

**MEETING OF AUDIT COMMITTEE**  
**29 JUNE 2011**

Minutes of the meeting of the Audit Committee of Flintshire County Council held in County Hall, Mold on Wednesday, 29 June 2011

**PRESENT: Councillor I.B. Roberts (Chairman)**

**Councillors:** Q.R.H. Dodd, A.M. Halford and P.R. Pemberton

**SUBSTITUTE:** Councillor E.F. Evans for Councillor B. Mullin

**ALSO PRESENT:** Councillor A. Woolley

**APOLOGIES:** Councillors G.H. Bateman and M.J. Peers, the Head of Legal & Democratic Services and Mr Patrick Green of RSM Tenon Plc

**IN ATTENDANCE:**

Chief Executive (Minute 10 onwards), Head of Finance, Internal Audit Manager, Interim Revenues & Benefits Manager (Minute 7) and Committee Officer

Steve Martin and Amanda Hughes - Wales Audit Office

The Chairman introduced the Wales Audit Office representatives, in particular Amanda Hughes who was the newly appointed auditor for the Council following the departure of Kevin Emmitt.

**1. DECLARATIONS OF INTEREST**

Having previously sought advice from the Legal section, the Chairman declared a personal interest in the following:

Agenda Item 11 - Operational Audit Plan and Recommendation Tracking  
Agenda Item 12 - Final Reports and Performance Indicators

**2. MINUTES**

The minutes of the meeting of the Committee held on 24 March 2011 were submitted.

**Accuracy**

**Minute 59 - Matters Arising from Previous Minutes (A D Waste)**

Councillor Q.R.H. Dodd proposed an amendment to the minute to reflect his request that the monthly information on leavers be automatically sent to Overview & Scrutiny Chairs and Executive Members.

## **Matters Arising**

### **Minute 59 - Matters Arising from Previous Minutes (Risk Management)**

The Chairman raised a question submitted by Councillor G.H. Bateman on gypsy/traveller encampments. Councillor Bateman had asked if the Council received any Council Tax or water costs for Riverside Park and Dollar Park for 2009/10 and 2010/11 and if so, whether this amount was credited to the rent arrears account.

The Head of Finance agreed to contact Councillor Bateman directly as the level of detail requested would need to be raised with the Head of Housing. Following queries raised by Councillor Bateman at the previous meeting, the Head of Finance had written to Audit Committee Members explaining that the site at Riverside Park was under the Council's ownership whereas the Dollar Park site was not. Occupants of both sites were liable for Council Tax but this was not linked to the Council's housing stock.

Councillor P.R. Pemberton highlighted a further site in Gwern Lane, Shordley and questioned how 'official' traveller status was confirmed. The Head of Finance explained that Councillor Bateman's question had arisen as a result of a report on Risk Management, however any in-depth discussion would need to be made via either Overview & Scrutiny or Planning Enforcement.

Councillor Dodd thanked the Head of Finance for ensuring that responses were provided for all outstanding questions raised at Audit Committee.

### **Minute 60 - Management of Internal Audit**

Councillor A.M. Halford commented on the process for appointing the external auditors and queried why there had been some urgency in 2009 for this to be resolved whereas it was now being undertaken in a controlled manner.

The Head of Finance explained that a report had previously been brought to the Audit Committee with a recommendation to move away from existing arrangements. The three year contract with RSM Tenon (formerly Bentley Jennison) had been extended for a further two years until the end of March 2011. A report had been received in September 2010 indicating the approach of the end of that extension period, advising that tender arrangements needed to be put in place with a further report received on the selection process. PricewaterhouseCoopers and RSM Tenon Plc made submissions in response to the tender process with the latter appointed on a two year contract with effect from 1 April 2011, with the option for an extension of a further year.

## **RESOLVED:**

That subject to the above the minutes be received, approved and signed by the Chairman as a correct record.

### **3. REGULATORY PROGRAMME**

The Head of Finance introduced the report to present the proposed Regulatory Programme for Performance Audit Plan of the Wales Audit Office (WAO) for the period April 2011 to March 2012, the 2010/11 Financial Audit Outline for Flintshire County Council and the 2010/11 Financial Outline for the Clwyd Pension Fund.

Whilst Councillor Halford acknowledged the importance of the documents, she asked if future reports could be shortened and also asked how priorities were drawn up (page 37). Mr S. Martin commented on the nature of the documents, adding that future reports on the Regulatory Plan for Performance Audit could be reduced as there would be less local detail than previously, however he noted the request. He went on to explain that stakeholders were consulted on suggestions for programmes and following discussion with the Welsh Government a shortlist was produced. The Auditor General was able to add or replace items in the programme and consultation on the next programme was in the early stages.

In response to a question from Councillor Halford about revisiting previous issues, Mr Martin confirmed that there would be some follow-up work with the remainder subsequently incorporated in the ordinary business where recommendations had been made.

Councillor Pemberton asked if the process enabled a uniform approach from all Councils in Wales and the sharing of good practice. Mr Martin said that although a more consistent approach was being applied for each Authority, it was recognised that each was different and that the WAO focussed on each Council's objectives and drew the main conclusions from those. Attempts would be made to identify good practice which could be shared via the Good Practice Exchange on the WAO website.

Ms. A. Hughes presented the reports on the Financial Audit Outlines for both the Council and the Clwyd Pension Fund and drew attention to Exhibit 1 on each report which set out the key areas where the WAO had identified potential risks for material misstatements. She explained that some risks were generic to all Local Authorities and some specific to the Council or Clwyd Pension Fund.

Councillor Halford referred to the de-consolidation of A D Waste which had been identified as one of the key audit risks for the Council. Ms Hughes said that in the process of the audit of the 2010/11 accounts, the WAO would be looking at whether the assets and liability of the company had been consolidated into the Council in an appropriate way from an accounting point of view. In response to further questions from Councillor Halford, Ms Hughes was aware of Members' interest in the issue but did not have sufficient background knowledge to give any view.

#### **RESOLVED:**

That the proposed Regulatory Programme for Performance Audit Plan of the Wales Audit Office (WAO) for the period April 2011 to March 2012, the 2010/11

Financial Audit Outline for Flintshire County Council and the 2010/11 Financial Outline for the Clwyd Pension Fund be accepted.

#### **4. WALES AUDIT OFFICE REPORT ON INTERNAL AUDIT**

Ms Hughes from Wales Audit Office (WAO) introduced the report to inform the Committee of the results of the Wales Audit Office Assessment of Internal Audit.

This was an annual assessment of Internal Audit's compliance with the Chartered Institute of Public Finance Accountancy (CIPFA) Code of Practice standards and it was confirmed that the recommendations arising from the 2009/10 review had been addressed. Ms Hughes confirmed the view taken by WAO that for 2010/11 Internal Audit had complied fully with nine of the standards and partially complied with two, resulting in two recommendations. The first required the Internal Audit manual to be brought up-to-date and the second recommended that standard reports brought to Audit Committee should be made smarter and more pertinent.

Councillor Dodd congratulated the Internal Audit Manager and his team that no significant non-compliances had been identified and Councillor Pemberton welcomed the two recommendations, in particular that reports should contain clear and concise information. The Internal Audit Manager said that Audit Committee Members would be consulted on the format and content of standard reports in a workshop-type forum to be held prior to the meeting in September 2011.

The Head of Finance pointed out that a report on the WAO assessment had been brought to the Committee in January 2011 where it had been agreed that she would need to report any update on the Action Plan to avoid a conflict of interest for the Internal Audit Manager. That action had since been superseded by the current WAO report.

#### **RESOLVED:**

That the report be accepted.

#### **5. PROTOCOL BETWEEN WALES AUDIT OFFICE AND INTERNAL AUDIT**

The Internal Audit Manager presented the report on the new Protocol between Internal Audit and the Wales Audit Office (WAO). The joint Protocol outlined the joint working arrangements and had been produced and agreed by both parties.

Ms Hughes spoke of the constructive working relationship built up between the WAO and the Internal Audit Manager and his team and that the Protocol sought to provide a useful framework for that.

Councillor Halford commented on indemnity arrangements for Members and allocation of public money. Ms Hughes explained that WAO work included looking at the appropriate legality of spending and that as part of 2010/11 audit

work would also be interested in the need to provide for future costs. However, the work would not extend beyond that unless there were specific issues.

**RESOLVED:**

That the Protocol be accepted as the basis for future co-operation between the external and internal auditors.

**6. INTERNAL AUDIT CHARTER**

The Internal Audit Manager presented the report to outline to Members the updated Internal Audit Charter which defined the roles and responsibilities of Internal Audit within the Council and formed part of the Council's Constitution.

**RESOLVED:**

That the updated Internal Audit Charter be approved.

**7. UPDATE ON THE 2008/09 OVERPAYMENT REPORT AND THE 2009/10 AUDIT OF THE HOUSING AND COUNCIL TAX BENEFIT SUBSIDY CLAIM AND THE IMPROVEMENT ACTION PLAN**

The Head of Finance introduced Sally Grieve, the Interim Revenues & Benefits Manager who presented the report to update Members on progress relating to matters arising from the 2008/09 Overpayment Report and the 2009/10 audit of the Benefit Subsidy Claim report. She went on to explain the management course of action to improve the standard of the Benefit Service and to maximise income to the Council through subsidy payments.

It was reported that a significant amount of work had been undertaken since the previous report considered in March. The misclassification of overpayments had resulted in an overpayment of subsidy of £235,024 which had been agreed with Wales Audit Office (WAO) and the impact of this had been reflected in the accounts. It had previously been thought that failure to secure rent officer determinations would result in a projected loss of subsidy of £397,000 however following extensive work with the co-operation of rent officers, this had been reduced to around £40,000 but was still subject to finalisation. As stated at the March meeting, a letter of mitigation had been sent to the Department of Work & Pensions (DWP) which had been accepted and which had resulted in the much lower figure.

The DWP Performance Development Team had been working with the Council's officers to carry out a review and corrective actions on procedural matters had proved helpful and had been put in place on a daily basis. A detailed Action Plan would be received at Audit Committee in September. Work had started on the 2011/12 Subsidy Claim with regular monitoring in place and improved systems to speed up processing times.

Councillor Halford asked how technical support provided by the software supplier differed from that used by other Councils. She also queried plans to stop

the rollout of Voice Risk Analysis (VRA) technology following a change of view by the DWP. The Interim Revenue & Benefits Manager explained that there were four main suppliers of this type of software to Local Authorities and that they all fulfilled the function. Flintshire had taken part in VRA pilot testing and collated information on its effectiveness, however the DWP had since refused to give special dispensation to verify claims using the technology. Whilst the DWP had not instructed the Council not to use the technology, officers could no longer support verifying claims by the use of VRA as it could jeopardise the level of subsidy to be received. Councillor Halford asked if there was any charge for work undertaken by the DWP and it was explained that an administrative subsidy was given, based on the number of claims processed.

Councillor Pemberton commented on the need for employees to be trained in the use of software and for actions to be carried out to prevent any reoccurrence of this situation. The Interim Revenues & Benefits Manager felt that the situation was improving and that officers would be contacting customers to help improve accuracy and processing times. As the problem relating to the subsidy had been identified partway through the year, it was difficult to predict any further problems at this stage, however the measures referred to had been put in place to improve accuracy of processing and any issues arising could be dealt with.

Councillor Pemberton referred to the effect on staff morale. It was acknowledged that it had been a difficult time for all but the work of the DWP Performance Development Team had involved staff in what was a positive exercise and this process would be ongoing for the next few months.

### **RESOLVED:**

That the report be noted and that a further progress report be made to the next Audit Committee which will include the action plan and progress on the audit of the 2010/11 Subsidy Claim.

## **8. FURTHER INFORMATION ON THE USE OF CONSULTANTS**

The Internal Audit Manager presented the report to provide additional information on the use of consultants requested at the last Audit Committee meeting.

An explanation was provided on the background to the item which had been initiated by a Member request. At the Committee's meeting in March, a report had indicated a total of 152 consultants used by the Council during the first half of 2009/10 at a cost of over £1.25m, however it had been stressed that this figure was unlikely to be accurate due to coding errors. On Members' request, the figures had since been analysed for that period to provide a summary for each Directorate including spend, indicating that 85 consultants had been used at a total cost of £926,290.

Members queried the consultancy costs for the North Wales Regional Waste Partnership (NWRWP). The Head of Finance explained that this related to specialist technical advice on a collaborative procurement exercise of significant

size. As Flintshire was the lead Authority on the project, it was likely that a percentage of these consultancy costs would be recharged to the other four Council partners, however she would seek clarification.

Councillor Dodd commented on the sharing of other costs relating to the NWRWP and felt that the information on consultancy costs would be a useful ongoing process for the Committee, suggesting that a six monthly update could be received.

Councillor Halford thanked the Internal Audit Manager for the work carried out and asked about the authorisation process for employing consultants. The Internal Audit Manager explained that this depended on the individual project. The report in March had highlighted issues of control on the engagement and monitoring of consultancy work. In response to a query on consultancy costs for Finance, the Head of Finance replied that the consultants were used for specialist services, e.g. specialist advice on tax issues and that it was more cost effective to obtain the advice needed rather than employing a member of staff to do this. The report in March had identified the need to tighten up procedures around consultants and a number of recommendations had been made for action by the Heads of Finance, Human Resources & Organisational Development and Procurement. The Head of Finance was due to meet with the Head of Procurement the following week to discuss some of those actions and timescales. Some of the recommendations had already been addressed and were included in the Recommendation Tracking item (page 151).

Councillor Pemberton raised concerns about consultancy fees and the effect on budgeting. He asked if it was felt that consultants were being used too freely rather than using in-house expertise. The Head of Finance commented on the set of recommendations to help control the use of consultants and said that some consultancy work was planned and built into budgets, such as specialist consultancy services in Finance which were required year after year. However, there may be a need for some departments to engage consultants for situations unplanned at the start of the year and in these cases the additional cost would need to be managed with budget or a business case made for the allocation of additional budget.

Following the suggestion made by Councillor Dodd, Councillor E.F. Evans proposed that an update report on consultants be brought back to the Committee in six months' time and this was agreed.

**RESOLVED:**

- (a) That the results of the analysis of the use of consultants during the first half of 2010/11 be noted;
- (b) That the Head of Finance clarify whether consultancy costs relating to the NWRWP would be shared amongst the Council's partners; and
- (c) That an update report on the use of consultants be received at the Audit Committee meeting in December 2011.

## **9. INTERNAL AUDIT ANNUAL REPORT**

The Internal Audit Manager presented the report on the outcome of all audit work carried out during 2010/11 and to give an opinion on the standard of risk management, governance and internal control within the Council.

Councillor Halford sought information on the 3 fundamental and 25 significant recommendations for Legal & Democratic Services, the 2 fundamental and 38 significant recommendations for Community Services and the 4 fundamental and 69 significant recommendations for Environment. In relation to the Environment Directorate, she was surprised at the number of recommendations in view of the spend on consultants discussed under the previous agenda item. The Internal Audit Manager said that there may be no link to the use of consultants but he would respond to the Committee by letter on the issues resulting in these recommendations.

Councillor Evans pointed out errors on the pie charts and the table on other Internal Work on pages 111 and 112.

### **RESOLVED:**

- (a) That the report be noted; and
- (b) That the Internal Audit Manager undertake an analysis of the issues raised on the three Directorates and provide a written response to Members of the Committee.

## **10. OPERATIONAL AUDIT PLAN AND RECOMMENDATION TRACKING**

The Internal Audit Manager presented the report to advise of progress against the revised operational plan for 2010/11 and the operational plan for 2011/12. The report included a copy of the Plans, a summary of the changes from the original Plan including amendments reported to previous Audit Committee meetings and current recommendation tracking since the previous Audit Committee meeting.

The Chairman raised a question submitted by Councillor Bateman on the date of the A D Waste audit as this had been deferred twice. The Internal Audit Manager explained that this had been included in the original Audit Plan for 2010/11 but deferred in December 2010 due to the delayed timing of the A D Waste transfer. It had not been included in the current year's Audit Plan as it would form part of work by the Wales Audit Office Plan, as referred to earlier in the meeting.

On page 145/146 Councillor Bateman had asked why there was no contracts register and sought further details on the three works contracts and two supplier services contracts. The Internal Audit Manager said that Councillor Bateman had been referring to the original audit findings and that page 144 indicated a recommendation to set up a contracts register for larger projects



exceeding the European Union threshold. The management response shown on the same page advised that the register was being updated and circulated. There was no significance to the five contracts listed, as these had merely been selected as sample contracts to be tested on the way they had been set up.

A further question had been received from Councillor Bateman on page 197 asking why a sample of only ten employees had been taken to show approval of holiday entitlement when a larger sample could provide a more accurate result. The Internal Audit Manager explained that in fact a larger sample had been taken covering various areas of the Council and that the small sample taken for employees at Theatr Clwyd was the only area where there had been issues.

Councillor Halford remarked on the size of the report and referred to the 18 significant recommendations on Section 106 Agreements indicated on page 135, as she was aware of a review being undertaken by the Head of Planning. She also referred to non-compliance in the use of consultants (page 151) which linked with earlier discussion on this topic and asked about the monitoring process. The Internal Audit Manager agreed to provide the Committee with further information on Section 106 Agreements and the detail behind unmet affordable housing schemes which was also requested by Councillor Halford. On use of consultants, the report included a recommendation for changes to Contract Procedure Rules on the engagement of consultants which was being acted upon. The Head of Finance would follow up some actions with the Head of Procurement, as explained earlier in the meeting, however some actions may take longer to implement, such as work to be undertaken by the Welsh Local Government Association (WLGA) facilitated national working group. Progress on all actions would be tracked by Internal Audit and reported back to this Committee.

On page 154, Councillor Dodd commented on the recommendation for a specific definition of consultants as he felt that this should already have been agreed. The Internal Audit Manager said that this problem had arisen during his initial work to analyse the use of consultants for 2009/10 and that the four suggested definitions listed in the report had been used to produce that information. As indicated in the report, these definitions had now been formally adopted.

In response to a query from Councillor Dodd on blue badges (page 127), it was explained that a forthcoming audit would be looking at the administration and any potential abuse of the scheme.

**RESOLVED:**

- (a) That the report be noted; and
- (b) That the Internal Audit Manager seek further explanation on the 18 recommendations on Section 106 Agreements and the detail behind unmet affordable housing needs and provide a written response to Members of the Committee.

## 11. FINAL REPORTS AND PERFORMANCE INDICATORS

The Internal Audit Manager presented a report to advise of final reports issued since the last Audit Committee meeting, including performance of Directorates and Internal Audit for responses against targets.

The report contained a list of reports finalised since the last meeting together with a summary of findings and action plans for those reviews which had received little or limited assurance. The Internal Audit Manager referred to the report on the overall function of Communities First (page 315) and explained that such projects were funded by the Welsh Government via the Council. Each Communities First partnership had their own board and the role of Internal Audit was advisory. It was explained that a single telephone number was now in operation for the Streetscene service (page 319) and the remaining recommendations were being dealt with as the service developed. On Appendix B to the report, the Internal Audit Manager was satisfied with the explanations on where deadlines had not been met and said that three of the four outstanding reports listed in Appendix C had now been received.

Councillor Dodd would await the outcome of recommendations for Streetscene as he had concerns about some aspects of the service. He referred to the outstanding report on fleet management and asked if the delayed response of 82 days was justified. By way of background, the Internal Audit Manager explained that due to people using their own vehicles for Council business, a recommendation had been put in place about potential liability for the Council. This had since been raised at Corporate Management Team to consider the way forward and a final report had been completed.

Councillor Pemberton referred to discussions at a previous meeting on vehicle tracking following allegations of misuse of time. The Internal Audit Manager was aware that vehicle tracking was in use and should be monitored by area managers, however Internal Audit had not undertaken any work on this. The Head of Finance said that if Members had any specific concerns on operational matters, these should be raised with the Head of Service at the relevant Overview & Scrutiny Committee. If there was evidence of any lack of control then Internal Audit would be required to look into this.

The Chairman asked if CMT could be informed of Members' concerns on fleet management and the Chief Executive said that this had already been discussed at CMT and resolved. Members raised further concerns about the effectiveness of monitoring over the use of Council vehicles and the length of breaks taken by some users. The Chief Executive said that vehicle tracking was still relatively new to the Council and that a considerable amount of work was being undertaken with other regional Councils on fleet management. He suggested that a report be brought back to the Committee on the use of tracking equipment and urged Members not to generalise but if they had specific concerns these should be reported to Internal Audit for investigation.

**RESOLVED:**

- (a) That the report be noted; and
- (b) That a report on the Authority's use of vehicle tracking systems be received at a future meeting of the Audit Committee.

**12. INVESTIGATIONS PROGRESS REPORT**

The Internal Audit Manager presented a report to outline ongoing proactive counter fraud work and reactive investigative work.

Paragraph 3.02 of the report gave details of completed investigations including the alleged misuse of a Council vehicle which had been confirmed by evidence from the use of the vehicle tracking system, referred to under the previous agenda item.

**RESOLVED:**

That the report be noted.

**13. AUDIT COMMITTEE SELF-ASSESSMENT - RESULTS**

The Internal Audit Manager introduced a report on the results of the Audit Committee self-assessment which fed into the preparation for the Annual Governance Statement to form the basis for further development of the Committee. He highlighted the responses in the section on Internal Control and suggested that a workshop/training session be convened to meet the requirements of Audit Committee Members.

In response to a question from Councillor Dodd on an assessment of the responses made, the Internal Audit Manager said that some of the responses from Members highlighted a need for further training. The suggested workshop could be held prior to the Committee's meeting in September to also include consideration of the format of future standard reports to Audit Committee. Councillor Dodd suggested it may be better to postpone the training session until after 2012 election, but it was felt that Members would benefit from the training this year.

It was noted that as the questionnaire had been compiled by the Chartered Institute of Public Finance & Accountancy (CIPFA), some of the questions did not relate to Flintshire and the Chief Executive suggested that it may be helpful to Members if these particular questions were marked accordingly.

**RESOLVED:**

- (a) That the results of the self-assessment questionnaires be noted; and

- (b) That the Internal Audit Manager arrange a training session for Audit Committee Members to include consideration of the future format of standard reports prior to the next meeting.

**14. DURATION OF MEETING**

The meeting commenced at 10.00am and finished at 12.25pm.

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

There were no members of the press or public present.

.....  
**Chairman**

**SUMMARY OF DECLARATIONS MADE BY MEMBERS**  
**IN ACCORDANCE WITH FLINTSHIRE COUNTY COUNCIL'S**  
**CODE OF CONDUCT**

<b>AUDIT COMMITTEE</b>	<b>DATE: 29 JUNE 2011</b>
------------------------	---------------------------

<b>MEMBER</b>	<b>ITEM</b>	<b>MIN. NO. REFERS</b>
<b>Cllr Ian Roberts</b>	<b>11 - Operational Audit Plan &amp; Recommendation Tracking</b>	<b>10</b>
<b>Cllr Ian Roberts</b>	<b>12 - Final Reports and Performance Indicators</b>	<b>11</b>