

AUDIT COMMITTEE
12 DECEMBER 2012

Minutes of the meeting of the Audit Committee of Flintshire County Council held at Clwyd Committee Room, County Hall, Mold CH7 6NA on Wednesday, 12 December 2012

PRESENT: Councillor Alison Halford (Chair)

Councillors: Glyn Banks, Haydn Bateman, Ian Roberts and Arnold Woolley

LAY MEMBER: Mr Paul Williams

APOLOGY: Councillor Richard Jones

ALSO PRESENT: Councillor Aaron Shotton

IN ATTENDANCE:

Chief Executive, Head of Finance, Head of Legal & Democratic Services, Head of ICT & Customer Services, Internal Audit Manager, Democracy & Governance Manager and Committee Officer

Mr. Patrick Green of RSM Tenon Plc

Ms. Amanda Hughes of Wales Audit Office

35. DECLARATIONS OF INTEREST (INCLUDING WHIPPING DECLARATIONS)

No declarations of interest were made.

36. MINUTES

The minutes of the meeting of the Committee held on 25 September 2012 were submitted.

Matters Arising

Statement of Accounts 2011/12 - in response to a query by the Chair on the disclosure of related party declarations, the Head of Finance explained that she and the Democracy & Governance Manager were working to improve the method of requesting and chasing up responses from Members.

RESOLVED:

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

37. ACTION TRACKING

The Internal Audit Manager presented a report to inform the Committee of the actions resulting from points raised at previous Audit Committee meetings. The majority of actions had been carried out, with an update on the remainder to be reported to a future meeting.

The Chief Executive said that this was a useful exercise to track actions and that he had offered support to the Internal Audit Manager for exceptional unresolved actions of a serious nature to be raised with the Corporate Management Team.

Following a comment made by the Chair on the extended terms of reference of the Audit Committee, the Democracy & Governance Manager explained that the extent of this had been communicated to Heads of Service.

RESOLVED:

That the report be accepted.

38. IMPROVEMENT ASSESSMENT LETTER FROM THE AUDITOR GENERAL FOR WALES

The Chief Executive introduced a report on the Council's Improvement Assessment Letter of October 2012 from the Auditor General for Wales, together with the Council's response. He summarised the background to the report which, together with the draft response, had been received by the Corporate Resources Overview & Scrutiny Committee with no new issues raised, prior to approval by Cabinet in November 2012.

Ms. A. Hughes of Wales Audit Office (WAO) explained that along with some other Authorities, the Council had delayed publishing its Improvement Plan, due to the administration change following the local government elections, which meant that a report on this audit would be included in a further Letter to the Council. The report indicated that the Council was likely to comply with the requirement to make arrangements to secure continuous improvement during the financial year. Whilst the significant financial challenges facing all Authorities was recognised, Ms. Hughes said that the Council's Medium Term Financial Plan was progressing but that more clarity was required on savings across all areas to meet financial pressures. The Council's improving performance in the use of technology was backed up by some examples of good practice. No new recommendations had been made by WAO, although progress on those outstanding from previous reports would continue to be monitored to bring them to a conclusion. In summing up, Ms. Hughes thanked the Council in helping to facilitate the work carried out by WAO and said that relations between the two would continue to be fostered.

On the use of technology, the Head of ICT & Customer Services said that comments made by WAO had been positive and that targets on service planning and performance indicators were mainly being achieved, with some outstanding issues due to an increase in demand for IT services. He added that an increased demand for IT services in the Flintshire Futures programme would require careful prioritisation.

Mr. P. Williams asked if there were sufficient resources to cope with demand. The Head of ICT & Customer Services replied that a review of ICT Services was being carried out, to take into consideration service demand and more effective use of resources.

In response to a query raised by Councillor G.H. Bateman on provision for the potential for equal pay liability, Ms. Hughes explained that external experts had worked to assist Flintshire and other Councils in North Wales on this. However, audit work on the financial statements for Flintshire, which had been reported in September, had raised concerns about the use of this information without sufficient rigour and challenge.

The Chief Executive said that equal pay was a historic and sensitive issue for local government. He had discussed with John Herniman of WAO the comments made on the figure provided in the accounts and this was deemed to be a technical accounting issue at that time on which there was now a greater understanding. The Head of Legal & Democratic Services went on to explain that an estimate figure had been required for accounting purposes and that this had been accepted on the basis that assumptions would change over time. Councillor A. Woolley added that there had been cases in other Authorities but that the external experts would not have been aware of those impacts at that time of giving advice to Flintshire.

In response to a query by the Chair on Flintshire Futures, Ms. Hughes said that the timing and value of savings yielded from individual projects would benefit from greater clarity.

Mr. Williams asked how the Audit Committee could monitor progress on the implementation of outstanding recommendations made by WAO. Ms. Hughes said that the Committee's responsibility in considering recommendations from external regulators meant ensuring that actions were taking place across the Council rather than the Committee progress tracking recommendations itself. In response to a further question on interaction between Overview & Scrutiny and Audit Committee to ensure that actions were being carried out, Ms. Hughes said that it was for the Committee to decide on an appropriate way of enabling it to fulfil its role but she was aware of arrangements in some other Authorities where quarterly update reports on recommendations were submitted to Audit Committees. Mr. Williams commented on the need for closer liaison between the Committee and Overview & Scrutiny. Mr. P. Green of RSM Tenon Plc said that this should be tailored to the needs of the Committee.

In response to the comments made and a query on Single Status by Councillor G.S. Banks, the Chief Executive commented on the overlap of roles between Audit Committee and Overview & Scrutiny which had been reflected in the Council's response to the WAO Letter. On the Single Status project, he said that resources were sufficient for this demand intensive programme and that an effective date between 1 April - 30 June 2013 had been agreed. The Chief Executive accepted that there was scope to progress on Flintshire Futures but said that there were other outside economic and policy influences, some of which were national and outside the Council's control, which could not be predicted. In order to bridge the financial gap between available resources and the cost of delivering services, difficult decisions would need to be made by the Council on prioritising spend. On IT resources, the Care & Social Services Inspectorate Wales (CSSIW) assessment had a positive outcome and a recently published self-assessment had been well received by Estyn.

The Chair asked for clarification on two of the projects mentioned in the report. The Chief Executive explained that a Flintshire Connects 'hub' had recently opened in Holywell providing a walk-in centre to access all Council services and that this facility would be extended to other areas of the county. The Head of ICT & Customer Services said that 'channel shift' was a method of encouraging changes from traditional ways of working to alternative modern ways.

RESOLVED:

That the Council's Improvement Assessment Letter received from the Auditor General for Wales and the Council's response be noted.

39. ANNUAL AUDIT LETTER

The Head of Finance introduced the Annual Audit Letter from the Council's Appointed Auditor, Wales Audit Office (WAO). She said that the two key issues were acknowledgement that the Statement of Accounts 2011/12 previously received by the Committee had been granted an unqualified, clean audit opinion and to note the WAO Improvement Assessment Letter, which had been received and discussed under the earlier item.

Ms. Hughes said that the WAO was required to form a view on the Council's arrangements to secure economy, efficiency and effectiveness and that confirmation of this letter confirmed that arrangements were in place. The WAO would highlight any areas where improvements could be made in the Improvement Assessment Letter.

Following a question by Councillor G.H. Bateman, it was explained that there had been a delay in closing the accounts for 2011/12 due to work on progressing a query raised by a member of the public on the use of Communities First grant funding. Work on this was nearing completion.

RESOLVED:

That the Annual Audit Letter be noted.

40. ANNUAL UPDATE OF CODE OF CORPORATE GOVERNANCE

The Democracy & Governance Manager presented a report to agree the annual update of the Code of Corporate Governance which formed part of the Council's Constitution. There were a greater number of amendments to be made to the Code this year to reflect updates arising from the Local Government (Wales) Measure 2011 and changes to the Council's administration as a result of the May elections. In addition, a paragraph detailing the Corporate Business Continuity Plan and Mission Critical Service Plans had been included.

The Chair said that the Code included recognition of 'the need of Members to be apprised of local issues affecting their Ward including public meetings and consultation exercises' and referred to a specific issue which had been raised by another Council Member. The Democracy & Governance Manager said that the Protocol on Member/Officer Relations placed the onus on officers to advise local

Members of events within their wards. The Head of ICT & Customer Services was aware of the example mentioned by the Chair and explained that all Members had been advised that communications sent to Flintshire email addresses could not be automatically forwarded to private home email addresses due to the Council's ICT security policies.

Following a query by Councillor G.H. Bateman, the Internal Audit Manager explained that it was part of the Committee's responsibility to keep the Whistleblowing Policy up-to-date and that this had been brought to the Committee previously. The Democracy & Governance Manager advised that pursuant to a previous decision of the Committee, he would be carrying out work on awareness raising of issues within the Constitution, including the Whistleblowing Policy.

RESOLVED:

That the report be agreed.

41. CERTIFICATION OF GRANT CLAIMS

The Head of Finance presented an update on 2011/12 grant claims submitted to the Wales Audit Office (WAO) following receipt of the annual report for 2010/11 at the Committee's meeting in June 2012. The report contained details of grant claims submitted to date for 2011/12 and it was confirmed that a grant checklist had been completed for each.

The Chief Executive spoke of the positive intervention by the Committee on this issue and the expectation for full compliance in processing future grant claims.

RESOLVED:

That the report be noted.

42. INTERNAL AUDIT PROGRESS REPORT

The Internal Audit Manager presented a progress update report of the Internal Audit department.

Audit Plan and Resources

It had been reported at the previous meeting that the allocated 200 days used for investigations for the whole of the year would be exceeded due to a major investigation being undertaken. The Committee had therefore proposed that additional resources be sought to complete work within the Audit Plan. The Internal Audit Manager reported that this had been agreed by Cabinet and that additional resources were being sought to start in January 2013.

In response to questions from Councillor I.B. Roberts, the Internal Audit Manager said that to date, 347 investigation days had been used for this year and that the additional resources being sought would be sufficient to enable him to provide his annual audit opinion and would be kept under review. He was

unable to estimate a completion date for the major investigation taking place as this was still ongoing. The Chief Executive said that some catch-up work would be required due to the time taken for the additional resources to be brought in.

Councillor Roberts commented on available resources from RSM Tenon Plc to support Internal Audit. The Head of Finance thanked the Committee for proposing the allocation of additional resources and was satisfied with what could be achieved from that. She said it was intended to complete the Plan in a risk managed approach by seeking additional resources through RSM Tenon Plc and other external agencies as necessary to achieve the required level of resource.

The Internal Audit Manager agreed to provide a note to the Committee in response to Councillor Roberts' question on how many times the allocated investigation days had been exceeded in recent years.

Following a request by the Chair, the Head of ICT & Customer Services provided clarification on current projects on IT procurement and electronic document management.

Final Reports

On school funds, the Internal Audit Manager explained that no previous audit had been undertaken as these were not Council assets, however following a recent investigation, an audit had been carried out on a sample of schools, resulting in nine significant recommendations highlighting the need for improved guidance and monitoring. Responding to a query by Mr. P. Williams, he explained that in this case, the Lifelong Learning Directorate would be expected to implement the recommendations made by Internal Audit by the timelines indicated.

Mr. P. Green remarked that this issue was about reputation. Ms. A. Hughes said that auditing the funds was outside the Council's remit but that it would be appropriate to ensure that funds were used in the correct way as the Council had a duty of care to individuals who had contributed to the funds.

Whilst Councillor Roberts did not wish to impose restrictions on the use of school funds, he felt that a control framework was needed and that this could be considered by a formal reporting mechanism such as the Lifelong Learning Overview & Scrutiny Committee. The Chair referred to the recommendation for further guidance to be given to schools on using funds for legitimate purposes and the Internal Audit Manager said that this was a problem as no guidance was in place. The Chair proposed that Lifelong Learning officers could be invited to a future meeting of the Committee to provide guidance to address the significant failings raised on school funds. The Chief Executive encouraged involvement by senior officers on specific items and felt that this was a legitimate issue to explore, suggesting that the item could be considered at the next meeting in January 2013.

Recommendation Tracking

The Internal Audit Manager outlined the previously agreed changes to the format of this report which was an improved way of monitoring recommendation

tracking. Mr. P. Williams felt that more detail was needed on recommendations which had not been implemented, particularly on fundamental areas of risk, and suggested that future reports include a brief paragraph explaining the area of risk, manager responsible and reason for non-implementation and whether this was acceptable. Members spoke in support of this. Mr. P. Green said that efforts had progressed in establishing a manageable system to highlight these areas to the Committee. The Internal Audit Manager agreed that the next progress report would include the information suggested.

On the non-implementation of recommendations on the Capital Programme the Head of Finance reported that this had been due to a delay and gave assurance that these would be dealt with. She added that this was the kind of detail which would be included in the revised report format.

Performance Indicators

The Internal Audit Manager reported that following discussion at the previous meeting, the number of days taken to return draft reports had reduced from 26 to 24.5 days.

RESOLVED:

- (a) That the report be accepted;
- (b) That the Internal Audit Manager provide a note to the Committee on the number of occasions in recent years where the allocated number of investigation days had been exceeded;
- (c) That the appropriate level of senior officer from the Lifelong Learning Directorate be invited to attend a future meeting of the Committee to discuss the significant failings raised on school funding arrangements; and
- (d) That where Internal Audit recommendations had not been implemented, particularly on fundamental areas of risk, future Internal Audit Progress Reports to include a brief summary on the area of risk, responsible manager and reason for non-implementation and whether this was acceptable.

43. AUDIT COMMITTEE SELF ASSESSMENT AGAINST CIPFA REQUIREMENTS

The Internal Audit Manager presented a report on the results of the Audit Committee self assessment which would feed into preparation for the Annual Governance Statement 2012/13 and training requirements for the Committee. He thanked the Committee for completing and returning the questionnaires.

Following a query by Councillor G.H. Bateman on the holding of periodic private discussions, the Internal Audit Manager confirmed that these meetings with Wales Audit Office colleagues were usually held immediately following the March meeting of the Committee, without officers present.

The Internal Audit Manager gave an overview of analysis carried out on the results of the self assessment which seemed to indicate that some areas

required further clarification. The Head of Finance suggested that some newer members of the Committee may find it useful to receive further explanation on certain areas and how information could be accessed.

Mr. P. Williams said that there were some technical aspects to the role of the Audit Committee and felt that greater integration with other areas of the Council such as Overview & Scrutiny could be developed, perhaps by discussion with Overview & Scrutiny Chairs. The Chair said that she and the Vice-Chair would continue to explore this and would report back.

Ms. A. Hughes drew attention to the section on assessing Members' skills and suggested that officers could engage with individual Members on their training needs. Councillor G.S. Banks suggested that induction training which had been previously given to Members of the Committee could be repeated.

In view of the comments made, Councillor A. Woolley proposed that the Internal Audit Manager progress training requirements in accordance with the indications on the self assessment questionnaire. This was agreed.

RESOLVED:

- (a) That the report be accepted; and
- (b) That the Internal Audit Manager progress training requirements in accordance with the indications on the self assessment questionnaire.

44. FORWARD WORK PROGRAMME

The Internal Audit Manager presented a report to consider the Forward Work Programme for the Audit Committee for the next year.

The Head of Finance advised that the Committee would be hosting the annual Treasury Management training session on 29 January 2013, and would be open to all Council Members. She said that details would be confirmed in writing to all Members prior to the Christmas period and urged Audit Committee Members and other Council Members to attend.

RESOLVED:

That the report be accepted.

45. ATTENDANCE BY MEMBERS OF THE PRESS AND PUBLIC

There were no members of the press or public in attendance.

(The meeting started at 10.00 am and ended at 12.10 pm)

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Chair