

**AUDIT COMMITTEE**  
**22 NOVEMBER 2017**

Minutes of the meeting of the Audit Committee of Flintshire County Council held in the Clwyd Committee Room, County Hall, Mold on Wednesday, 22 November 2017

**PRESENT: Councillor Helen Brown (Chair)**

Councillors: Chris Dolphin, Andy Dunbobbin, Paul Johnson and Arnold Woolley  
Co-opted member: Sally Ellis

**APOLOGIES:** Councillors: Glyn Banks and Jean Davies

**ALSO PRESENT:** Councillor Patrick Heesom attended as an observer

**IN ATTENDANCE:**

Chief Executive; Chief Officer (Governance); Internal Audit Manager; Corporate Finance Manager; and Democratic Services Officer

John Herniman and Matthew Edwards of Wales Audit Office

Finance Manager - Technical Accountancy (for minute number 33)

**31. DECLARATIONS OF INTEREST**

None were received.

**32. MINUTES**

The minutes of the meeting held on 27 September 2017 were submitted.

Minute number 29: Forward Work Programme - Councillor Dolphin referred to his comments on youth clubs. He questioned the decision to close the youth club in Holywell as it had a much better record of anti-social behaviour than others which remained open. The Chief Executive said that this would be followed up once the recruitment process had been completed. As a point of accuracy, he said that the minutes should have referred to the Youth Service and not the Youth Club Service.

**RESOLVED:**

That subject to the amendment, the minutes be approved as a correct record and signed by the Chair.

**33. TREASURY MANAGEMENT MID-YEAR REVIEW 2017/18 AND QUARTER 2 UPDATE**

The Finance Manager - Technical Accountancy presented the draft Treasury Management mid-year report for 2017/18 prior to consideration by Cabinet. An update on Quarter 2 was shared for information.

The Finance Manager explained the complex regulatory changes of the second Markets in Financial Instruments Directive (MiFID II) which came into effect from January 2018. This required councils to be categorised by regulated financial services firms as retail clients unless they chose to 'opt up' to become professional clients, subject to meeting criteria. Having assessed both options, the officer recommendation was for the Council to maintain its current professional status due to the limited benefits available to retail clients and possible higher transaction costs. The status would be reviewed regularly to ensure it met the Council's needs.

The update on Quarter 2 set out the current position on treasury management activities and the impact of the recent rise in interest rates on the Council's borrowing strategy. Long-term borrowing need was being closely monitored due to the lower rates of short-term borrowing at the present time. The Committee was reminded of the forthcoming Treasury Management training session which was open to all Members. The report also provided information on financing the costs of borrowing including comparison with other councils, as requested at the July meeting.

Sally Ellis asked about the impact of proposed changes to the Prudential Code on the Council's subsidiaries. The Finance Manager advised that a revised Code had not yet been published and that any changes would be required to take effect from 2019 but were recommended for 2018/19 onwards. It was intended that the calculations in accordance with the Code would be widened to include subsidiaries. In the case of Flintshire, this would include the new companies which had been set up but did not apply to Aura Leisure & Libraries. On the criteria for becoming a professional client under MiFID II, she explained that the professional qualifications and experience of the officers were considered sufficient to meet the criteria. On a query regarding a specific loan within the debt maturity profile, assurance was given that all loans had been factored into borrowing requirements.

**RESOLVED:**

- (a) That the draft Treasury Management Mid-Year Report 2017/18 be recommended to Cabinet on 19/12/17; and
- (b) That the Committee recommends to Cabinet that the Council elects to 'opt up' to professional client status by regulated financial services firms as a result of the second Markets in Financial Instruments Directive (MiFID II) as explained in paragraphs 1.09-1.15.

**34. USE OF CONSULTANTS**

The Chief Executive presented the report on the annual review of compliance with processes to give assurance on the effective management of consultancy spend. This included an evaluation of the work, value and impact obtained from the small number of consultants engaged at a value of £25K or more in 2016/17.

The Committee was reminded of background to the issue where previous audit work had identified mis-coding of consultancy spend on the general ledger

which had led to inaccurate reports on the cost of consultants and challenge by the Committee. The new processes for authorising and managing consultancy spend were supported by business cases to assess need prior to the engagement, whilst post-assignment reviews demonstrated how objectives had been met and identified learning for passporting to future Council projects. The outcome of the audit review in 2016 gave assurance on the effectiveness of the new system in controlling and monitoring use of consultants and associated spend.

The Chief Executive said that the £81,824 total spend on consultants in 2016/17 was a reflection of the work undertaken and demonstrated low spend by Flintshire on consultancy in comparison to other councils. He provided explanation on the one consultant with a value over £25K for the period and also on the 'live' consultancy engagement in 2017/18 which was a review and maintenance of the pay and grading structure needed under the Single Status agreement.

The Internal Audit Manager explained the advisory nature of the audit which gave assurance of good controls on business cases and accuracy of coding, with rigorous challenge applied to business cases and extensions to contracts. She noted that a shift in culture was a contributing factor to the outcomes.

In acknowledging this, Councillor Johnson suggested a regular review of the £25K threshold for consultancy engagements requiring approval by the Chief Executive (as well as the Chief Officer) to assess whether it could be increased. The Chief Executive said that this could be accommodated annually as part of Financial or Contract Procedure Rules.

In response to comments from Councillor Woolley about the monitoring of consultant spend below the £25K threshold, assurance was given that all requests required a business case and authorisation by the relevant Chief Officer and were recorded on the database.

Following information on the consultants engaged by the Council in 2016/17, officers noted Councillor Johnson's request that future reports include details of whether the firms were national or local.

**RESOLVED:**

That the Committee is assured that expenditure on consultants is being controlled and the Council is achieving value for money.

**35. FINANCIAL PROCEDURE RULES**

The Corporate Finance Manager presented the updated Financial Procedure Rules (FPRs) for the Committee to endorse and recommend to County Council.

Following the last update in 2015, a review had identified minor changes to reflect updated procedures and service delivery methods. The proposed increase to the virement threshold requiring Cabinet approval (from £75K to

£100K) allowed Chief Officers greater flexibility for transfers in their service areas whilst maintaining financial control in the current climate. Virements below the threshold were monitored by Corporate Finance and any changes were reported as part of the budget monitoring updates to Cabinet and Corporate Resources Overview & Scrutiny Committee.

**RESOLVED:**

That the updated Financial Procedure Rules be endorsed and recommended for submission to Council.

**36. JOINT PROTOCOL BETWEEN INTERNAL AUDIT AND WALES AUDIT OFFICE**

The Internal Audit Manager presented the updated Protocol between Internal Audit and the Auditor General for Wales and Wales Audit Office (WAO).

Since last updated in 2015, the Protocol had been refreshed to ensure it reflected current practice and met requirements. No major changes had been made except to update details of the internal and external teams. Quarterly meetings between both parties were held to discuss progress and planning.

Matt Edwards said that it was good practice to develop the framework to formalise working relationships and capture the roles of all involved.

Sally Ellis asked if similar protocols were in place to give assurance of working arrangements with other bodies, such as the Department of Work & Pensions. The Internal Audit Manager explained that this could be identified as part of the assurance mapping process.

**RESOLVED:**

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

**37. INTERNAL AUDIT PROGRESS REPORT**

The Internal Audit Manager presented the update on progress of the Internal Audit department.

On action tracking, there were only two outstanding which demonstrated the effectiveness of the system in holding managers to account for their respective areas. The involvement of ICT business partners on timescales would also have a positive effect on action tracking. On the operational Plan, there had been 11 new requests for additional work.

Following a query by Councillor Johnson, it was explained that delays to the high priority audit for Greenfield Valley Heritage Park were to allow time for the establishment of the new Board of Trustees.

The Chief Executive welcomed the achievement of all targets on performance indicators and said that this reflected the improved working practices led by the Internal Audit Manager.

**RESOLVED:**

That the report be accepted.

**38. ACTION TRACKING**

The Internal Audit Manager presented the progress update report on actions arising from previous meetings.

During discussion on School Transport operations, Members were encouraged to attend the forthcoming workshop to discuss the closedown of operational issues, review in-year arrangements and consider future post-16 educational provision.

**RESOLVED:**

That the report be accepted.

**39. FORWARD WORK PROGRAMME**

The Internal Audit Manager presented the Forward Work Programme for consideration, including a request from the Constitution & Democratic Services Committee. Members were asked to indicate their preferences for the pattern of meetings for the Committee which were currently held on a Wednesday morning.

Councillor Dunbobbin spoke about the need for flexibility on meetings so that they were accessible to all attendees, whatever their commitments. He felt that a wider discussion was required to instigate such a cultural change and asked that his comments be noted.

The Chief Officer (Governance) explained that the purpose of the request was to enable each committee to determine its own meeting pattern.

Councillor Dolphin referred to the challenges in encouraging younger people to become elected Members. He also spoke about the commitments of Members which presented difficulties when meeting dates were changed during the year.

In support of his earlier comments and in an attempt to initiate a small change in the hope of a wider discussion, Councillor Dunbobbin proposed that the meetings be held on a rotational basis of 10am/3pm/4.30pm. This was seconded by Councillor Johnson. On being put to the vote, this was lost.

Councillor Johnson spoke against the option for 6pm meetings due to the impact on commitments of both Members and officers, and said that Trade Unions should be consulted.

It was pointed out by Councillor Woolley that any requirement for Members to attend evenings meetings could have a negative impact on their involvement with activities in the voluntary sector.

In response to a question from Councillor Johnson on the Forward Work Programme, officers explained that the remit of the Committee should not overlap with that of Overview & Scrutiny.

The Internal Audit Manager gave an example whereby concerns about particular topics were picked up as part of audit work.

The Chief Executive said that the Committee was able to request that audit work on a topic of interest be included on the Forward Work Programme, even if it had not been given a 'red' assurance rating.

Councillor Woolley referred to the protocol of submitting items of interest to the relevant Overview & Scrutiny committee and said that those committees were able to passport issues of concern to the Audit Committee.

To give further reassurance to the Committee, the Chief Officer gave examples of topics which had been considered as a result of Members' concerns. The Forward Work Programme item on every agenda provided further opportunity to submit items of concern.

The Chair took the opportunity to thank John Herniman of Wales Audit Office (WAO) for his support to the Committee during his time working with Flintshire as this was the last meeting he would attend.

**RESOLVED:**

- (a) That the Forward Work Programme be accepted; and
- (b) 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.
- (c) That the Committee would prefer to continue to meet at 10am on Wednesdays, noting that Councillor Dunbobbin's comments about the need for a wider discussion on the flexibility of meetings to accommodate Members' commitments be included in the report back to the Constitution & Democratic Services Committee.

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

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

The meeting commenced at 10am and finished at 11.20am

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**Chair**