reviewed by Principal Auditors and retained. In absence of 1 x Principal (retired) supervision by Audit Manager. Audit software and electronic files used. A checklist is included within the automated audit software. Evidenced based finding approach.
	<b>2300 Conclusion</b>	✓			
	<i>2310 Identifying In formation</i>				
	Have internal auditors identified the following in order to achieve each engagement's objectives: a) Sufficient information? b) Reliable information? c) Relevant information? d) Useful information?	✓			Information requested prior to the audit. All working papers and evidence contained within the IA Audit Management Software. Standard methodology, trained and experienced staff, files reviewed by Principal Auditors and retained. In absence of 1 x Principal (retired) reviewed also by Audit Manager. CAATs (Active

Ref	Conformance with the Standard	GC	PC	DNC	Evidence
					Data) used where applicable.
	<b>2310 Conclusion</b>	✓			
	<i>2320 Analysis and Evaluation</i>				
	Have internal auditors based their conclusions and engagement results on appropriate analyses and evaluations?	✓			Requirements set out in audit manual. Electronic files contain test sheets and results. Files reviewed by Principal Auditors and retained. In absence of 1 x Principal (retired) reviewed also by Audit Manager. All findings based on evidence. Audit Management Software generates findings based on tests, working papers and evidence.
<b>LGAN</b>	Have internal auditors remained alert to the possibility of the following: a) intentional wrongdoing b) errors and omissions c) poor value for money d) failure to comply with management policy, and e) conflicts of interest when performing their individual audits, and has this been documented?	✓			Requirements set out in audit manual, standard methodology. Electronic files reviewed by Principal Auditors. In absence of 1 x Principal (retired) reviewed also by Audit Manager. Auditors are trained and experienced.
	<b>2320 Conclusion</b>	✓			
	<i>2330 Documenting Information</i>				
	Have internal auditors documented the relevant information required to support engagement conclusions and results?	✓			Requirements set out in audit manual. Files reviewed by Principal Auditors. In absence of 1 x Principal (retired) supervision by Audit Manager.
<b>LGAN</b>	Are working papers sufficiently complete and detailed to enable another experienced internal auditor with no previous connection with the audit to ascertain what work was performed, to re-perform it if necessary and to support the conclusions reached?	✓			Requirements set out in audit manual. Files contain test sheets and results, reviewed by Principal Auditors and retained electronically – checklist in place. In absence of 1 x Principal

Ref	Conformance with the Standard	GC	PC	DNC	Evidence
					(retired) supervision by Audit Manager.
	Does the CAE control access to engagement records?	✓			Electronic files used. Security and backup arrangements for the new software approved by ICT before procurement. Each auditor has their own unique user ID, password and security settings.
	Has the CAE obtained the approval of senior management and/or legal counsel as appropriate before releasing such records to external parties?				Yes documents released to WAO under their role as external auditors. Documentation has also been provided to the Police as part of investigation. This has only taken place when a Section 29 request is made. This request was referred to the Information Governance Manager for approval.  Documentation has also been released as part of Subject Access Requests. This is managed by the Internal Audit Manager in conjunction with the Information Governance Manager. To ensure the work of internal audit is not compromised, there have been occasions where the appropriate exceptions have been applied. This has been authorised by the Council Single Information Risk Owner (SIRO).
	Has the CAE developed and implemented retention requirements for all types of engagement records?	✓			IA has developed its own Documents Retention document which is included as an Appendix within the Audit Manual.
	Are the retention requirements for engagement records consistent with the organisation's own guidelines as well as any relevant regulatory or other requirements?	✓			Retention in line with Flintshire County Council and Data Protection guidelines. As above.
	<b>2330 Conclusion</b>	✓			
	<i>2340 Engagement Supervision</i>				
	Are all engagements properly supervised to ensure that objectives are	✓			Supervised by Principal Auditors – scope



Ref	Conformance with the Standard	GC	PC	DNC	Evidence
	achieved, quality is assured and that staff are developed?				agreed, work reviewed and in absence of 1 x Principal (retired) supervision by Audit Manager.
	Is appropriate evidence of supervision documented and retained for each engagement?	✓			Recorded in the files in Audit Management software.
	<b>2340 Conclusion</b>	✓			
<b>6.5</b>	<b>2400 Communicating Results</b>				
	Do internal auditors communicate the results of engagements?	✓			During the audit and at debrief meeting, whilst agreeing draft and final reports. There should be no surprises at the debrief meeting.
	<b>2400 Conclusion</b>	✓			
	<i>2410 Criteria for Communicating</i>				
	Do the communications of engagement results include the following: a) The engagement's objectives? b) The scope of the engagement? c) Applicable conclusions? d) Recommendations and action plans, if appropriate?	✓			Opening meeting held, and included in scoping document. Debrief meeting held to discuss all findings. Included in all reports. Recommendations are not made by internal audit. Management are responsible for ensuring appropriate actions are identified and implemented based on the findings articulated to management.
<b>LGAN</b>	Has the internal auditor discussed the contents of the draft final report with the appropriate levels of management to confirm factual accuracy, seek comments and confirm the agreed management actions?	✓			Standard practice to have a closing meeting with relevant managers and Chief Officer to agree draft report.
<b>LGAN</b>	If recommendations and an action plan have been included, are recommendations prioritised according to risk?	✓			Findings prioritised as Red (high), amber (medium), green (low).
<b>LGAN</b>	If recommendations and an action plan have been included, does the communication also state agreements already reached with	✓			Management actions in response to the findings are included in final report.

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Ref	Conformance with the Standard	GC	PC	DNC	Evidence
	management, together with appropriate timescales?				
<b>LGAN</b>	If there are any areas of disagreement between the internal auditor and management, which cannot be resolved by discussion, are these recorded in the action plan and the residual risk highlighted?	✓			Management are free to highlight those findings where they disagree, this is recorded as the management action in Audit Management software.
<b>LGAN</b>	Do communications disclose all material facts known to them in their audit reports which, if not disclosed, could distort their reports or conceal unlawful practice, subject to confidentiality requirements?	✓			All material known facts disclosed.
<b>LGAN</b>	Do the final communications of engagement results contain, where appropriate, the internal auditor's opinions and/or conclusions, building up to the annual internal audit opinion on the control environment?	✓			Included in the final report.
	When an opinion or conclusion is issued, are the expectations of senior management, the board and other stakeholders taken into account?	✓			Prior communication via the debrief meeting and draft report. Views considered, but the opinion remains the auditors.
	When an opinion or conclusion is issued, is it supported by sufficient, reliable, relevant and useful information?	✓			Reports supported by evidence in the file.
	Where appropriate, do engagement communications acknowledge satisfactory performance of the activity in question?	✓			Included in report.
	When engagement results have been released to parties outside of the organisation, does the communication include limitations on the distribution and use of the results?	✓			WAO only. Status of reports included in communications.
<b>LGAN</b>	If the CAE has been required to provide assurance to other partnership organisations, has he or she also demonstrated that their fundamental responsibility is to the management of the organisation to which they are obliged to provide internal audit services?	✓			NWRWTP –Responsibility of IA included in Inter-Authority Agreement.
	<b>2410 Conclusion</b>	✓			
	<i>2420 Quality of Communications</i>				
	Are communications:				Aim for all of these, through specified report format, audit manual requirements, training

Ref	Conformance with the Standard	GC	PC	DNC	Evidence
	a) Accurate? b) Objective? c) Clear? d) Concise? e) Constructive? f) Complete? g) Timely?	✓			and experience, review of files and reports. Assurance opinion review in Sept 2019 to ensure it remains appropriate.
	<b>2420 Conclusion</b>	✓			
	<i>2421 Errors and Omissions</i>				
	If a final communication has contained a significant error or omission, did the CAE communicate the corrected information to all parties who received the original communication?	✓			The report would be re-issued with updated information.
	<b>2421 Conclusion</b>	✓			
	<i>2430 Use of 'Conducted in Conformance with the International Standards for the Professional Practice of Internal Auditing'</i>				
	Do internal auditors report that engagements are 'conducted in conformance with the PSIAS' only if the results of the QAIP support such a statement?	✓			Included in all reports (Front Page).
	<b>2430 Conclusion</b>	✓			
	<i>2431 Engagement Disclosure of Non conformance</i>				
	Where any non-conformance with the PSIAS has impacted on a specific engagement, do the communication of the results disclose the following: a) The principle or rule of conduct of the Code of Ethics or Standard(s) with which full conformance was not achieved? b) The reason(s) for non-conformance? c) The impact of non-conformance on the engagement and the engagement results?	N/A	N/A	N/A	N/A. Not happened.

Ref	Conformance with the Standard	GC	PC	DNC	Evidence
	<b>2431 Conclusion</b>	N/A	N/A	N/A	N/A
	<i>2440 Disseminating Results</i>				
	Has the CAE determined the circulation of audit reports within the organisation, bearing in mind confidentiality and legislative requirements?	✓			Reports issued to Chief Officers, relevant managers.
	Has the CAE communicated engagement results to all appropriate parties?	✓			Through debrief meetings, draft and final reports.
	Before releasing engagement results to parties outside the organisation, did the CAE: a) Assess the potential risk to the organisation? b) Consult with senior management and/or legal counsel as appropriate? c) Control dissemination by restricting the use of the results?	✓			WAO only for Flintshire Audit reports. NWRWTP and Clwyd Pensions Fund reports seen by senior management before they are issued.
	Where any significant governance, risk management and control issues were identified during consulting engagements, were these communicated to senior management and the board?	✓			Included in reports and issued to Chief Officers. Also reported to Audit Committee, in summary or in total.
	<b>2440 Conclusion</b>	✓			
	<i>2450 Overall Opinion</i>				
	Has the CAE delivered an annual internal audit opinion?	✓			Annual Report.
	Does the annual internal audit opinion conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control?	✓			Annual Report includes the opinions.
	Does the annual internal audit opinion take into account the expectations of senior management, the board and other stakeholders?	✓			Expectations taken into account, but it remains the audit opinion.
	Is the annual internal audit opinion supported by sufficient, reliable, relevant and useful information?	✓			Built up from all reports in the year.
	Does the communication identify the following:				All included in the Annual Report.

Ref	Conformance with the Standard	GC	PC	DNC	Evidence
	a) The scope of the opinion, including the time period to which the opinion relates? b) Any scope limitations? c) The consideration of all related projects including the reliance on other assurance providers? d) The risk or control framework or other criteria used as a basis for the overall opinion?	✓			
	Where a qualified or unfavourable annual internal audit opinion is given, are the reasons for that opinion stated?	N/A	N/A	N/A	N/A. Not given. If this were the case, reasons would be included.
	Has the CAE delivered an annual report that can be used by the organisation to inform its governance statement?	✓			Used and quoted in the AGS.
	Does the annual report incorporate the following: a) The annual internal audit opinion? b) A summary of the work that supports the opinion? c) A disclosure of any qualifications to the opinion? d) The reasons for any qualifications to the opinion? e) A disclosure of any impairments or restriction in scope? f) A comparison or work actually carried out with the work planned? g) A statement on conformance with the PSIAS? h) The results of the QAIP? i) Progress against any improvement plans resulting from the QAIP? j) A summary of the performance of the internal audit activity against its performance measures and targets? k) Any other issues that the CAE judges is relevant to the preparation of the governance statement?	✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓			Yes to all apart from C/D which is N/A
	<b>2450 Conclusion</b>	✓			
<b>6.6</b>	<b>2500 Monitoring Progress</b>				

Ref	Conformance with the Standard	GC	PC	DNC	Evidence
	Has the CAE established a process to monitor and follow up management actions to ensure that they have been effectively implemented or that senior management have accepted the risk of not taking action?	✓			Action tracking in operation for all actions using audit software which gives direct access to managers to update and monitor progress. Managers are required to provide evidence to support implementation which is validated by auditors before actions is closed on the system. Monthly reports issued to management on outstanding actions. All high risk reports are followed up and a new report is produced based on follow up testing performed. Also some follow up reviews. Managers called to Audit Committee if inadequate action. Action tracking report to Chief Officers monthly and to each Audit Committee.
	Where issues have arisen during the follow-up process, has the CAE considered revising the internal audit opinion?	✓			All high risk reports are followed up and a new report is produced based on follow up testing performed.
	Do the results of monitoring management actions inform the risk-based planning of future audit work?	✓			Included in planning for the year.
	Does the internal audit activity monitor the results of consulting engagements as agreed with the client?	✓			At a later time by a different auditor, to ensure independence is maintained.
	<b>2500 Conclusion</b>	✓			
<b>6.7</b>	<b>2600 Communicating the Acceptance of Risks</b>				
	If the CAE has concluded that management has accepted a level of risk that may be unacceptable to the organisation, has he or she discussed the matter with senior management?	✓			Where management has disagreed with a finding, this is identified via the final report to senior management.
	If, after discussion with senior management, the CAE continues to conclude that the level of risk may be unacceptable to the organisation, has he or she communicated the situation to the board?	✓			If they occurred any risks accepted by management would be detailed in the annual audit plan.
	<b>2600 Conclusion</b>	✓			

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**Quality Assurance and Improvement Plan (QAIP) - Actions – 2019/20**

**Appendix B**

Actions Outstanding from External Assessment (EA) March 2017 and or Self-Assessment (SA) March 2020 (questions not scored as conforming)

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Ref	Conformance with the Standard	Compliance	Planned Actions	Person Resp.	Timescale	Comment
2120 (SA)	Has the internal audit activity evaluated the potential for fraud and also how the organisation itself manages fraud risk?	Partial	Improve awareness of fraud. Collect data on fraud risk.(2120)	LB	Implemented  Implemented  Partly Complete - March 2020	<p>Fraud risk analysis is undertaken as part of each audit review.</p> <p>Anti-Fraud and Corruption Strategy and Fraud Response Plan has been updated and presented to audit Committee in February 2019.</p> <p>Develop an online reporting solution which would support digital and customer strategies during 2019/20. This is currently at the test stage however due to COVID-19 this is currently on hold.</p> <p>Once in operational the fraud reporting system and Whistleblowing policy will be promoted via change exchange.</p>
1000 (EA) (SA)	The internal audit charter does not define the term 'senior management', for the purposes of the internal audit activity. (EA)	Partial	(EA) The Service could insert a definition in the Independence & Authority (para 6, point 5) of the IA Charter, or revise the Charter by inserting a catch-all statement such as "For the purposes of Internal Audit activity, the Audit Committee is	LB	Implemented	<p>The Charter has been updated and approved by Audit Committee in June 2019 to:</p> <ul style="list-style-type: none"> <li>Define the term of Senior Management. Deferred from March 2018 to July 2018.</li> </ul>

Ref	Conformance with the Standard	Compliance	Planned Actions	Person Resp.	Timescale	Comment
	The Audit Charter does not make reference to auditing a third party. (SA)		equivalent to the 'Board' and the Chief Officers' Team constitutes 'Senior Management'. (1000) LGAN  (SA) Following the transfer out of Leisure & Libraries and Cleaning & Catering Services, the Charter needs to be updated to define the nature of the assurance provided to Aura and NEWydd. (1000.A1)			<ul style="list-style-type: none"> <li>Include reference to auditing a third party (Aura / NEWydd).</li> </ul>
2110 (SA & EA)	Internal Audit reviews the activities in place that manage and monitor the effective implementation of the organisation's ethics and values.	Partial	(SA) Review as part of CGWG – review of Code of Corporate Governance.  (EA) The Service needs to undertake a review to evaluate the design, implementation and effectiveness of the Council's ethics related objectives, programs & activities. (2110.A1)	LB	Partly Complete	<p>Audit work is based on the Council's objectives and priorities and covers areas in the Code of Corporate Governance such as organisational, performance management, and communication of risk and control information.</p> <p>Whilst ethics is considered as part of routine audits, a specific review on ethics and values has been included within the 2019/20 audit plan. This audit is currently in progress however due to COVID-19 this is on hold.</p>
1120 (EA)	The regular rotation of work between officers has not been documented in the Service's Charter.	Suggestion	The Service could insert an additional statement under the 'Independence and Authority' section of the Charter confirming regular rotation of work is usually adhered to in	LB	Implemented	Whilst the Audit Charter has been updated to address this point, it should be acknowledged that ensuring independence and objectivity is a priority within the team; however, in some instances a conscious decision has been

Ref	Conformance with the Standard	Compliance	Planned Actions	Person Resp.	Timescale	Comment
			order to further enhance independence and objectivity. (1120)			made to use the same auditor for key system reviews to develop expertise and specialism within the team as this adds value to the audit and reduces resources.
2120 (SA)	Internal auditors address risk during consulting engagements consistently with the objectives of the engagement?	Generally Comply Identified opportunity for further improvement	There is further opportunity to develop the process for delivering consultancy / advisory work to have a more structured approach.	LB	Ongoing	Internal Audit continues to provide and develop the consultancy and advisory work provided to the Portfolios.
2210 (SA)	Value for money criteria has been considered, including the organisation's main types of resources been considered, e.g. money, people and assets?	Generally Comply Identified opportunity for further improvement	Include as part of future scopes whether management are making best use of resources.	LB	Ongoing	This would be included where relevant in specific audits.

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**Quality Assurance Improvement Programme – Components (CIA) 2019/20** **Appendix C**

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Ref	Component	2019/20 Actions following 2018/19 Assessment	Status of 2019/20 Actions	2020/21 Planned Actions following 2019/20 Assessment
1	Develop and maintain audit policies and procedures.	<p>Policies and procedures updated on an ongoing basis, including MK.</p> <p>The Audit Charter is currently being updated to address the actions within the Quality Assurance Improvement Programme (QAIP). The updated Charter will be presented to Audit Committee in June for consideration and approval.</p>	<p><b>Completed – Action to Remain Open</b></p> <p>The Audit Charter was updated to address the actions within the Quality Assurance Improvement Programme (QAIP). The updated Charter was presented and approved by Audit Committee in June 2019.</p>	<p>Ongoing review of policies and procedures to ensure most effective working arrangements are in place.</p> <p>Review and update the Audit Charter as required.</p>
2	Administer and maintain the Internal Audit Manual.	Review and reissue if amended in 2018.	<p><b>Completed – Action to Remain Open</b></p> <p>The manual has been updated to include Internal Audits document retention policy as an appendix.</p>	Review and reissue, if amended, in 2019.
3	Ensure the financial and budgetary management of the department.	Monitor financial budget management through the use of Collaborative Planning (CP) Software.	<p><b>Completed – Action to Remain Open</b></p> <p>Monthly financial budget monitoring has been undertaken using CP Software.</p>	Continue to maintain financial budget through monthly monitoring via CP Software.
4	Maintain the audit risk universe, gather and incorporate new	Update audit universe from audits, the Council Plan and Risk Registers. Incorporated in	<p><b>Completed – Action to Remain Open</b></p> <p>Assurance mapping exercise has been</p>	Continue to maintain an up to date audit universe which mirrors the Council's Priorities

Ref	Component	2019/20 Actions following 2018/19 Assessment	Status of 2019/20 Actions	2020/21 Planned Actions following 2019/20 Assessment
	information impacting the universe.	<p>strategic planning.</p> <p>Continue to monitor plan on a quarterly basis with Chief Officers and their Portfolio Senior Management Team and bimonthly with the Chief Executive to ensure the audit plan can respond to emerging issues.</p>	<p>undertaken of the Audit Universe, taking into account past audits, the Council Plan, Strategic Risk and external assurance etc.</p> <p>Quarterly meetings continued to be held with Chief Officers and their Portfolio Senior Management Team and bimonthly with the Chief Executive to ensure the audit plan remains a live document.</p>	<p>and Strategic Risks.</p> <p>Continue to monitor the plan on a quarterly basis with Chief Officers and their Portfolio Senior Management Team and bimonthly with the Chief Executive to ensure the audit plan can respond to emerging issues.</p>
5	Evaluate audit risk and produce the strategic plan.	Strategic Plan produced using risks from Council Plan and own knowledge and through consultation with Management.	<p><b>Completed – Action to Remain Open</b></p> <p>Strategic Plan produced using the Council Plan, strategic risks, operational intelligence and consultation with Chief Officers, their Senior Management Team and Chief Executive.</p>	Continue to produce the Strategic Plan using the risk based approach undertaken in 2019/20.
6	Agree and implement an annual plan.	Annual Plan is the first year of the Strategic Plan. It will be presented to Audit Committee on 27 March 2019 for approval.	<p><b>Completed – Action to Remain Open</b></p> <p>The Strategic Plan and Annual Plan was approved by Audit Committee on 27 March 2019.</p>	Strategic Plan (including annual plan) to be presented for approval by Audit Committee on 25 March 2020.

Ref	Component	2019/20 Actions following 2018/19 Assessment	Status of 2019/20 Actions	2020/21 Planned Actions following 2019/20 Assessment
7	Operate audit tools and use up to date technology.	<p>Continue to use MKinsight for all stages of the audit process.</p> <p>Continue to develop the teams' skills in using Computer Assisted Auditing Techniques Software (CAATS).</p> <p>Continue to develop root cause analysis.</p>	<p><b>Part Completed – Action to Remain Open</b></p> <p>MK Insight used for all audit work undertaken.</p> <p>New Control Risk Self Assessments have been developed using MKinsight.</p> <p>There has also been an increase use in CAATS since we have moved from IDEA to Active Data; however, due to available resources, root cause analysis has not been rolled out to date.</p>	<p>Continue to use MKinsight for all stages of the audit process.</p> <p>Continue to develop the teams' skills in using Computer Assisted Auditing Techniques Software (CAATS) using Active Data.</p>
8	Manage recruitment to meet staffing needs.	<p>Continue to monitor the staffing needs of the team.</p>	<p><b>Completed – Action to Remain Open</b></p> <p>Staffing within the team has been continuously monitored throughout the year given the turnover of staff following two retirements and one secondment.</p> <p>Alternative arrangements have been sought to address these vacancies with the increase of hours for the current part time staff.</p>	<p>Continue to monitor the staffing needs of the team.</p>
9	Complete annual performance appraisals.	<p>Continue to undertake annual appraisals, due April / May 2019.</p>	<p><b>Completed – Action to Remain Open</b></p> <p>All appraisals were completed during April May 2019.</p>	<p>Continue to undertake annual appraisals, due April / May 2020.</p>

Ref	Component	2019/20 Actions following 2018/19 Assessment	Status of 2019/20 Actions	2020/21 Planned Actions following 2019/20 Assessment
10	Maintain training and development of staff.	<p>Continue to maintain training and development plan following appraisals.</p> <p>Continue to support the team with their training needs.</p> <p>Revisit the succession planning exercise undertaken to identify future workforce development requirements.</p>	<p><b>Completed – Action to Remain Open</b></p> <p>Training continues to be undertaken by the services, with the CIA qualified auditors undertaking their mandatory 30 hours per annum continued professional development (CPD)</p> <p>As part of succession planning, one member of the team has started to study for the qualification of Certified Internal Auditor.</p> <p>In September 2018 the Graduate Trainee appointed commenced studying the Chartered Institute of Public Financial &amp; Accountancy’s professional qualification (CIPFA). Since then, the Graduate Trainee has been appointed to a Senior Auditor position in September 2019 and continues with these studies.</p>	<p>Continue to maintain training and development plan following appraisals.</p> <p>Continue to support the team with their training needs.</p> <p>Revisit the succession planning exercise undertaken to identify future workforce development requirements.</p>
11	Evaluate post-audit questionnaires.	<p>Continue to issue questionnaires via MKI.</p> <p>Explore scope for improvement in percentage of officers returning completed questionnaires.</p>	<p><b>Part Completed - Action to Remain Open</b></p> <p>Questionnaires continue to be issued via MKI.</p>	<p>Continue to issue questionnaires via MKI.</p> <p>Explore scope for improvement in percentage of officers returning completed questionnaires.</p>
12	Complete quarterly	Present progress reports to the	<b>Completed – Action to Remain Open</b>	Continue to present progress



Ref	Component	2019/20 Actions following 2018/19 Assessment	Status of 2019/20 Actions	2020/21 Planned Actions following 2019/20 Assessment
	progress reports to audit committee.	Audit Committee every quarter.	Progress reports presented to the Audit Committee every quarter.	reports to Audit Committee every quarter.
13	Monitor the implementation of audit recommendations.	<p>Actions now tracked through MKinsight.</p> <p>A monthly report of all outstanding actions is issued to Chief Officers and presented to Audit Committee.</p>	<p><b>Completed – Action to Remain Open</b></p> <p>All actions are tracked through MKinsight.</p> <p>It is the responsibility of management to ensure actions are implemented, a monthly report continues to be issued of all outstanding actions to Chief Officers and presented to Audit Committee.</p> <p>Chief Officers are also be notified when a high priority action is implemented.</p>	Continue to track actions due for implementation through MKinsight and report progress to Audit Committee as part of the quarterly update report.
14	Keep the audit team up to date with professional best practice.	Continue to invest in the professional development of the Internal Auditors through attendance on training courses, seminars, and webinars where budget allows.	<p><b>Completed – Action to Remain Open</b></p> <p>Training courses, seminars, etc. are monitored. Manager, Principals and Senior Auditors attend where relevant.</p> <p>During 2019 the following courses / seminars have been attended by staff within the Team:</p> <p>Counter Fraud Seminar Cyber Security Course</p>	Continue to invest in the professional development of the Internal Auditors through attendance on training courses, seminars, and webinars where budget allows.

Ref	Component	2019/20 Actions following 2018/19 Assessment	Status of 2019/20 Actions	2020/21 Planned Actions following 2019/20 Assessment
			Safeguarding Awareness Social Media Investigation Training Pension Fund Committee Training Dementia Training Data Protection Training WAO Fraud Training Cyber Security Seminar Treasury Management Mindfulness Training Defibrillator Training 30 hours CIA training CIA study and exams CIPFA Studies and Exams	

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# Eitem ar gyfer y Rhaglen 9



## AUDIT COMMITTEE

<b>Date of Meeting</b>	Wednesday, 9 <sup>th</sup> September 2020
<b>Report Subject</b>	Internal Audit Strategic Plan
<b>Report Author</b>	Internal Audit Manager
<b>Type of Report</b>	Assurance

### EXECUTIVE SUMMARY

All principle Local Authorities subject to the Accounts and Audit (Wales) Regulations must maintain an adequate and effective system of Internal Audit of its accounting records and of its system of internal control. It must make provision for Internal Audit in accordance with the Public Sector Internal Audit Standards (PSIAS) and the Local Government Application Note issued alongside it.

In line with the Standards, Internal Audit must produce a risk based plan taking into account the need to produce an annual audit opinion and linked to the organisation's objectives and priorities.

The three year Flintshire Internal Audit Strategic Plan is attached, Appendix A. The first year of the plan is completed in greater detail highlighting high priority audits and annual reviews to be completed during the financial year 2020/21. Medium priority audits will be scheduled to audit subsequently, unless higher priority work is identified through the quarterly monitoring of the plan.

### RECOMMENDATIONS

1	<p>The Committee is requested to consider the Flintshire Internal Audit Strategic Plan and to make comments on its content. In doing so the Committee is asked to consider:</p> <ul style="list-style-type: none"><li>• Does the three year plan for Internal Audit as set out in Appendix A reflect the areas that the Committee believe should be covered?</li><li>• Does the first year of the plan reflect the areas that should be prioritised?</li><li>• Is the level of audit resources accepted by the Committee and agreed as appropriate, given the level of assurance required?</li></ul>
2	<p>The Committee is required to approve the Flintshire Internal Audit Strategic Plan for 2020-2023.</p>

## REPORT DETAILS

1.00	<b>EXPLAINING THE INTERNAL AUDIT STRATEGIC PLAN</b>
1.01	<p>Each year Flintshire Internal Audit prepares a three year audit plan, with the first year completed in more detail. This plan is designed to meet the professional standards required of us in order to review and evaluate the risk management, control, and governance arrangements within the Authority.</p>
1.02	<p>The original plan Internal Audit Plan for 2020/23 was prepared in preparation for submission and approval at the March 2020 Audit Committee. However during mid-March all Committee meetings were cancelled to allow the Council to respond to the emergency of the pandemic. During this period and for the early part of 2020/21 the audit team work was directed to supporting the Council in its response to the emergency.</p> <p>The 2020/21 – 2022/23 audit plan has since been revised to reflect the remaining available days and to reprioritise work and support recovery following the early stages of the pandemic.</p>
1.03	<p>The Council's Plan and the strategic risks within CAMMs (Risk &amp; Performance Management system) are aligned to the Council's objectives and priorities. The Flintshire Internal Audit plan, which is attached, takes into account these objectives and risks in addition to materiality of spend, reputational risk, and discussions with management. The plan has also taken into account the emergency management assurance work undertaken and the recovery risk registers that have been maintained during the pandemic.</p>
1.04	<p>The plan was produced after consultation with the Portfolio management teams, the Chief Executive and Audit Wales (AW). The plan covers various types of work including, but not limited to, risk based, system based, advice &amp; consultancy, and value for money projects as well as our involvement in development projects.</p>
1.05	<p>The plan for remainder of 2020/21 has been formulated for the current level of resources, 708 productive days. Days per audit have not been recorded within the plan set out in Appendix A, as days will be allocated to each audit following the opening meeting to ensure appropriate resources are allocated.</p> <p>It is the aim that all high priority audits and annual reviews detailed within the plan will be undertaken within 2020/21. Those medium priority audits will be kept under constant review during quarterly meetings with Chief Officers and their management teams, AW and bimonthly meetings with the Chief Executive. Any work required to respond to emerging issues or risks may take precedence over the medium priority reviews.</p> <p>Where still relevant those audits deferred in 2019/20 have been included within the 2020-23 Internal Audit Strategic Plan.</p>

<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
2.01	None from this report. The resources needed for the plan use the resources available.

<b>3.00</b>	<b>CONSULTATIONS REQUIRED / CARRIED OUT</b>
3.01	Consultation carried out with Portfolio management teams, Chief Officers, the Chief Executive and Audit Wales.

<b>4.00</b>	<b>RISK MANAGEMENT</b>
4.01	Flintshire Internal Audit is part of the governance framework and provide assurance on governance, risk management and internal control. The plan needs to provide the basis for that assurance over the coming years.

<b>5.00</b>	<b>APPENDICES</b>
5.01	Appendix A – Draft Flintshire Internal Audit Strategic Plan – 2020/2023

<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	<p><b>Improvement Plan:</b> the document which sets out the priorities of the Council. It is a requirement of the Local Governance (Wales) Measure 2009 to set Improvement Objective and publish an Improvement Plan.</p> <p><b>Audit Wales:</b> works to support the Auditor General as the public sector watchdog for Wales. They aim to ensure that the people of Wales know whether public money is being managed wisely and that public bodies in Wales understand how to improve outcomes.</p> <p><b>Corporate Governance:</b> the system by which local authorities direct and control their functions and relate to their communities. It is founded on the basic principles of openness and inclusivity, integrity and accountability together with the overarching concept of leadership. It is an inter-related system that brings together the underlying set of legislative requirements, governance principles and management processes.</p>

**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.

**Alternative Delivery Models:** operating models which are different from currently or traditional methods of service delivery and which are responding to changed situations to sustain important services.

**CAMMS:** an integrated planning, risk management and programme/project management and reporting system.

**Risk Management:** the process of identifying risks, evaluating their potential consequence and managing them. The aim is to reduce the frequency of risk events occurring (wherever this is possible) and minimise the severity of their consequences if they occur. Threats are managed by process of controlling, transferring or retaining the risk. Opportunities are managed by identifying strategies to maximise the opportunity or reward for the organisation.

**P2P:** Purchase to Pay. An electronic system used within the Authority to manage purchasing.

# Flintshire Internal Audit

Strategic Plan



DRAFT  
2020/21 –  
2022/23

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Presented to Audit Committee, 9<sup>th</sup> September 2020



## Section One: Introduction

- 1.1 This document summarises the work undertaken to develop the Internal Audit Strategic Plan for 2020-2023. It covers:
- Role, Responsibilities and Scope of Internal Audit
  - Available Resources
  - Reporting Arrangements
  - Proposed detailed programme of work for 2020/21 and summary of work for 2021/22 – 2022/23

- 1.2 As required the strategic plan has been prepared in accordance with the best practice requirements set out in the Public Sector Internal Audit Standards (PSIAS).

- 1.3 The Council has adopted the PSIAS definition of Internal Auditing:

*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 and governance processes'.*

- 1.4 In accordance with PSIAS, the mission of Internal Audit is to *'enhance and protect organisational value by providing risk based and objective assurance, advice and insight'*.

- 1.5 In line with these requirements, we perform our internal audit work with a view to reviewing and evaluating risk management, control and governance arrangements that the organisation has in place, and to support the Council in achieving its aims, objectives and priorities set out in the Council Plan.

- 1.6 The work is designed to enable the Internal Audit Manager to arrive at her year-end annual audit opinion on the adequacy and effectiveness of governance, risk management and the control environment. The Annual Audit Report provides evidence to support the Annual Governance Statement.

- 1.7 As required by the PSIAS, the Internal Audit Service is delivered and developed in accordance with the Internal Audit Charter. The Charter defines the role, scope, independence, authority, and responsibility of the Internal Audit Service. The Council has formally agreed these provisions and sets out the Internal Audit Charter in Section 29.1 of the Council's Constitution.

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## Section Two: Role, Responsibilities and Scope

### 2.1 Role and Responsibilities of Internal Audit

- Review and develop the Council's governance processes.
- Assist in the development of an effective internal control environment.
- Provide advice, consultancy and insight on all operations within the Council and provide added corporate value.
- Evaluate the effectiveness of the Council's internal control, risk management and governance arrangements by providing independent and objective assurance to management and Audit Committee.

### 2.2 Scope of Internal Audit

- Covers the entire control environment within the Council including both financial and non-financial systems.
- Reviews controls that protect the interests of the Council when dealing with strategic partnerships that the Council has an involvement with.
- Provides an internal audit service to 3<sup>rd</sup> parties via Service Level Agreements.

### 2.3 Responsibilities of Management

- To establish and maintain adequate systems of controls and to implement those actions identified by internal audit to improve systems of controls and mitigate risks. The implementation of agreed action cannot eliminate risk entirely.

### 2.4 Responsibilities of Audit Committee

- Approve the Internal Audit Charter
- Approve, but not direct, Internal Audit Strategic Plan. In approving the plan, consideration has been given to:
  - Does the three year Strategic Plan for Internal Audit (as set out Section Six) reflect the areas that the Audit Committee believe should be covered?
  - Does the first year of the plan reflect the areas that should be prioritised?
  - Is the level of audit resource accepted by the Committee and agreed as appropriate, given the level of assurance required?
- Receive quarterly reports summarising internal audit's work to seek assurance and take action where necessary.
- Make appropriate enquiries of management and the Internal Audit Manager to determine where there are inappropriate scope or resource limitations.
- Receive and consider the Annual Internal Audit Report.

### 2.5 Responsibilities for Fraud and Corruption

- Undertake investigations into reports of breaches of the Council's regulations or criminal activities i.e. fraud against the Council.
- Undertake investigations of reports from staff, other persons engaged in activities on behalf of the Council, and members of the public, regarding perceived cases of possible breach of rules or regulations, mismanagement, misconduct, or fraudulent abuse of authority.
- Refer to the police suspected criminal activity, in accordance with the Anti-Fraud and Corruption Policy and the Fraud Response Plan.
- Maintain the Council's Anti-Fraud and Corruption Policy, Fraud Response Plan and the Whistleblowing Policy.
- Administer CIPFA's National Fraud Initiative.

## Section Three: Resources

### 3.1 Delivery of the Internal Audit Service

The audit plan will be delivered by experienced and suitably qualified in-house team comprising of 8 FTE auditors giving 708 productive days. The level of resources is considered sufficient to deliver the annual assurance opinion, however it may be necessary to use external resource to deliver more technical ICT audits should the need arise.

Where opportunities arise collaborative working is undertaken with internal audit colleagues from neighbouring authorities to deliver particular audit assignments.

### 3.2 Resource Requirements

The level of resource requirements has been assessed to ensure the delivery of an effective and efficient internal audit service to the Council. This has been based on the need to provide assurance over:

- Key financial systems
- Risk management, performance management and governance arrangements
- Front line and support services, including schools
- Procurement
- Information Governance
- Provision of advice and consultancy
- Anti-Fraud and Corruption arrangements

## Section Four: Reporting Arrangements

### 4.1 Audit Reports

Following each audit, a draft report is issued to the manager responsible for the area for consideration. The final report issued contains managements' agreed actions to address the audit findings together with a proposed date of implementation. A copy of the report is distributed to the relevant:

- Responsible Officer for implementing agreed actions
- Service Manager
- Chief Officer accountable for the implementation of agreed actions

It is the responsibility of management to ensure all agreed actions are implemented.

### 4.2 Assurance Opinion

Following each audit, an assurance opinion is provided based on the information and evidence obtained during the course of the review. The purpose of the assurance opinion is to provide an assessment of the effectiveness of the risk management, control and governance arrangements in place within the area audited.

The assurance opinions used by internal audit are:

Levels of Assurance	Explanation
Green / Substantial	Strong controls in place
Amber Green / Adequate	Key controls in place but some fine tuning required
Amber Red / Some	Significant improvement in control environment required
Red / Limited	Urgent system revision required

### 4.3 Reporting to Audit Committee

On a regular basis audit committee receive internal audit progress reports for consideration. These reports identify:

- Those audits completed during the period together with the assurance opinion given.
- Details of those audits issued with a Red / Limited assurance opinion.
- Progress by management on the implementation of agreed actions.
- Measurement of internal audits performance against internal performance targets and progress against the audit plan.
- An update on any investigations internal audit is involved with.
- Progress against the annual audit plan.

Where a Red / Limited assurance opinion has been given, the relevant Chief Officer and Service Manager is asked to attend audit committee to provide further update on progress to address the findings.

### 4.4 Annual Audit Opinion

An annual report is presented to audit committee for consideration. This report includes the Internal Audit Manager's overall opinion on the effectiveness of the Council's risk management, control and governance arrangements. This opinion forms only one of the sources of assurance to support the Annual Governance Statement.

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## Section Five: Development of the Strategic Plan

### 5.1 Requirements of Internal Audit

In accordance with the PSIAS, it is a requirement of the Internal Audit Manager to establish a risk-based audit plan to determine the priorities of the internal audit activity, consistent with the organisation's goals.

### 5.2 Development and Prioritisation of Audit Coverage

An assurance mapping exercise was undertaken to develop the 2020/21-2022/23 Strategic Plan. This exercise took into consideration:

- Results of previous audit work (last audit opinion and time since last audit)
- Any changes to the Council's systems, processes, controls or service delivery
- New and emerging risks affecting the Council
- Priorities within the Council Plan
- Materiality of budget
- The Council's risk management processes
- Senior management's views of risks and priorities within their area of responsibility
- Annual Governance Statement
- Other sources of external assurance and the results of this external assurance
- The requirement to ensure there is sufficient coverage to support an annual audit opinion
- Audit work deferred from 2019/20

Each area has been assessed and all audits identified as high priority within the plan will be undertaken within the financial year 2020/21 together with those annual audits. Audits rated as medium priority will be kept under constant review through formal quarterly meetings with Chief Officers and their management team, Chief Executive and Wales Audit Office. Any new priorities or emerging risks may take precedence over those medium priority audits.

The outline scope for each audit and type of audits undertaken is detailed within the plan.

The strategic plan will be revisited each year to confirm current priorities for internal audit coverage and to develop a detailed internal audit plan for the forthcoming year.

The original 2020/21 – 2022/23 was due to be presented to Audit Committee in March 2020 for approval. However prior to the meeting, the Council's Business Continuity Plan was invoked to respond to the emergency of the pandemic. This resulted in the cancellation of committee meetings and reprioritising our work to respond to the pandemic. This has covered the period from the end of March through to the end of August 2020. The revised internal Audit plan has been updated to include the COVID19 response work undertaken by the service as well as the proposed recovery work which takes the detailed audit plan up to the end of March 2021.

### 5.3 Alignment of the Audit Plan to the Council's Plan and Strategic Risks

The audit plan has been developed to align audit work to support the priorities within the Council's Plan and strategic risks. Links to both of these are detailed within the plan within Section Six.

### 5.4 Budgeted Time

To ensure the appropriate resources are allocated for each review, the audit days will be assigned following the scoping meeting.

### 5.5 Significant Changes to Planned Work

The audit plan will be kept under continuous review through formal quarterly meetings with Chief Officers and their management team, Chief Executive and Wales Audit Office. All will be reported to Audit Committee within the internal audit progress report.

## SECTION SIX: STRATEGIC PLAN FOR INTERNAL AUDIT 2020/21 – 2022/23

Audit	Outline Scope	Priority	Expected Output	2020/21	2021/22	2022/23
<b>Corporate</b>						
COVID19 - Emergency Management Assurance	COVID19 – To facilitate, review and assess the effectiveness of the Emergency Management Assurance of the governance, risk management and internal control environment during the Council’s response to the pandemic.	H	Advisory Note	■		
COVID19 - 5 Key Financial Decisions review	COVID19 - To provide assurance on the five main key decisions made.	H	Advisory Note	■		
COVID19 - Risk Method Statement - challenge and improve	COVID19 - To challenge the Risk Management approach during the response and recovery stages of the pandemic.	H	Advisory Note	■		
Risk Management - Risk Management, including the CAMMS system	To review the effectiveness of the embedded new Risk Management framework, including strategic, operational and project risks	-	Audit Report		■	
Income from Fees and Charges / Efficiency Savings	To review the effective implementation of the Fees & Charges policy and work undertaken in this area to maximise income generation for the Council.	-	Audit Report		■	
Business Continuity	Review the effectiveness of the implementation plans for the Council's business continuity arrangements and its response to the Coronavirus Pandemic	-	Audit Report		■	
Performance Indicators	To review consistency of Portfolio and Service performance management arrangements.	-	Audit Report			■
Use of Consultants	To provide assurance consultants are appointed in accordance with the set protocol, supported by a clear business case, delivered within budget and followed up with a post implementation review.	-	Audit Report			■
Scrutiny / Performance Reporting - linked with Risk Management	Following the changes to the structure of committees and the reporting format assess the effectiveness of scrutinising performance and risk management.	-	Audit Report			■
<b>Education &amp; Youth</b>						
Risk Based Thematic Reviews of Schools	To perform pilot in two school regulatory audits of remote auditing.	H	Audit Report	■		
Attendance, Exclusions and Disengagement of Young People	Review the schools approach and compliance with guidance issued by the LA in relation to attendance, exclusions and disengagement.	H	Audit Report	■		
Schools Grant Funding / Budgeted Licence Deficit	To further review, taking into account the outcome of the current review, how effective the schools are in managing their deficit balances.	H	Audit Report	■	■	
Education Grants - Professional Development Grant (PDG)	The audit will provide assurance on the grant claim preparation and authorisation process.	Annual	Advisory Note	■	■	■

Audit	Outline Scope	Priority	Expected Output	2020/21	2021/22	2022/23
School Funds Follow Up	To perform a follow up audit to determine the progress made on the implementation of actions for Argoed School Fund.	-	Audit Report		■	
Redundancy Costs in Schools	To examine the decision making process and level of challenge in place to ensure all redundancies are cost effective to the Council.	-	Audit Report		■	
Integrated Youth Provision (Youth Service & Youth Justice Services)	To review the effectiveness of the new business plan for the Service.	-	Audit Report		■	
Repairs and Maintenance to School Estate	To assess how effectively the Council is managing its risk in relation to the repairs and maintenance of the School Estate.	-	Audit Report		■	
Impact of Additional Learning Needs	Review the impact of the new code for Additional Learning Needs.	-	Audit Report		■	
Child Care Pilot Project Plan / Free Child Care Offers	To consider the controls around the Child Care pilot project and the uptake in free children care offers.	-	Audit Report			■
NEET - (not in Education, Employment or Training)	The review will examine compliance with policy and procedures to minimise the number of NEET individuals.	-	Audit Report			■
<b>Governance</b>						
COVID19 - Business Support Grants	COVID19 – To support Council Tax & Revenue in the due diligence of applications for Business Support Grants	H	No Report	■		
Procurement - Hardware and Software	Review procurement arrangements for Hardware and Software across all portfolios.	H	Audit Report	■		
Subject Access Requests	Review the processes in place for managing Subject Access requests to ensure they are efficient, timely and meet legal and regulatory requirements, including Data Protection Impact Assessments.	M	Audit Report	■		
Procurement - Contract Monitoring – Follow Up Audit	To perform a follow up audit to determine the progress on the implementation of the agreed actions from the 2019/20 audit.	Follow Up	Audit Report	■		
Data Protection (GDPR)	Review compliance following the introduction of the new Data Protection Regulations 2018.	Annual	Audit Report	■	■	■
Bailiffs (Enforcement Agents)	Consider the controls around the use of the in-house service.	-	Audit Report		■	
Declaration of Interests	To follow up on the advisory review to examine the effectiveness of the implementation of the Declaration of Interests system across the Council.	-	Audit Report		■	
Council Tax and NNDR	High level analytical review to assess the effectiveness of internal controls within the Council financial systems. More detailed review work may be carried out depending on the results of the assessment.	-	Audit Report		■	



Audit	Outline Scope	Priority	Expected Output	2020/21	2021/22	2022/23
Contact Centre	Review the arrangements in place within the contact centre to ensure they are delivering their intended outcomes.	-	Audit Report		■	
Digital Print Service	To examine the effectiveness and efficiency of the Digital Print Service.	-	Audit Report		■	
Records Management (EDRM)	Determine whether the records management service meets the legal and regulatory requirements whilst ensuring there are effective and efficient processes in place.	-	Audit Report		■	
<b>Housing &amp; Assets</b>						
Rough Sleeping	Examine whether the approach the Council has adopted to manage rough sleeping is delivering value for money and its intended outcomes.	M	Audit Report	■		
Housing Benefits (including Subsidy Grant)	Annual review to assess the effectiveness of internal controls within the Council financial systems. More detailed review work may be carried out depending on the results of the control risk self-assessment. The review will also focus on the Subsidy Grant.	Annual	Audit Report	■	■	■
Supporting People Grant	The audit will provide assurance on the grant claim preparation and authorisation process.	Annual	Audit Report	■	■	■
Housing Rent & Arrears	The review will be based on the outcome from the WAO and how effectively the service is able to respond to the findings.	-	Audit Report		■	
Empty Property (Void) Management	Determine whether the lean process has delivered its intended outcomes.	-	Advisory Note		■	
Disabled Facility Grants – Follow Up	To perform a follow up audit to determine the progress on the implementation of the agreed actions from the 2018/19 audit.	-	Audit Report		■	
Management Information	The review will examine the quality, usefulness, timeliness and accuracy of the management information used within housing.	-	Audit Report		■	
Housing Management	Following the restructure determine compliance with new policy and procedures.	-	Audit Report		■	
Free School Meals	Review the impact of the changes to the criteria for eligibility and the impact this transition has on the local authority.	-	Audit Report		■	
Corporate Asset Strategy & Asset Management Plan	Determine the effectiveness and compliance of the rationalisation programme of the new asset management plan with the aim of generating capital receipts	-	Audit Report		■	
Industrial Units	Following a review to rationalise the estate and generate capital gains, examine whether the Council is achieving its objectives in a timely manner.	-	Audit Report		■	

Audit	Outline Scope	Priority	Expected Output	2020/21	2021/22	2022/23
Street Lighting - Managed outside of S&T	The review will look at how street lighting which falls outside of the responsibility of Streetscene & Transportation is managed.	-	Audit Report		■	
<b>People &amp; Resources</b>						
Cost and reclaim for COVID	Taken from the Recovery Risk Register review how the Council is managing the cost and recovery of costs from Welsh Government.	H	Advisory Note	■		
Business wide Income and Arrears from COVID	Taken from the Recovery Risk Register to review how the Council is managing the income collection, recovery and arrears following the response and recovery of the pandemic.	H	Audit Report	■		
Collaborative Planning	To examine the effectiveness of the Collaborative Planning system to ensure it supports the revenue budget monitoring reports provided to committee.	H	Audit Report	■		
Corporate Grants Database – Follow Up	To determine the progress made in the implementation of the agreed actions from the 2019/20 audit.	Follow Up	Audit Report	■		
Corporate Grants (Replacement of WAO Work)	To provide assurance that a sample of corporate grants are meeting the grant conditions set out by Welsh Government.	Annual	Audit Report	■	■	■
Main Accounting - Accounts Payable (AP) and	Annual review to assess the effectiveness of internal controls within the Council's financial systems. More detailed review work may be carried out depending on the results of the control risk self-assessment.	Annual	Audit Report	■	■	■
Capital Programme and Strategy	To review, in conjunction with capital accounting, the effectiveness of the new evaluation process in place and compliance with the Capital Strategy.	-	Audit Report		■	
Budgetary Control Support to Schools	This audit will examine the budget management arrangements within Education Finance to support schools.	-	Audit Report		■	
Main Accounting including Corporate Debt Management	Annual review to assess the effectiveness of internal controls within the Council's financial systems. More detailed review work may be carried out depending on the results of the control risk self-assessment.	-	Audit Report		■	■
Financial Management Accounting within portfolios (Focusing on Budget Management)	Focus on the budget control within Portfolios, looking at the key challenges managed by the Portfolio Accountants.	-	Audit Report		■	
Method Statements	To provide assurance that the methods statements used to form the budget setting process is effective.	-	Audit Report		■	
Write Offs	The audit will review the Council's approach to writing off debts in line with the Council's bad debt provision.	-	Audit Report		■	
Insurance	Following the retender for the insurance contract, review the effectiveness of the Council's insurance arrangements, including processes for handling claims.	-	Audit Report			■

Audit	Outline Scope	Priority	Expected Output	2020/21	2021/22	2022/23
COVID19 – Test, Trace and Protect	COVID19 – During the recovery stage work on the Test, Trace and Protect service for Flintshire.	H	No Report	■		
Health & Safety and Wellbeing of Employees	This review will examine the hours worked, compensatory rest period, records of absences to identify any excessive work practices in place which may have an impact on the wellbeing of an employee.	H	Audit Report	■		
Payroll	Annual review to assess the effectiveness of internal controls within the Council's financial systems.	Annual	Audit Report	■	■	■
Supply Teachers (previously E-Teach)	Review the effectiveness and value for money of the current arrangements in place.	-	Audit Report		■	
DBS Renewals	Review how effective the Council is in ensuring all DBS and any required training is renewed in accordance with guidelines.	-	Audit Report		■	
Electric - New iTrent Platform	Determine whether the glitches within the iTrent system requiring manual intervention have been rectified.	-	Audit Report		■	
Employee Induction	The review will examine how effective the new employee induction is following the move to the NHS platform to ensure it achieves its intended outcome.	-	Audit Report		■	
<b>Planning, Environment &amp; Economy</b>						
Causes of Multiple Occupancy	Given the increase in HMOs as part of this review, a data mapping exercise will be undertaken with key Council system data in an attempt to identify unregistered HMOs.	H	Advisory Note	■		
Home Improvement Loans	To review the effectiveness of the newly established procedures and processes for managing Home Improvement Loans.	M	Audit Report	■		
Planning Enforcement - Ombudsman Report Compliance	To review the progress made by the Planning Enforcement to address the Ombudsman Report	Advisory	Advisory Note	■		
Social Values	Ensure the new social value model is embedded, effective, measureable and delivering the aims of the service provision.	-	Audit Report		■	
Pest Control	To provide advice to evaluate efficiency and effectiveness of service including charging mechanism and value for money.	-	Audit Report		■	
Flood Alleviation Scheme	To review the Council's approach to Flood Alleviation; assess the effectiveness of procedures in place to monitor and manage the risk of flooding within the Authority.	-	Audit Report		■	
Local Development Plan	Review the effectiveness of the board process for the delivery of the LDP.	-	Audit Report		■	

Audit	Outline Scope	Priority	Expected Output	2020/21	2021/22	2022/23
Domestic Energy	Review management's monitoring arrangements in place to ensure controls mitigate the risks facing the service.	-	Audit Report			■
<b>Social Services</b>						
COVID19 – Early Entitlement	COVID19 – at the request of the service review the new arrangement put in place for payments to early entitlement providers.	H	Advisory Note	■		
Adoption Services	To determine whether the Authority is receiving value for money from the current contract in place	H	Audit Report	■		
Continuing Health Care	In conjunction with the Health Board review the arrangements in place for Continuing Health Care.	H	Audit Report	■		
Quality Assurance	To determine the effectiveness and embedded learning from the quality assurance process for complex placements within the disability service	M	Audit Report	■		
Social Services Complaints, Comments, Compliments	To review effectiveness and timeliness of the managements of vexatious complaints received within Social Services.	M	Audit Report	■		
Direct Payment - Financial control	To review the arrangements in place for the financial control of Direct Payments	M	Audit Report	■		
Extra Care Facility : Llys Eleanor	An establishment review of the policies, procedures and staffing arrangements in place at the home to ensure a cost effective service is being delivered.	-	Audit Report		■	
Single Point of Access (SPOA)	Review the effectiveness and evaluation of the service, including the performance management data used to support service delivery.	-	Audit Report		■	
Deprivation of Liberty Safeguards (DoLS)	Following the introduction of new legislation in October to review the impact to the service and the effectiveness in complying with legislation.	-	Audit Report		■	
First Contact (Assessment & Intervention)	To examine referrals received via First Contact to ensure all are processed in accordance with policy and procedures	-	Audit Report		■	
Early Help Hub	To review of the effectiveness of the early help hub.	-	Audit Report		■	
<b>Streetscene &amp; Transportation</b>						
Transport Operating Risks & Costs	Taken from the Recovery Risk Register examine how the service is managing the increase in operating costs due to reducing number of available transport operators to provide services	H	Audit Report	■		
Parc Adfer - Contract Management and Associated Risks	To review the contract management arrangements in place and to provide assurance over the key controls in managing the invoicing, payments, variations and resilience's for Parc Adfer.	H	Audit Report	■		

Audit	Outline Scope	Priority	Expected Output	2020/21	2021/22	2022/23
Procurement & Contract Management /Monitoring	To examine the procurement and contract management arrangements in place within the portfolio, identify non-compliance with CPRs / FPRs and consider how effectively the service manages procurements following receipt of late capital grant funding from Welsh Government.	H	Audit Report	■		
Loss of O Licence	To review processes and procedures in place to ensure the Council's exposure to the risk of losing its O Licence is minimised.	M	Audit Report	■		
Highways Structures (Bridges)	To examine the inspection and preventative maintenance arrangements in place for the council Highways Structures, including bridges.	M	Audit Report	■		
Environmental Regulatory Compliance	To review environmental regulation compliance across the Waste management service, including effluent water treatment plant at Brookhill.	-	Audit Report		■	
Regional Transport	VFM review of the service considering the impact service delivery has on Flintshire, management of the grant subsidy claim and cost analysis of service delivery against income generation.	-	Audit Report		■	
Bus Services Support (grant)	Examine how efficient and effective the service is in administering the bus service support grant.	-	Audit Report		■	
Impact of reduction of Single Environment Grant	Examine the impact the Single Environment Grant will have on front line services between Planning, Environment and Economy and Streetscene & Transportation.	-	Advisory Note		■	
Alltami Stores	To review the effectiveness in implementing the actions following the review of Alltami Stores.	-	Audit Report			■
Recycling Performance (Landfill Charges)	The review will examine how effective the Council is achieving its recycling targets and the measures put in place to improve curb side recycling.	-	Audit Report			■
Environmental Enforcement (Abandoned Vehicles, Dog Fouling, Car Parking)	The review will focus on how the service is managing the environmental enforcement service since it returned in house. This review will consider the effectiveness of zero tolerance and the level of income generated.	-	Audit Report			■
Safety Barriers	To determine whether strong controls are in place to ensure scrap metal, including safety barriers, are appropriately disposed of and income is generated.	-	Audit Report			■
Community Transport	Following the launch of Flintshire's Community Transport pilot, the review will examine how effective the pilot has been prior to further roll out.	-	Audit Report			■
Power of Delegation	To examine requests and reports produced to exercise delegated authority which can be appealed.	-	Audit Report			■

Audit	Outline Scope	Priority	Expected Output	2020/21	2021/22	2022/23
<b>External</b>						
Pensions Investment, Management & Accounting	To assess the management of the funding strategy and compliance with regulations and procedures.	H	Audit Report	■		
SLA - Aura - 17 days	Through the SLA with Aura, provide 17 days auditable service in 2020/21 reducing to 10 days going forward.	Annual	Audit Report	■	■	■
SLA - NEWydd - 19 days	Through the SLA with NEWydd, provide 19 days auditable service.	Annual	Audit Report	■	■	■
Pensions Administration & Contributions	Review the effectiveness of the administration strategy including service standards with members and employers.	Biennial	Audit Report		■	
Tudwyd Theatre Cymru	To provide advice as part of the transition to an Alternative Delivery Model (ADM).	-	Audit Report		■	
<b>Advisory / Project Groups</b>						
COVID19 - TTP Regional Planning Group	COVID19 - As Test, Trace and project lead for Flintshire County Council contribute to the regions approach to the Test, Trace and Protect Strategy	Ongoing	Advice	■		
COVID19 – TTP Flintshire Project Group	COVID19 - As Test, Trace and project lead for Flintshire County Council contribute to the regions approach to the Test, Trace and Protect Strategy	Ongoing	Advice	■		
COVID19 – TTP Workforce Workstream	COVID19 - Chair the Test, Trace and Project Workforce workstream.	Ongoing	Advice	■		
COVID19 – Bronze Group - Postal	COVID19 – to roll out FDM Hi-Mail to key services to enable seamless remote working	Ongoing	Advice	■		
COVID19 – Temporary Hospital Provision	COVID19 – To work with BCUHB on the project management of the Temporary Hospital across the region.	Ongoing	Advice	■		
COVID19 – Emergency Management Response Team	COVID19 – To attend and contribute to the Emergency Management Response Team	Ongoing	Advice	■		
COVID19 – Emergency Response for Local Businesses Silver Tactical Group	COVID19 – To attend and contribute to the Emergency Response for Local Businesses Silver Tactical Group	Ongoing	Advice	■		
COVID19 – Governance and Legal Silver Tactical Group	COVID19 – To attend and contribute to the Governance and Legal Silver Tactical Group	Ongoing	Advice	■		
COVID19 – Organisational Recovery Group	COVID19 – To attend and contribute to the Organisational Recovery Group	Ongoing	Advice	■		
COVID19 – Business Compliance Group	COVID19 – To attend and contribute to the Business Compliance Group	Ongoing	Advice	■		

Audit	Outline Scope	Priority	Expected Output	2020/21	2021/22	2022/23
COVID19 – Logging at Tactical Group	COVID19 – To log meetings for various tactical groups	Ongoing	Advice	■		
New Flare System Development Group	To provide advice to the system development of the new FLARE system.	Ongoing	Advice	■	■	
GDPR Project Board	Internal Audits’ contribution to the review and compliance with the requirements of the Data protection Act 2018	Ongoing	Advice	■	■	■
Digital Strategy Board	Internal Audits’ contribution to the Digital Strategy Board	Ongoing	Advice	■	■	■
Corporate Governance Working Group	As part of the group, undertake a self-assessment against CIPFA / SOLACE ‘Delivering Good Governance, Wales’.	Ongoing	Advice	■	■	■
Accounts Governance Group	Continuing participation in the Account Governance Group and contribute to the development of the Corporate Annual Governance Statement and Clwyd Pension Fund.	Ongoing	Advice	■	■	■
Wales Chief Internal Auditors Group	Continuing participation in the Wales Chief Internal Auditors Group.	Ongoing	Advice	■	■	■
Programme Coordinating Group	Continuing participation in the Programme Coordinating Group.	Ongoing	Advice	■	■	■
Corporate Health & Safety Group	To Chair the Corporate Health and Safety Group.	Ongoing	Advice	■	■	■
Corporate Data Protection Group	Continuing participation at the Corporate Data Protection Group.	Ongoing	Advice	■	■	■
Financial System	Provide Internal Audit advice and support over the options appraisal of a new financial system to replace Masterpiece.	Ongoing	Advice	■	■	■
Dementia Friendly Council Steering Group	Continuing participation at the Dementia Friendly Council Steering Group	Ongoing	Advice	■	■	■
Council’s Constitution	Internal Audits’ contribution to the revision of policies and procedures within the Council’s Constitution.	Ongoing	Advice		■	
Financial Procedures Rules	Internal Audits’ contribution to the revision of policies and procedures within the Council’s Financial Procedural Rules.	Ongoing	Advice Biennial		■	
<b>Anti-Fraud and Corruption</b>						
Investigation of Fraud and Irregularities				■	■	■
Proactive Fraud				■	■	■
National Fraud Initiative (NFI)				■	■	■
Fraud Risk Awareness				■	■	■

Audit	Outline Scope	Priority	Expected Output	2020/21	2021/22	2022/23
Develop On-line Fraud Reporting Solution				■		
Review and Update the Counter Fraud Policies and Plans					■	

Where possible, audits within the plan have been linked to the themes within the Council’s Plan and the COVID19 Recovery risk Register and Emergency Management Assurance work. During the year, consideration will be given as to how the auditable areas reviewed are working towards and meeting the requirements of the Future Generations Wellbeing Act 2016 and the Data Protection Act, 2018.

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6.2 Types Audit Coverage

The following types of audit work will be completed to support the audit coverage above:

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Type of Audit	Explanation of Audit
Risk Based Audit:	This work is based on the strategic or operational risks. The audits examine the objectives of the area under consideration, the risks that may affect the achievement of those objectives and the adequacy and effectiveness of the controls around those risks.
System Based Audit:	Predominantly of key financial systems to give assurance that they are operating effectively. Key control reviews will be carried out on all core financial systems with continuing close liaison with our external auditors to maximise audit efficiency.
Follow Up Audit:	Specific follow up audits have been planned where there have been a number of recommendations made in previous reviews.
Advisory Work:	Audit time to take part in specific projects or developments, as already requested/agreed with management.
Value For Money:	Value for money is considered as part of each audit review. In addition, there are a few specific reviews in the plan where that is the focus of the audit.
Schools:	We will visit a number of school based on risk and date of last review. The audit will comprise of a full establishment audit covering all aspects of governance, personnel, financial, information
Grant Claims:	As in previous years, time has been assigned to carry out reviews of grant claims.
Counter Fraud:	We will continue to conduct investigations in fraud and irregularity during the year. In addition we will continue to participate in the National Fraud Initiative. This matches data across organisations and systems to help identify potentially fraudulent or erroneous claims and transactions. The amount of time allocated, 200 days, is based on experience in previous years, but there is no guarantee that it is accurate. If further resource is needed it may impact on the plan. Conversely, if this amount is not required then it will be allocated to other specific audit tasks.

Mae'r dudalen hon yn wag yn bwrpasol

# Eitem ar gyfer y Rhaglen 10



## AUDIT COMMITTEE

<b>Date of Meeting</b>	Wednesday, 9 <sup>th</sup> September 2020
<b>Report Subject</b>	Internal Audit Annual Report
<b>Report Author</b>	Internal Audit Manager
<b>Type of Report</b>	Assurance

### EXECUTIVE SUMMARY

The Internal Audit Manager is required to deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.

The annual report must incorporate:

- The opinion;
- A summary of the work that supports the opinion; and
- A statement on conformance with the Public Sector Internal Audit Standards (PSIAS), and the results of the quality assurance and improvement programme (QAIP).

This report fulfils that requirement. The audit opinion is that Flintshire has an adequate and effective framework of governance, risk management and control. Audit work undertaken throughout the year is summarised within the report. A self-assessment against the PSIAS, including a review of QAIP was undertaken and due to be reported to the committee in March 2020 however this has been carried forward to September 2020 due to the Coronavirus Pandemic. This report shows that Internal Audit generally conforms to the Standards, and the QAIP is in operation and effective in promoting continual improvement.

The report and opinion has been used to inform the Annual Governance Statement, presented in another paper to this committee.

### RECOMMENDATIONS

1	The committee is requested to consider the report and receive the internal audit annual opinion.
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## REPORT DETAILS

1.00	EXPLAINING THE INTERNAL AUDIT ANNUAL REPORT
1.01	The Internal Audit Manager is required to prepare a report giving the annual internal audit opinion and summarising the outcome of all internal audit work undertaken during the year. This is part of the framework of assurance that assist the Council in preparing the Annual Governance Statement for 2019/20.
1.02	It also aids the Audit Committee in its role to review the effectiveness of the Authority's systems of corporate governance, internal control and risk management and to make reports and raise actions to the Council on the adequacy and effectiveness of those arrangements.
1.03	<p>The report outlines the role of the Internal Audit team and the professional standards it must meet. It includes a statement that the team generally conforms to the PSIAS. It then gives the annual audit opinion.</p> <p><b>For the year ending 31 March 2020, based on the work we have undertaken, my opinion is that Flintshire County Council has an adequate and effective framework of governance, risk management and internal control.</b></p>
1.04	The report covers the governance framework. In detail this covers corporate governance, information governance, risk management and internal controls. The report highlights where independent external assurance is received which supports the adequacy of the Council's governance arrangements.
1.05	The report gives the level of coverage of the audit team during the year and summarises the work undertaken in 2019/20. Summary information by Portfolio is provided on the assurance levels given to the reviews, together with the categorisation and the number of agreed actions to address control weaknesses.
1.06	The work on investigations and advisory work is outlined in the report. During 2019 the Whistleblowing Policy, Anti-Fraud and Corruption Strategy and Fraud and Irregularity Response Plan were reviewed, updated and approved by Audit Committee and Council.
1.07	The overall performance of the team throughout the year against targets is then given.

2.00	RESOURCE IMPLICATIONS
2.01	None as a 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	Internal Audit operate to a risk-based plan designed to enable the annual opinion to be delivered. The report includes an opinion on risk management within the Council.

<b>5.00</b>	<b>APPENDICES</b>
5.01	Appendix A – Internal Audit Annual Report.

<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	<p><b>PSIAS, Public Sector Internal Audit Standards:</b> a set of standards that all Internal Audit teams working in the public sector must comply with.</p> <p><b>Corporate Governance:</b> the system by which local authorities direct and control their functions and relate to their communities. It is founded on the basic principles of openness and inclusivity, integrity and accountability together with the overarching concept of leadership. It is an inter-related system that brings together the underlying set of legislative requirements, governance principles and management processes.</p> <p><b>Risk Management:</b> the process of identifying risks, evaluating their potential consequences and managing them. The aim is to reduce the frequency of risk events occurring (wherever this is possible) and minimise the severity of their consequences if they occur. Threats are managed by a process of controlling, transferring or retaining the risk. Opportunities are managed by identifying strategies to maximise the opportunity or reward for the organisation.</p>

Mae'r dudalen hon yn wag yn bwrpasol



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# 1 Introduction

## 1.1 The Definition and Role of Internal Audit

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

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

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

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

## 1.2 Professional Standards

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

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

- Ongoing monitoring of the performance of the Internal Audit activity; and
- Periodic self-assessments

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

An external assessment of Flintshire's Internal Audit Service against the Standards is required every five years. This was undertaken in March 2017 by the Chief Internal Auditor, Ceredigion County Council and the final external assessment report was presented to audit committee in June 2017. All actions identified as part of the external assessment have either been implemented or are in progress.

A self-assessment against the Standards has been completed and the results were due to be reported to the Audit Committee in March 2020 however at this point all Committees were paused due to the pandemic, the self-assessment against the Standards will now be reported to the September 2020 Audit Committee. The Internal Audit Service was self-assessed as being

generally conforming. The Internal Audit service maintains a quality assurance improvement programme (QAIP). The programme includes the evaluation of the Internal Audit service's conformance with the Standards and an evaluation of whether internal auditors apply The Institute of Internal Auditor's Code of Ethics and the QAIPS components to ensure continuous improvement.

QAIP reflects the actions following the external assessment and the annual self-assessment. This was presented to audit committee separately and is within Appendix C of this report.

Overall internal and external assessment concluded:

**Following both the internal self-assessment and the external assessment, the Internal Audit Service continues to Generally Conform to the Standards.**

**That means that the relevant structures, policies and procedures for the department, as well as the processes by which they are applied, comply with the requirements of the standards and of the Code of Ethics in all materials respects.**

**General Conformance does not require complete / perfect conformance, the ideal situation etc.**

### 1.3 Declaration of Independence

During the year 2019/20, all Auditors have acted with integrity and objectivity. At no point has their independence been compromised.

Annually each Auditor completes an independence and pecuniary interest declaration to identify any pecuniary or non-pecuniary interests they have. Where declarations are made work is allocated on the basis to ensure a conflict does not exist.

Internal Audit is well positioned within the Council to ensure independence remains. The Internal Audit Manager reports direct to the Chief Officer, Governance and the Council's Monitoring Officer and has direct access to and meets bimonthly with the Chief Executive.

## 2 Internal Audit Assurance for 2019/20

### 2.1 Context

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

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

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

In mid-March the Coronavirus Pandemic occurred which resulted in the Council invoking its Business Continuity Plan. Given the unprecedented nature of this virus and its impact on service delivery and employees, all Internal Audit work was put on hold to allow the organisation to respond to the emergency. For the later part of March Internal Audit supported the Council to respond to this emergency. As such, there are a number of audits that could not be started or finished. Despite this sufficient work had been completed during the year to allow an assurance opinion to be provided.

### 2.2 Resources

At the start of the year in April 2019, the department was carrying one full time vacancy for the Principal Auditor who retired in 2018. We experienced difficulties in recruiting to this post and in the interim this was covered by the remaining Principal Auditor and the Audit Manager. In May 2020 the Principal Auditor post was offered to one of the Senior Auditors on a secondment basis following a formal recruitment process. In September 2019 a long standing Senior Auditor retired and their post was offered to the Graduate Trainee following a formal recruitment process. The position of Graduate Trainee remains vacant. In early 2020 our application for a further Graduate Trainee was successful however given the current pandemic this now remains on hold and hopefully carried forward to next year. Overall the team had sufficient resources within the team to draw a reasonable conclusion on the adequacy and effectiveness of Flintshire County Council's governance, risk management and internal control arrangements.

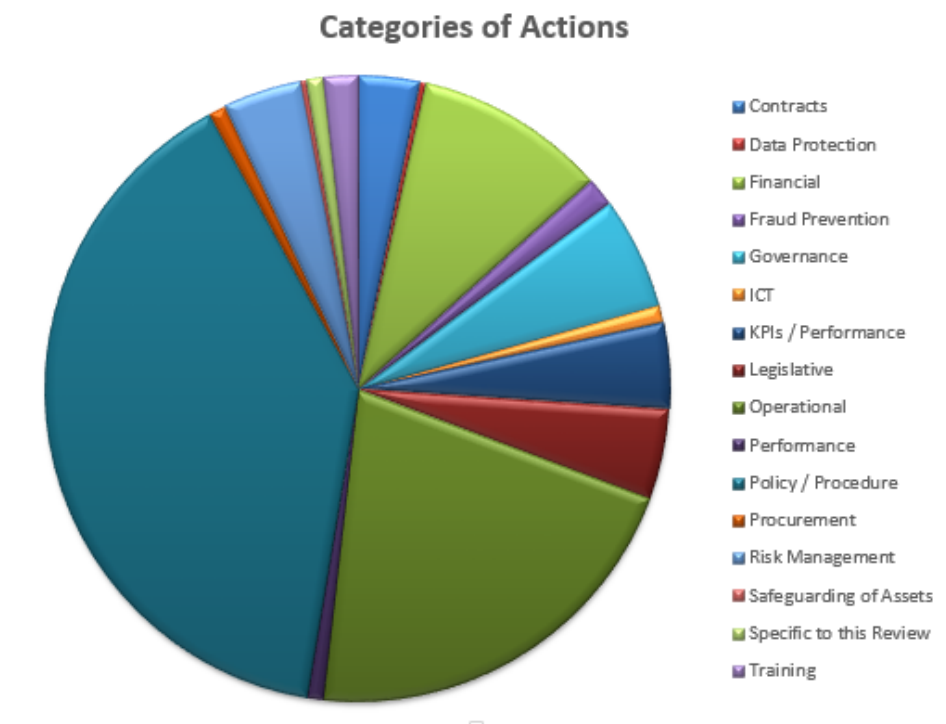
### 2.3 Internal Audit Opinion

**For the year ending 31 March 2020, based on the work we have undertaken, my opinion is that Flintshire County Council has an adequate and effective framework of governance, risk management and internal control.**

One audit was given a 'Red / Limited assurance' opinion during the year (2018/19 two audits, 2017/18 three audits, 2016/17 four audits & 2015/16 six audits), where an urgent system revision was required. Whilst this audit indicated areas where controls needed to be improved, they are not significant in the context of the Authority's whole control environment.

Overall 55% of assurance opinions issued were either Green or Amber Green providing the Committee assurance that of the audits undertaken this year in the main there are effective arrangements in place for governance, risk management and internal control.

An analysis of the category of actions raised during 2019/20 show actions primarily relate to policy and / or operational matters of the service. The graph on the following page provides you with further information of the other category of actions raised during 2019/20.



## 2.4 Scope of the Internal Audit Opinion

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

- The results of all internal audits undertaken during the year ended 31 March 2020 (see Appendix B for a summary of audit opinions and number of agreed actions);
- The results of follow-up action taken in respect of audits from previous years;
- The appropriateness of the proposed action by management to address control weaknesses and consequent risks;
- Matters arising from previous reports or other assurance providers to the Audit Committee and/or Council;
- No limitations have been placed on the scope of Internal Audit;
- No resource constraints have been imposed upon us which may have impinged on our ability to meet the full internal audit needs of the organisation; and
- Where weaknesses have been identified I am happy that appropriate action plans are in place to address those weaknesses and to mitigate risks.
- During 2019/20, 152 actions were raised and 212\* were implemented to date. \* Some relate to previous years audit reviews.

## 2.5 The Basis of the Opinion

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

### Corporate Governance

A Corporate Governance Working Group operated during the year and were tasked with updating and co-ordinating the annual governance self-assessment, and preparing it in line with the seven principals from the CIPFA/SOLACE guidance on 'delivering good governance' in Local Authorities in Wales released in 2016.

The group was chaired by the Corporate Business & Communications Executive Officer, and members included the Internal Audit Manager, Democratic Services Manager, Strategic Performance Advisor, IT Business Services Manager, Senior Manager Human Resources and Organisational Development and a Principal Accountant. The group updated the Council's Code of Corporate Governance, then prepared and drafted the Annual Governance Statement. The group issued corporate governance self-assessment assurance questionnaires to Chief Officers and Chairs of Overview and Scrutiny Committees, reviewed and challenged the responses and reported the results. This process provided an opportunity for senior officers to consider the effectiveness of governance arrangements. The group also considered the overall assurance framework.

The Annual Governance Statement explains how Flintshire County Council complies with its own Code of Corporate Governance, in line with the seven principles and also meets the requirements of the Accounts and Audit (Wales) Regulations 2018. The Annual Governance Statement includes actions to cover:

- Emerging risks and areas for improvement following a review against the Code of Corporate Governance.
- Enhance on the performance already made.
- Strategic risks of the Council.
- Those audits issued with a Red / Limited assurance during the year where there were live actions.

A mid-year report on the actions within the Annual Governance Statement is to be provided to Cabinet and Audit Committee for consideration.

The Council is subject to external inspections by Audit Wales (AW), Estyn, and CIW. Assessments undertaken by AW are both on a local and national level where the Council may be part of thematic review. Regardless of whether the Council is directly involved, the Council performs a self-assessment against the reports' findings. All actions from external inspections are monitored. The Council has been subjected to one Estyn review during 2019/20. The outcome of the review was reported in accordance with the protocol and presented to Audit Committee in November 2019 for consideration.

The Annual Improvement Report (AIR) summarises the audit and regulatory work undertaken at the Council by Audit Wales. At the time of this report, the final 2019-20 AIR had not been published; and the draft report is due to be available in September 2020 however, from feedback there are no significant issues arising which would raise concern.

## Information Governance

Information Governance is a major component to the overall governance framework of the Council. To ensure the Council's IT infrastructure is secure, IT Services is subject to a number of external inspections and these are detailed in the table on the following page.

Area of IT Independently Assessed	Independent Assessor	Supporting Information
IT Infrastructure:	Public Services Network (PSN)	To assess the Council's infrastructure and ensure it is meeting best practices as define by the Cabinet Office in Line with National Cyber Security Centre (NCSC) Guidance. The assessment is undertaken annually. The current certificate expired in May 2020 and the latest submission is in the process of completion but there have been inevitable delays due to the COVID-19 pandemic.
IT Infrastructure:	Cyber Essentials Plus (CEP)	There are two elements to this independent assessment. Cyber Essentials is a desktop self-assessment and the plus element is an independently verified element of the assessment. The target date from Welsh Government for all Local Authorities to achieve this was April 2020. The council achieved this target and currently holds the required certificate.
Information Management & Address Standards:	Geoplace	Monthly assessment undertaken of the Council's address data to ensure the addresses used to populate the National Land and Property Gazetteer meet the required Standards. The Council has been award the Gold Standard for this assessment. The council was recently awarded joint best address data in Wales by Geoplace.
Information, Processes and Procedures around Financial Systems	Wales Audit Office	As part of the annual audit, WAO considers the adequacy of the Council's security and interfaces with the Council's financial systems. No actions have been raised following this review.
Website Accessibility	Government Digital Service (GDS)	All public sector websites must reach Web Content Accessibility Guidelines (WCAG) 2.1 by September 23 <sup>rd</sup> 2020. The council must publish an accessibility statement and review it regularly. The majority of the councils website already meets the standard, however a major piece of work is being undertaken to review the accessibility of documents published on the website in portable document format (pdf). This is currently on schedule for completion by the required deadline.

Any actions arising from these external assessments are monitored and managed by IT services ensuring any developments required are implemented to support and complement the role out of the Digital Strategy.

## Risk Management

In 2019/20 Internal Audit reviewed the Risk Management framework in place and worked closely with the service to update and enhance the Risk Management Policy and Strategy which included revised risk capture, method statements and risk classifications. Quarterly progress reports against the Council Plan have been presented to Overview and Scrutiny Committees.

During 2019/20 all Council Plan risks are monitored through CAMMS, the Council's performance and risk management system, and reported to Corporate Resources Overview Scrutiny Committee and Audit Committee quarterly.

The Strategic Risks are considered when identifying the audit work for the forthcoming year. My annual opinion is also informed by the number of risk based audit assignments completed during the year review.

## Internal Control

Audits were carried out in all areas of the Council during the year. The overall level of control found in audit assignments this year was good. 55% of audits resulted in a 'green' or 'amber green' assurance level. No area stood out as being worse than the others. In all cases the findings were reported to the Audit Committee. During 2019/20, 152 actions were raised to improve the internal control, risk management and governance arrangements across the authority. During the year a total 212 actions have been implemented. Some of these relate to actions raised in previous years. All actions are monitored and progress reported to Chief Officers monthly and at each Audit Committee meeting. Summary results are given in Appendix B, together with definitions of the assurance levels (Appendix A).

### 2.6 Level of audit coverage during the year

The number of reviews / audit work in each area of the Council is detailed in the table below.

Review Type	High	Medium	Annual	A&C (Incl 8 New)	In Progress	Deferred / NLR	Total
Corporate	3			1		2	6
Education and Youth			11	2	2	2	17
Governance	1		2		2	4	9
Housing & Assets	1	3	2	2	2	5	15
People and Resources	4	1	3	1		7	16
Planning, Environment & Economy	1			2	1	2	6
Social Services	2	1	1	1	1	2	8
Streetscene and Transportation	2	1	1	1	1	5	11
External	1		1	1		2	5
<b>Total</b>	<b>14</b>	<b>6</b>	<b>20</b>	<b>13</b>	<b>9</b>	<b>31</b>	<b>93</b>
	<b>53</b>						

The original annual plan showed 93 audits / areas of work to be undertaken. The approach to managing the audit plan changed for 2018/19 and this was approved by Audit Committee in March 2018. It was agreed that the plan would be reviewed quarterly with Chief Officers and their senior management team. All high priority audits would be undertaken and any new requests for audit assistance would be considered and replace (where applicable) medium priority audits. This approach worked well again. In total 8 new requests for additional advisory /

consultancy / audit work were received and undertaken. During the year, changes to the plan were reported back to audit committee.

The draft 2020/21 – 2022/23 Audit Plan has been revised to take account of audits deferred during the pandemic. Based on an assessment of risk where an audit has been deferred it will either be carried forward into 2020/21 or later to ensure the service is focusing on the high risk areas for the remainder of the year.

Status of 2019/20 Audit Plan					
Priority	Completed	In Progress / Draft Report	Deferred	NLR *	Total
High	14	2	8	2	26
Medium	6	4	7	3	20
Annual / Follow Up	20	3	6	2	31
Advice & Consultancy (Incl. New)	13			3	16
<b>Position Original Plan</b>	<b>53</b>	<b>9</b>	<b>21</b>	<b>10</b>	<b>93</b>

\* No Longer Relevant. This is where the service requested the work and this was no longer needed or the audit has been combined within another review.

There is always a time lag in terms of the dates of audits. The audit plan for the following financial year will always include work carried over.

Carried forward work, additional audits and deferrals always make a comparison of actual work completed against the plan more difficult, more so this year given the unprecedented times we have faced since March 2020. Within 2019/20, including carry forward work, 53 final reports were brought to the Audit Committee and at the time of this report a further nine issued, due to be issued as draft awaiting finalisation or near completion. Given the exceptional circumstances overall the 2019/20 plan was substantially completed.

All the deferred audits were considered during the planning meetings for the 2020/21 to 2023/24 audit strategic plan and included as part of the risk assessment when forming the strategy.

## 2.7 Assurance Levels

The definitions for the assurance levels are given in Appendix A of this report. The tables in Appendix B show the assurance opinions and number of agreed actions made in 2019/20.

## 2.8 Other Internal Audit Work

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

Area of Work	Comments
Schools Audits	5 school audits
Investigations	See 2.9 below
National Fraud Initiative	5 days on work relating to National Fraud Initiative
Advisory work	97 days on advisory work in the year
Grant audits	4 audit of grants
COVID19	Involved in specific workstreams at the end of March detailed in 2.10



## 2.9 Anti-Fraud and Corruption and Investigations

During early 2019 the Whistleblowing Policy, Anti-Fraud and Corruption Strategy and the Fraud and Irregularity Response Plan was reviewed, updated and approved by Audit Committee.

At the start of the year there were four live investigations. During the year nine more were started and six were completed leaving four ongoing investigations at the end of the year. Out of the nine investigations, three investigations were as a results of whistleblowing, one following a complaint received and the remaining five were following a referral from management. In total 54 days was spent on investigations. The nature of these investigations are covered in the table below:

Nature of the Investigations	No.
Governance Arrangements	1
HR Related by Employees	3
Lease Arrangements	1
Planning Arrangements	1
Compliance with Process	2
Potential Theft – Not upheld	1

The nine new investigations covered across all portfolios and not concentrated in one specific area.

## 2.10 Advisory / Consultancy work

This includes work that, in some cases, does not result in an audit report and or assurance opinion however adds value to the Authority by contributing to working groups or providing advice. Examples include:

- Advice on GDPR Project Group and Board
- Membership of the Corporate Governance Working Group
- Membership of Accounts Governance Group
- Membership of the E-Procurement Board
- Membership of the Programme Co-ordinating Group
- Review of Method Statements
- Pay modelling
- Disabled Facility Grants (DFG) oversight board
- COVID19 - Membership of Tactical Silver Groups
- COVID19 - Lead of Bronze Group for Postal Arrangements
- COVID19 – Temporary Hospital Provisions – Risk Management

It should be noted that the number of days spent on advisory work (97 for 2019/20) continues to remain high (91, 2018/20, 124 days for 2017/18, 79 days for 2016/17) and demonstrates the noticeable rise in requests for Internal Audit to become involved in emerging issues and working with the organisation to ensure a robust control environment is in place.

## 2.11 Audit of Third Parties

Following the transformation changes of services and the creation of Aura Leisure and Libraries and NEWydd in 2016/17 the Internal Audit Service has a 3 year SLA to deliver an internal audit service to these organisations. During 2019/20, theses SLAs were renewed for a further three years.

During 2019/20 10 days Audit Service was delivered to Aura Leisure and Libraries and the audit report was received and accepted by its Board. The audit for NEWydd was due to commence mid-March and therefore this has had to be carried forward into 2020/21.

## 2.12 Internal Audit Performance

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

Performance against target is reported to each quarterly Audit Committee, and is summarised in the table below. Overall apart from two targets all were achieved or exceeded the internal targets. There continues to be a decline in the number of questionnaires returned and in the time taken for departments to return draft reports. This however is more a reflection of the detailed work undertaken and greater stakeholder involvement and should not be seen negatively. During the year the method to calculate the return of questionnaires was changed which is demonstrated in the increase in the percentage of returns from 0%-40% to up to 75%.

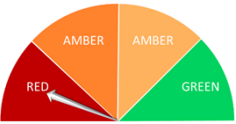
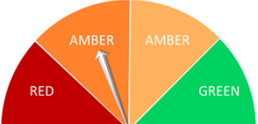
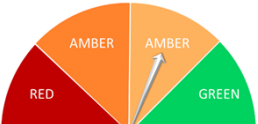
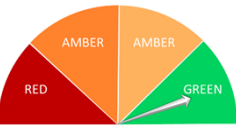
### Internal Audit Performance Indicators

Performance Measure	Q1	Q2	Q3	Q4	19/20 Total	19/20 Target
Reported to Committee	June 19	Sept 19	Jan 20	Mar 20 (up to Mid March)		
Audits completed within planned time	80%	89%	78%	88%	<b>84%</b>	80%
Average number of days from end of fieldwork to debrief meeting	10	6	9	8	<b>8</b>	20
Average number of days from debrief meeting to the issue of draft report	4	18	4	1	<b>7</b>	5
Days for departments to return draft reports	6	0	9	12	<b>7</b>	7
Average number of days from response to issue of final report	3	1	2	1	<b>2</b>	2
Total days from end of fieldwork to issue of final report	22	33	27	22	<b>26</b>	34
Productive audit days	78%	67%	83%	77%	<b>76%</b>	75%
Client questionnaires responses as satisfied	100%	100%	93%	94%	<b>97%</b>	95%
Return of client satisfaction questionnaires	40%	0%	75%	73%	<b>47%</b>	80%

## Levels of Assurance – Standard Audit Reports

## Appendix A

The audit opinion is the level of assurance that Internal Audit can give to managements and all other stakeholders on the adequacy and effectiveness of controls within the areas 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>

Internal Audit Opinions and Recommendations 2019/20

Appendix B

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Auditable Area	Number of Reports & Audit Opinions						Priority & Number of Agreed Actions			
	Red	Amber -	Amber +	Green	Advisory / Grant - No Opinion Given	In Total *	High	Medium	Low	In Total
Corporate			1		3	4		3	2	5
Education and Youth	1	7	2		3	13	13	21	24	58
Governance		2	1			3	2	9	1	11
Housing & Assets			2	1	5	8		8	5	13
People and Resources		1	4		4	9	3	10	10	23
Planning, Environment & Economy			1		2	3		4	5	9
Social Services			1	2	2	5		1	6	7
Streetscene and Transportation		3			2	5	5	9	1	16
External			1	1	1	3		3	6	9
<b>Total</b>	<b>1</b>	<b>13</b>	<b>13</b>	<b>4</b>	<b>22</b>	<b>53</b>	<b>23</b>	<b>68</b>	<b>61</b>	<b>152</b>

\* the total number of audit report may not tally with the number of audit given due to the school audits

PSIAS –Quality Assurance Improvement Programme (QAIP)

Appendix C

Actions from External Assessment (EA) March 2017 and Self-Assessment (SA) February 2019 (questions not scored as conforming)

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Ref	Conformance with the Standard	Compliance	Planned Actions	Person Resp.	Timescale	Comment
2120 (SA)	Has the internal audit activity evaluated the potential for fraud and also how the organisation itself manages fraud risk?	Partial	Improve awareness of fraud. Collect data on fraud risk.(2120)	LB	Implemented  Implemented  Partly Complete - March 2020	<p>Fraud risk analysis is undertaken as part of each audit review.</p> <p>Anti-Fraud and Corruption Strategy and Fraud Response Plan has been updated and presented to audit Committee in February 2019.</p> <p>Develop an online reporting solution which would support digital and customer strategies during 2019/20. This is currently at the test stage however due to COVID-19 this is currently on hold.</p> <p>Once operational the fraud reporting system and Whistleblowing policy will be promoted via change exchange.</p>
1000 (EA)  (SA)	<p>The internal audit charter does not define the term 'senior management', for the purposes of the internal audit activity. (EA)</p> <p>The Audit Charter does not make reference to auditing a</p>	Partial	(EA) The Service could insert a definition in the Independence & Authority (para 6, point 5) of the IA Charter, or revise the Charter by inserting a catch-all statement such as "For the purposes of Internal Audit activity, the Audit Committee is equivalent to	LB	Implemented	<p>The Charter has been updated and approved by Audit Committee in June 2019 to:</p> <ul style="list-style-type: none"> <li>Define the term of Senior Management. Deferred from March 2018 to July 2018.</li> <li>Include reference to auditing a third</li> </ul>

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Ref	Conformance with the Standard	Compliance	Planned Actions	Person Resp.	Timescale	Comment
	third party. (SA)		<p>the 'Board' and the Chief Officers' Team constitutes 'Senior Management'. (1000) LGAN</p> <p>(SA) Following the transfer out of Leisure &amp; Libraries and Cleaning &amp; Catering Services, the Charter needs to be updated to define the nature of the assurance provided to Aura and NEWydd. (1000.A1)</p>			party (Aura / NEWydd).
2110 (SA & EA)	Internal Audit reviews the activities in place that manage and monitor the effective implementation of the organisation's ethics and values.	Partial	<p>(SA) Review as part of CGWG – review of Code of Corporate Governance.</p> <p>(EA) The Service needs to undertake a review to evaluate the design, implementation and effectiveness of the Council's ethics related objectives, programs &amp; activities. (2110.A1)</p>	LB	In Progress	<p>Audit work is based on the Council's objectives and priorities and covers areas in the Code of Corporate Governance such as organisational, performance management, and communication of risk and control information.</p> <p>Whilst ethics is considered as part of routine audits, a specific review on ethics and values has been included within the 2019/20 audit plan. This audit is currently in progress however due to COVID-19 this is on hold.</p>
1120 (EA)	The regular rotation of work between officers has not been documented in the Service's Charter.	Suggestion	The Service could insert an additional statement under the 'Independence and Authority' section of the Charter confirming regular rotation of work is usually	LB	Implemented	Whilst the Audit Charter has been updated to address this point, it should be acknowledged that ensuring independence and objectivity is a priority within the team; however, in some instances a conscious decision

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Ref	Conformance with the Standard	Compliance	Planned Actions	Person Resp.	Timescale	Comment
			adhered to in order to further enhance independence and objectivity. (1120)			has been made to use the same auditor for key system reviews to develop expertise and specialism within the team as this adds value to the audit and reduces resources.
2120 (SA)	Internal auditors address risk during consulting engagements consistently with the objectives of the engagement?	Generally Comply  Identified opportunity for further improvement	There is further opportunity to develop the process for delivering consultancy / advisory work to have a more structured approach.	LB	Ongoing	Internal Audit continues to provide and develop the consultancy and advisory work provided to the Portfolios.
2210 (SA)	Value for money criteria has been considered, including the organisation's main types of resources been considered, e.g. money, people and assets?	Generally Comply  Identified opportunity for further improvement	Include as part of future scopes whether management are making best use of resources.	LB	Ongoing	This would be included where relevant in specific audits.

Mae'r dudalen hon yn wag yn bwrpasol



# Eitem ar gyfer y Rhaglen 11



## AUDIT COMMITTEE

<b>Date of Meeting</b>	Wednesday, 9 September 2020
<b>Report Subject</b>	Quarterly Update on the Response to the Pandemic
<b>Cabinet Member</b>	Leader of the Council
<b>Report Author</b>	Chief Executive and Chief Officer (Governance)
<b>Type of Report</b>	Operational

### EXECUTIVE SUMMARY

The Chief Executive made a full presentation on how the Council had responded to the emergency caused by the Covid-19 pandemic at the July meeting.

The Committee requested a quarterly report on the continued management of the emergency response and recovery phases for information and assurance.

This report briefly summarises the ongoing work around risk management, service resumption, the control environment and restoration of democratic governance.

### RECOMMENDATIONS

- |   |  |
|---|--|
| 1 | That the Committee is assured by the arrangements in place for the emergency response and recovery phases. |
|---|--|

## REPORT DETAILS

<b>1.00</b>	<b>EMERGENCY RESPONSE AND RECOVERY</b>
1.01	Since mid-March the Council has been engrossed in responding to the emergency caused by the pandemic. The Council is now in transition from responding to the disruption caused by the pandemic to planning medium and longer-term recovery.
1.02	At the meeting of the Committee held on 23 July the Chief Executive made a full presentation on how the Council had responded to the emergency caused by Covid-19 pandemic, and summarised the emergency operating model which it had quickly established to manage our response. This presentation was supported by a second presentation from the Internal Audit team on how the control environment had been protected and maintained during the emergency - to ensure the correct and appropriate use of decision-making, and the proportionate use of finance and resources. Both presentations gave the Committee a high level of assurance and confidence.
1.03	The plans for response and recovery have moved with urgency and speed in the interim period. The Council is now in the recovery phase. The following paragraphs summarise the progress made under the headings of risk management, service resumption, the control environment and restoration of democratic governance.
1.04	<p><b>Risk Management:</b></p> <ul style="list-style-type: none"> <li>• We have developed a suite of business recovery plans and recovery risk registers with mitigation actions for the corporate organisation and for each of the five service portfolios;</li> <li>• Risk management has been a key management tool for planning and action;</li> <li>• Risk management has been transparent with regular reports to the Member Recovery Board, and effective as evidenced by the reducing number of risks and the improving risk trends in the latest internal report;</li> <li>• Ongoing and open risks will be reported to Cabinet and the Overview and Scrutiny Committees from October as part of the implementation of the Council's Recovery Strategy.</li> </ul>
1.05	<p><b>Service Resumption:</b></p> <ul style="list-style-type: none"> <li>• Most services have now resumed according to national guidance on health and safety and occupational standards;</li> <li>• The remaining services - such as the full resumption of libraries services and the reopening cultural services are subject to national direction.</li> </ul>
1.06	<p><b>Control Environment:</b></p> <ul style="list-style-type: none"> <li>• The presentation made to the previous meeting of the Committee from the Internal Audit team gave a high level of assurance and confidence over the protection and maintenance of the control environment;</li> </ul>

	<ul style="list-style-type: none"> <li>• The Internal Audit team is returning to scheduled audit work, and the revised annual Audit Strategic Plan is included on the agenda for this meeting;</li> <li>• All control systems have been maintained without interruption e.g. finance procedural rules, contract management rules, procurement, budget control and management, workforce management, payroll;</li> <li>• Critical statutory duties have been met on time and to standard e.g. completion of the annual accounts;</li> <li>• The Council has complied fully with the temporary legal regulations to either suspend or vary certain activities or to take on new ones e.g. enforcement.</li> </ul>
1.07	<p><b>Democratic Governance:</b></p> <ul style="list-style-type: none"> <li>• The officer response and recovery structure has been maintained throughout to ensure business continuity. Lines of accountability at Gold-Silver-Bronze levels are clear;</li> <li>• A Member Recovery Board (an advisory sub-committee to the Cabinet) has been meeting throughout the summer months to oversee the work on recovery planning;</li> <li>• Regular contact has been maintained with the Council leadership, Cabinet and Group Leaders throughout the response and recovery phases;</li> <li>• The Cabinet, Planning Committee and Audit Committee are all now fully functioning with the aid of technology;</li> <li>• The Overview and Scrutiny Committees have been convened selectively for key briefings, and will all resume a full meeting schedule from mid-September;</li> <li>• The Council Annual General Meeting will be held in early September and meetings of the full Council will resume;</li> <li>• A full Council diary for the second half of the 2020/21 Council Year has been finalised;</li> <li>• Full democratic governance will resume in September and the officer support infrastructure for recovery will give full support.</li> </ul>

<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
2.01	There are no specific resource implications from this report.

<b>3.00</b>	<b>CONSULTATIONS REQUIRED / CARRIED OUT</b>
3.01	None specific as this report is based on documented response and recovery work.

<b>4.00</b>	<b>RISK MANAGEMENT</b>
4.01	This report specifically covers emergency situation risk management.

<b>5.00</b>	<b>APPENDICES</b>
5.01	Interim Assurance letter from Audit Wales

<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
6.01	<b>Contact Officer:</b> Colin Everett <b>Telephone:</b> 01352 702101 <b>E-mail:</b> <a href="mailto:chief.executive@flintshire.gov.uk">chief.executive@flintshire.gov.uk</a>

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Flintshire County Council

**Reference:** 2013A2020-21

**Date issued:** 28 August 2020

Dear Colin,

### Flintshire County Council – COVID-19 recovery – Interim Assurance

As you reach the end of the first phase of your recovery process and are bringing decision making back into more normal arrangements during this month, I wanted to write to you to sum up our early conclusions based on our ongoing monitoring of your COVID-19 recovery.

From the work that Audit Wales has undertaken to date, I am assured that Flintshire County Council's (the Council) recovery from the impact of the pandemic has benefited from strong and consistent leadership, particularly in planning and decision making. There has been a drive to engage and lead regional groups which is positive. Internal and external communication has been very strong and is to the Council's credit.

I consider that the Council's approach to recovery is well structured and well thought through. The Council has taken the time to reflect on its response actions and learn from them. As a result, should it be necessary to revert to response mode to manage any resurgence of the virus, the Council will be better placed to deal with the crisis than it was before.

I have set out in the appendix to this letter some of the key areas we have looked at. This work is undertaken to help discharge the Auditor General's duties under section 17 of the Public Audit (Wales) Act 2004, section 18 of the Local Government (Wales) Measure 2009 and section 15 of the Well-being of Future Generations Act (Wales) 2015. Further information about our work and our privacy notice is available on our website.

Yours sincerely



Jeremy Evans, Audit Manager

## Appendix

In Spring 2020, the COVID-19 pandemic had an unprecedented impact on our communities and public services. Councils have a key role to help keep staff and residents safe, adapt their decision-making arrangements, prioritise services and collaborate with partners to try and limit the spread and impact of the virus. Since the beginning of May we have been looking at the Council's approach to recovery, and during this time we have observed meetings, reviewed documents and held on-line meetings with key officers and councillors. Some examples of the work we have done is set out below:

### Meeting Observations:

A total of 7 meetings observed.

### Documents Reviewed:

A total of 68 documents reviewed

### Surveys completed:

Audit Wales review and staff survey. 'Response phase –operating model and communications.' Presentation of findings to CEO and officers 31 July. Includes result of senior staff survey. Response rate of 80%.

## Adapting decision-making arrangements

The Council suspended formal governance meetings in March 2020 and began to resume formal democratic meetings, using Cisco WebEx technology, in June 2020. The Council's Audit Committee, Cabinet, and some Scrutiny Committees met in July. Meetings are well chaired and have good participation by members and demonstrate open and transparent decision making.

Even at the peak of the pandemic there were frequent briefings of Council members and distribution of FAQs to ensure all members knew the latest developments and were able to give a clear and consistent message to the public.

The Chief Executive demonstrated good strategic leadership during the pandemic, chairing and guiding the Emergency Management Response Team (EMRT/Gold) which directed strategy, made principal decisions, and escalated topics to regional and national decision-makers as required. Tactical Groups (Silver) directed strategy and decision-making in areas of specialism/delegation and Operational Groups (Bronze) made operational decisions within delegations. The Council's Operating Model was an effective tool for achieving quick and transparent decision making during the COVID-19 pandemic.

These arrangements worked well and from the end of July the Council stood down EMRT and returned to its normal senior officer arrangements as it began the transition to restoring and adapting services.

## Keeping staff safe

The Council invoked its emergency planning arrangements and scaled back services in March 2020. Where possible staff have worked from home to limit the spread of the virus. Since July, as services have resumed, greater numbers of staff have returned to offices but many are still working from home. Going forward the Council plans a mix of working at home, in the office and working on site. Where staff are working in offices or on site, the Council will follow Welsh Government guidance, looking at what adjustments need to be made and how staff are best able to work safely and to re-pattern how staff work.

## Communications

Flintshire's communications with the public and residents during the pandemic has been consistent, clear, and innovative. Audit Wales key findings are:

- the Council's communications with the residents of Flintshire has been innovative and quick to respond to a fast-moving crisis.
- the Council's methods of communications with its staff has improved during the pandemic, and new methods have been introduced to overcome the barriers created by the crisis.
- the Communications Team have worked exceptionally hard during the crisis. The Council needs to consider if this is sustainable.
- as part of reviewing its Communications Strategy, the Council could consider gathering the views of residents, its front-line staff, and all councilors to gauge their perspectives on the communication model.

## Prioritising services

The pandemic had an inevitable impact on services with many services closing and others reducing usual levels of service to prevent spread of COVID-19. Some staff were redeployed to priority services and to support the most vulnerable people.

The Council has now carefully 'unlocked' many of its key services in line with Welsh Government guidance and identified what will be different as staff return to work to keep them safe. The reopening of services has progressed well, once again helped by a clear communications strategy.

We encourage the Council to look for opportunities for doing things differently as a result of what has been learned through the COVID-19 crisis, and not to automatically return services to how they were before.

## There are opportunities to maintain the momentum and learn from 'digital democracy'

Looking towards the future, there might be opportunities to learn from the experiences of holding meetings online and to consider this learning to shape future practices. The Council has shown that virtual meetings can work well, and

there might be financial, time and environmental benefits to providing online meeting facilities in the future. All of which might have the potential to improve value for money.

Most councillors have shown their ability to embrace the use of technology for online meetings. There may be further opportunities to gain insights from council members on any development and training that may help them to participate more effectively in online meetings.

There are some challenges in holding formal meetings exclusively online and at this stage there may be opportunities to gain insights about the effectiveness of these arrangements. Further engagement with the public to gather views about their experiences of observing meetings during this period could also help to provide timely feedback on the effectiveness of these arrangements from their perspective.

### **Collaborating with partners to build back better**

Council officers and members continue to play an active role in regional recovery. The Chief Executive is the lead CEO for the North Wales Economic Ambition Board and chairs the Regional Coordinating Group. The Council volunteered to deliver and employ the staff for the North Wales regional approach for Test, Trace and Protect (TTP). As members of the Regional Partnership Board and the Public Service Board the Council plays an active role in working with partners to coordinate and deliver a regional recovery from the pandemic.

Ends.



# Eitem ar gyfer y Rhaglen 12



## AUDIT COMMITTEE

<b>Date of Meeting</b>	Wednesday, 9 <sup>th</sup> September 2020
<b>Report Subject</b>	Action Tracking
<b>Report Author</b>	Internal Audit Manager
<b>Category</b>	Advisory

### EXECUTIVE SUMMARY

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

### RECOMMENDATIONS

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

<b>1.00</b>	<b>EXPLAINING THE ACTION TRACKING REPORT</b>
1.01	In previous meetings, requests for information, reports or actions have been made. These have been summarised as action points. This paper summarises those points and provides an update on the actions resulting from them.  Full action tracking details within Appendix A.
<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
2.01	None as a result of this report.

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

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

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

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

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

**AUDIT COMMITTEE – ACTION SHEET**Presented Wednesday, 9<sup>th</sup> September 2020

10 <sup>th</sup> September 2019				
Agenda Item No.	Report	Action Required	Responsible Officer	Action Taken
29	Strategic Risk Management Update	That the Committee receives a revised version of the Risk Management Strategy at the next meeting.	Colin Everett and Jay Davies	Due to the pandemic emergency the March committee did not take place however a verbal update was provided at the July Committee over the risk management arrangements and a copy of the risk registers will be sent to Audit Committee members prior to the September meeting.

29 <sup>th</sup> January 2020				
Agenda Item No.	Report	Action Required	Responsible Officer	Action Taken
52	Treasury Management Strategy 2020/21	To report back to the Committee later in the year on actions to meet the new requirements on non-treasury investments and compliance with disclosures on skills, culture and climate change.	Liz Thomas	Discussions ongoing with Treasury Management Advisors. Update to be given later in this calendar year.

23<sup>rd</sup> July 2020

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23 <sup>rd</sup> July 2020				
Agenda Item No.	Report	Action Required	Responsible Officer	Action Taken
62	Draft Statement of Accounts 2019/20	An up-to-date figure for the NHS debt in note 13 (Sally's query)	Paul Vaughan	This information was provided to members of the Committee on 07/08/2020.
		Clarification on £374k payments in note 28 for Related Parties - Officers (Allan's query).	Paul Vaughan	The accounts have been updated to reflect this and they will be presented to committee in September for approval.
		The reason for fluctuating management and supervision costs on the HRA Income & Expenditure Sheet (p.70 of the accs - Sally's query).	Paul Vaughan	This information was provided to members of the Committee on 07/08/2020.
		To receive a report in Sept (on a quarterly basis) to give assurance to the Ctte on how the Council is proportionately responding to the pandemic emergency and making risk-assessed decisions.	Colin Everett / Gareth Owen	The first report will be provided at the September 2020 Audit Committee meeting.
		To share Audit Wales contact details with the Committee.	Committee Services	This information was provided to the Committee on 23/07/2020
64	Annual Governance Statement 2019/20	That the Annual Governance Statement 2019/20 includes the commitment to increase Member involvement from next year, and be endorsed and attached to the Statement of Accounts for adoption.  The process and timescale for more Member involvement on the AGS	Robert Robins Gareth Owen / Lisa Brownbill	This will be provided to members at the November 2020 Audit Committee meeting.

		during Q4 to be shared with the Committee in the Autumn.		
		To share the six recovery risk registers and business plans with the Committee.	C Everett / G Owens	This will be shared with members prior to the next committee meeting in September.
67	Treasury Management Annual Report 2019/20 and Q1 2020/21 Update	To provide a response to the Committee on any reason for the difference in brokerage fees (App 5) since 2019 (Cllr Johnson's query).	P Vaughan	A response was provided to Audit Committee members on 18/08/2020.

Mae'r dudalen hon yn wag yn bwrpasol

# Eitem ar gyfer y Rhaglen 13



## AUDIT COMMITTEE

<b>Date of Meeting</b>	Wednesday, 9 <sup>th</sup> September 2020
<b>Report Subject</b>	Forward Work Programme
<b>Report Author</b>	Internal Audit Manager
<b>Category</b>	Advisory

### EXECUTIVE SUMMARY

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

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

### RECOMMENDATION

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

### REPORT DETAILS

<b>1.00</b>	<b>EXPLAINING THE FORWARD WORK PROGRAMME</b>
1.01	Items feed into a Committee's Forward Work Programme from a number of sources. Many items are standard every quarter, six months or annually, and Members can also suggest topics for review by the Committee. Items can also be referred by the Cabinet, County Council or Chief Officers.

1.02	<p>In identifying topics for future consideration, it is useful for a 'test of significance' to be applied. This can be achieved by asking a range of questions as follows:</p> <ol style="list-style-type: none"> <li>1. Will the review contribute to the Council's priorities and/or objectives?</li> <li>2. Is it an area of major change or risk?</li> <li>3. Are there issues of concern in governance, risk management or internal control?</li> <li>4. Is it relevant to the financial statements or financial affairs of the Council?</li> <li>5. Is there new government guidance or legislation?</li> <li>6. Is it prompted by the work carried out by Regulators/Internal Audit?</li> </ol>																																							
1.03	<p>Following the main Committee meeting in January there has been a need for some movement in the forward work programme due to the Coronavirus Pandemic. This is reflected below;</p> <table border="1" data-bbox="316 712 1426 1933"> <thead> <tr> <th data-bbox="316 712 818 786">Report</th> <th data-bbox="818 712 1161 786">Reason for Movement</th> <th data-bbox="1161 712 1426 786">New Report Date</th> </tr> </thead> <tbody> <tr> <td colspan="3" data-bbox="316 792 1426 835"><b>March 2020</b></td> </tr> <tr> <td data-bbox="316 842 818 884">IA Audit Plan</td> <td data-bbox="818 842 1161 1933" rowspan="10">COVID19 – meeting cancelled</td> <td data-bbox="1161 842 1426 884">September 2020</td> </tr> <tr> <td data-bbox="316 891 818 981">Public Sector Internal Audit Standards Compliance 2019/20</td> <td data-bbox="1161 891 1426 981">September 2020</td> </tr> <tr> <td data-bbox="316 987 818 1030">Audit Plan – Audit Wales (AW)</td> <td data-bbox="1161 987 1426 1030">September 2020</td> </tr> <tr> <td data-bbox="316 1037 818 1126">Annual Report on External Inspections 2018</td> <td data-bbox="1161 1037 1426 1126">September 2020</td> </tr> <tr> <td data-bbox="316 1133 818 1223">Certification of Grants and Returns Report (AW)</td> <td data-bbox="1161 1133 1426 1223">September 2020</td> </tr> <tr> <td data-bbox="316 1229 818 1272">Audit Committee Action Tracking</td> <td data-bbox="1161 1229 1426 1272">September 2020</td> </tr> <tr> <td data-bbox="316 1279 818 1321">Forward Work Programme</td> <td data-bbox="1161 1279 1426 1321">September 2020</td> </tr> <tr> <td data-bbox="316 1328 818 1417">Private Meeting (AW and Internal Audit)</td> <td data-bbox="1161 1328 1426 1417">November 2020</td> </tr> <tr> <td data-bbox="316 1424 818 1514">Internal Audit Progress Report 2019/20</td> <td data-bbox="1161 1424 1426 1514">November 2020</td> </tr> <tr> <td colspan="3" data-bbox="316 1520 1426 1563"><b>June 2020</b></td> </tr> <tr> <td data-bbox="316 1570 818 1659">Internal Audit Annual Report 2019/20</td> <td data-bbox="818 1570 1161 1933" rowspan="5">COVID19 – meeting cancelled</td> <td data-bbox="1161 1570 1426 1659">September 2020</td> </tr> <tr> <td data-bbox="316 1666 818 1709">Audit Committee Action Tracking</td> <td data-bbox="1161 1666 1426 1709">September 2020</td> </tr> <tr> <td data-bbox="316 1715 818 1758">Forward Work Programme</td> <td data-bbox="1161 1715 1426 1758">September 2020</td> </tr> <tr> <td data-bbox="316 1765 818 1854">Internal Audit Progress Report 2019/20</td> <td data-bbox="1161 1765 1426 1854">November 2020</td> </tr> <tr> <td data-bbox="316 1861 818 1928">Audit Charter</td> <td data-bbox="1161 1861 1426 1928">January 2021</td> </tr> </tbody> </table>	Report	Reason for Movement	New Report Date	<b>March 2020</b>			IA Audit Plan	COVID19 – meeting cancelled	September 2020	Public Sector Internal Audit Standards Compliance 2019/20	September 2020	Audit Plan – Audit Wales (AW)	September 2020	Annual Report on External Inspections 2018	September 2020	Certification of Grants and Returns Report (AW)	September 2020	Audit Committee Action Tracking	September 2020	Forward Work Programme	September 2020	Private Meeting (AW and Internal Audit)	November 2020	Internal Audit Progress Report 2019/20	November 2020	<b>June 2020</b>			Internal Audit Annual Report 2019/20	COVID19 – meeting cancelled	September 2020	Audit Committee Action Tracking	September 2020	Forward Work Programme	September 2020	Internal Audit Progress Report 2019/20	November 2020	Audit Charter	January 2021
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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	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>
7.01	<p><b>Governance</b> - The system by which local authorities direct and control their functions and relate to their communities. It is founded on the basic principles of openness and inclusivity, integrity and accountability together with the overarching concept of leadership. It is an inter-related system that brings together the underlying set of legislative requirements, governance principles and management processes.</p> <p><b>Risk Management</b> - The process of identifying risks, evaluating their potential consequences and managing them. The aim is to reduce the frequency of risk events occurring (wherever this is possible) and minimise the severity of their consequences if they occur. Threats are managed by a process of controlling, transferring or retaining the risk. Opportunities are managed by identifying strategies to maximise the opportunity or reward for the organisation.</p> <p><b>Internal Control</b> - Appropriate procedures and processes are in place to mitigate any risk which may prevent the organisation from achieving its objectives and service delivery.</p> <p><b>Financial Management</b> - The planning, organising, directing and control of the financial activities of the Council to ensure sufficient resources are available to delivery its intended outcomes.</p> <p><b>Audit Wales</b> - Works to support the Auditor General as the public sector watchdog for Wales. They aim to ensure that the people of Wales know</p>

	whether public money is being managed wisely and that public bodies in Wales understand how to improve outcomes.
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**AUDIT COMMITTEE - FORWARD WORK PROGRAMME 2020/21**Presented to Committee – Wednesday, 9<sup>th</sup> September 2020

Meeting Date	Agenda Item	Author
<b>9<sup>th</sup> September 2020</b>	Statement of Accounts 2019/20	Gary Ferguson
	Quarterly Report on the Pandemic Response	Colin Everett
	Audit Wales (AW) Audit Plan	Audit Wales
	Annual Report on External Inspections 2018	Jay Davies
	Certification of Grants and Returns Report (AW)	Gary Ferguson
	Internal Audit Strategic Plan 2020/2023	Lisa Brownbill
	Internal Audit Annual Report 2019/20	Lisa Brownbill
	Public Sector Internal Audit Standards Compliance 2019/20	Lisa Brownbill
	Audit Committee Action Tracking	Lisa Brownbill
	Forward Work Programme	Lisa Brownbill
<b>November 2020</b>	Treasury Management 2019/20 Q4 Update	Paul Vaughan
	Treasury Management 2020/21 Q1 Update and Annual	Paul Vaughan

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Meeting Date	Agenda Item	Author
	Report 2019/20 and Mid-Year report	
	Risk Management update 2020/21 and Mid-Year report	Jay Davies
	Annual Improvement Report (AW) (2019/20)	Jay Davies
	School Reserves – Annual Report on School Balances	Claire Homard / Lucy Morris
	Audit Committee Annual Report	Cllr Chris Dolphin / Lisa Brownbill
	Approach to 2020/21 AGS with Member involvement	Robert Robins / Lisa Brownbill
	Asset Disposals and Capital Receipts	Neal Cockerton
	Grant Claim Certification	Gary Ferguson
	Internal Audit Progress Report 2020/21	Lisa Brownbill
	Audit Committee Action Tracking	Lisa Brownbill
	Forward Work Programme	Lisa Brownbill
	Private Meeting (AW and Internal Audit)	Lisa Brownbill
<b>January 2021</b>	Quarterly Report on the Pandemic Response	Colin Everett
	Treasury Management 2020/21 Q3 Update and 2021/22 Strategy	Paul Vaughan
	Code of Corporate Governance	Lisa Brownbill
	Financial Procedural Rules (Biennial)	Gary Ferguson / Sara Dulson

Meeting Date	Agenda Item	Author
	Annual Audit Letter	Gary Ferguson
	Audit Charter	Lisa Brownbill
	Internal Audit Progress Report 2020/21	Lisa Brownbill
	Audit Committee Action Tracking	Lisa Brownbill
	Forward Work Programme	Lisa Brownbill
<b>March 2021</b>	Quarterly Report on the Pandemic Response	Colin Everett
	Treasury Management 2020/21 Q4 Update	Paul Vaughan
	Risk Management Update	Jay Davies
	Audit Plan (AW)	Audit Wales
	Annual Report on External Inspections 2019	Jay Davies
	Certification of Grants and Returns Report (WAO)	Gary Ferguson
	Internal Audit Strategic Plan 2021/2024	Lisa Brownbill
	Public Sector Internal Audit Standards Compliance 2020/21	Lisa Brownbill
	Internal Audit Progress Report 2020/21	Lisa Brownbill
	Audit Committee Action Tracking	Lisa Brownbill
	Forward Work Programme	Lisa Brownbill

Meeting Date	Agenda Item	Author
	Private Meeting (AW and Internal Audit)	Lisa Brownbill
<b>June 2021</b>	Draft Annual Governance Statement	Lisa Brownbill
	Internal Audit Annual Report 2020/21	Lisa Brownbill
	Internal Audit Progress Report 2020/21	Lisa Brownbill
	Audit Charter	Lisa Brownbill
	Audit Committee Action Tracking	Lisa Brownbill
	Forward Work Programme	Lisa Brownbill
<b>July 2021</b>	Treasury Management 2021/22 Q1 Update and Annual Report 2020/21	Paul Vaughan
	Supplementary Financial Information to Draft Statement of Accounts 2020/21	Paul Vaughan
	Risk Management update 2021/22	Jay Davies

### Biennial Reviews

Meeting Date	Agenda Item	Author
<b>January 2021</b>	Anti-Fraud and Corruption Strategy & Fraud Response Plan	Lisa Brownbill

Meeting Date	Agenda Item	Author
January 2021	Whistleblowing Policy	Lisa Brownbill
January 2021	Financial Procedural Rules (Biennial)	Sara Dulson

Mae'r dudalen hon yn wag yn bwrpasol