

AUDIT COMMITTEE
27 SEPTEMBER 2017

Minutes of the meeting of the Audit Committee of Flintshire County Council held in the Clwyd Committee Room, County Hall, Mold on Wednesday, 27 September 2017

PRESENT: Councillor Helen Brown (Chair)

Councillors: Glyn Banks, Jean Davies, Chris Dolphin, Andy Dunbobbin, Paul Johnson and Arnold Woolley

Co-opted member: Sally Ellis

ALSO PRESENT: Councillors: Aaron Shotton and Ted Palmer attended as observers

IN ATTENDANCE:

Chief Executive; Chief Officer (Governance); Corporate Finance Manager; Principal Auditor; Senior Auditor; and Democratic Services Officer

John Herniman, Matthew Edwards, Paul Goodlad and Jeremy Evans of Wales Audit Office

Finance Manager - Technical Accountancy and Pensions Finance Manager (for minute number 24)

Chief Officer (Planning & Environment) and Development Manager (for minute number 27)

22. DECLARATIONS OF INTEREST

The Chief Officer (Governance) advised that members of the Clwyd Pension Fund would have a personal interest on Agenda Item 4 'Statement of Accounts 2016/17' and that those included in the Register of Interests would automatically be recorded for this meeting. The Chair declared a personal interest as a member of Clwyd Pension Fund.

23. MINUTES

The minutes of the meeting held on 19 July 2017 were submitted.

RESOLVED:

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

24. STATEMENT OF ACCOUNTS 2016/17

The Corporate Finance Manager presented the final audited version of the Statement of Accounts 2016/17 with the Wales Audit Office (WAO) reports in connection with the audit of the financial statements and Letters of Representation for Flintshire County Council and the Clwyd Pension Fund. He thanked Council officers and WAO colleagues for their work on the audited

accounts on which approval was sought for recommendation to County Council on the same day to meet the statutory publishing deadline. Responses to questions raised on the draft accounts had been circulated to all Members who had been given opportunities to discuss further queries with officers.

A presentation was made covering the following areas:

- Progress Update since July
- Accounts Governance Group
- The Council's Accounts
 - Progress in addressing prior year issues
 - Unadjusted misstatement
 - Adjustments to draft Statement of Accounts
- Clwyd Pension Fund Accounts
 - Progress in addressing prior year issues
 - Adjustments to draft Statement of Accounts
 - Feedback from Clwyd Pension fund Committee

The Finance Manager - Technical Accountancy noted recognition by WAO of good progress on actions taken to address issues raised during the audit of the 2015/16 accounts. Some errors were inevitable due to the scale and complexity of local government accounts and decisions on whether to amend these in the accounts were based on a combination of materiality, the view of the auditor and the complexity and value of amending. The Finance Manager gave an overview of the schedule of amendments and advised that the WAO had supported the view of the Accounts Governance Group that one misstatement should remain uncorrected in the accounts.

On the Clwyd Pension Fund accounts, the Pensions Finance Manager summarised the amendments which were all below materiality and advised that there were no uncorrected misstatements. She confirmed that the Clwyd Pension Fund Committee had received a detailed presentation by officers and that WAO had raised no issues on the audited accounts.

Mr. John Herniman of WAO said that overall, this was another positive year for the Council's accounts and he praised Finance officers and the team for working effectively to collate the accounts and resolve issues. He confirmed that an unqualified ('clean') opinion had been given on the accounts and that the decision on the uncorrected misstatement was supported and did not affect the audit opinion. The continuing role of the Accounts Governance Group in overseeing the accounts was commended. The requirement to streamline the accounts planning timetable in several years' time would apply across local government and other public sector bodies and would be challenging.

A 'clean' audit opinion had also been given on the Clwyd Pension Fund accounts although the WAO had noted that standards had not met the level achieved in previous years. Mr. Herniman was satisfied that these were being addressed for next year's accounts and was pleased to report good progress made on the recommendation in the report.

The Chief Executive thanked both teams for their work on improving the accounts and Members for their ongoing support. Whilst the issues on the Clwyd

Pension Fund accounts were disappointing, it was important to note that these were being addressed promptly to avoid reoccurrence. The impending change to statutory publishing deadlines of local government accounts was a significant challenge for both parties and discussions were underway on early planning.

Sally Ellis welcomed the positive report and suggested a future item could be scheduled to give assurance to the Committee on progress with preparations and resources needed to adhere to the earlier deadline. The Chief Executive said that an update would be made early in 2018.

This approach was supported by Mr. Herniman who said that WAO would need to identify new ways of working with local government colleagues on this issue to assist.

RESOLVED:

- (a) That the final version of the Statement of Accounts 2016/17 be recommended to County Council;
- (b) That the Wales Audit Office reports on the Audit of the Financial Statements for Flintshire County Council and Clwyd Pension Fund be received; and
- (c) That the Letters of Representation for Flintshire County Council and the Clwyd Pension Fund be recommended to County Council.

25. WALES AUDIT OFFICE STUDY REPORTS

The Chief Executive introduced the Wales Audit Office (WAO) review reports on Corporate Assessment follow-up, Good Governance when determining service changes, and the effectiveness of the Council's efficiency savings programme. The reports, which fed into the Annual Improvement Report (the next agenda item) were presented to give assurance on those areas and to consider whether the Council's executive responses were proportionate.

The following feedback given by the Corporate Resources Overview & Scrutiny Committee, together with officer responses, had been presented to Cabinet:

- Financial resilience - concerns that the 95% target for efficiencies was too high and should be reduced as currently only 85% of efficiencies were being achieved. In recognising this significant challenge, the Chief Executive had explained to the Committee the need to maintain organisational pressure to achieve as close to 100% of planned efficiencies as possible; and
- Overview & Scrutiny - a view had been expressed that more could be done to scrutinise outcomes of budget-led issues following their implementation. The Chief Executive had said that this approach was already being developed along with pre-consultation on budget options.

The Chief Executive said that the report was overall positive and assured the Committee that work had commenced on the proposals for improvement, which were neither recommendations nor new issues.

Mr. Paul Goodlad of WAO explained that sharing the findings with the Council at an early stage meant that actions could be instigated before publication of the report; an approach which worked effectively. He said that areas of improvement could always be identified and confirmed that there were no significant concerns.

Sally Ellis asked about progress with the Digital and People Strategies since this was highlighted in the WAO report. The Chief Officer (Governance) explained the development of an action plan to set out the achievement of aspirational outcomes for the Digital Strategy.

Councillor Andy Dunbobbin asked whether the Council intended to engage with other councils on areas of the Digital Strategy due to the scale and nature of this work. The Chief Officer gave examples of services already provided on a regional basis and others where collaborative opportunities to replace existing ICT software were being explored regionally or nationally.

In response to a query by Councillor Paul Johnson on the improvement proposal for the efficiency savings report, Mr. Goodlad explained that WAO would revisit some of the more strategic issues to assess whether the non-financial impact of efficiency initiatives was being evaluated.

RESOLVED:

That the Committee is assured by the review reports of the Wales Audit Office and supports the Council's executive response.

26. ANNUAL IMPROVEMENT REPORT OF THE AUDITOR GENERAL FOR WALES

The Chief Executive presented the Annual Improvement Report by the Wales Audit Office (WAO) which summarised the audit and regulatory work undertaken at the Council since the last report published in July 2016. The report, which was considered alongside the WAO three Study Reports (above), concluded that the Council was meeting its statutory requirements in relation to continuous improvement and made no formal recommendations. The Council's executive response to the four proposals for improvement was also shared.

Mr. Paul Goodlad of WAO explained that a new format had been adopted for the report and that the first part of the document summarised performance audit work in Flintshire. The second part applied to all Welsh councils and the combined findings would be published in a national report. He gave a reminder that improvement was an ongoing journey and that the four proposals for improvement would further strengthen the Council's existing arrangements.

The Chief Executive said that significant work had been undertaken on forthcoming budget challenges and gave a statement on the financial resilience of the future of the Council. He said that WAO had recognised that the Council's

finances were being well managed and governed, with systems generally sound. It was important to make a distinction between the quality of financial governance and management, and the financial quantum available to the Council to manage its affairs and services. The latter was the cause of the challenge to the Council and the sustainability of the budget, and not the former. The significance of the forthcoming budget statement by the Chancellor of the Exchequer and the Local Government Provisional Settlement from the Welsh Government Cabinet Secretary for Finance and Local Government were highlighted as key to the future.

RESOLVED:

That the Committee is assured by the Auditor General for Wales' Annual Improvement Plan for 2016/17 and supports the executive response to the Annual Improvement Report.

27. INTERNAL AUDIT PROGRESS REPORT

The Principal Auditor presented the update on progress of the Internal Audit department including changes to the audit plan, action tracking and investigations. He gave a brief overview of actions with revised due dates six months beyond the original date to give assurance that progress was being made, and confirmed that minor slippage on performance indicators did not give rise to any concerns.

On final reports issued, the recommendations for the 'amber-red' review on Alltami Stores were almost complete. On the red 'limited' assurance review for Planning Enforcement, the Principal Auditor indicated that he was satisfied that progress was being made on addressing the recommendations and the Senior Auditor provided an overview of the findings of the review.

In line with the agreed practice for red reviews, the Chief Officer (Planning & Environment) and Development Manager were in attendance to provide further background and assurance on actions being taken. The revised Planning Enforcement Policy, due for consultation, would improve the prioritisation of cases and was supported by a restructure of the Development Management team in which the enforcement function would be more embedded. The approach for the two area teams to work on a caseload basis would improve communications and strengthen arrangements for dealing with cases in the event of any long-term absence. The recording of all complaints in the same way would ensure that actions were more accurately tracked.

The Chief Executive said that the Environment Overview & Scrutiny Committee had been supportive of the policy and would review progress on its implementation through six monthly reporting. He suggested that the Audit Committee may also wish to gain assurance by a future item on its Forward Work Programme.

Sally Ellis suggested that a future item be scheduled for the Audit Committee on the actions completed and she asked if adequate resources were available to upgrade IT systems to support the new enforcement process. The Development Manager advised that the recommendations would be subject to a

follow-up review by Internal Audit and that the Planning Strategy Group would track performance progress against Welsh Government indicators. A business case was being prepared for capital funding for new ICT software to replace the existing FLARE software system.

In response to a query from Councillor Chris Dolphin, it was confirmed that the pending referrals had been re-assigned amongst the team. It was noted that some cases were pending for specific reasons and that the aim was to reduce the number of active cases to around 180. Further details were shared on the team restructure.

During discussion, Councillor Arnold Woolley proposed that the Committee accept the item and indicate that it was satisfied that the issues raised in the report were being addressed. This was supported by the Committee.

RESOLVED:

- (a) That the report be accepted; and
- (b) That the Committee is satisfied that the issues raised in the report are being adequately addressed.

28. ACTION TRACKING

The Principal Auditor presented the progress update report on actions arising from previous meetings.

Councillor Chris Dolphin asked about Greenfield Valley Heritage Park and was given a brief update by the Chief Executive on progress with business planning actions which were on track.

The Chair referred to the Treasury Management training to be arranged for October/November and gave a reminder that Overview & Scrutiny budget consultation meetings were being scheduled around the same time. The Corporate Finance Manager said that a suitable date would be identified.

RESOLVED:

That the report be accepted.

29. FORWARD WORK PROGRAMME

The Principal Auditor presented the Forward Work Programme for consideration and highlighted the movements since last reported.

The Chair suggested an item on school transport and was advised by the Chief Executive that the Education & Youth Overview & Scrutiny Committee would receive an update on commissioning and operations at its next meeting. This would be followed up by a detailed note circulated to all Members. He reported that normal school transport operations were being resumed and that complex procurement and eligibility issues were being worked on. He paid tribute to the work of officers at Alltami depot and thanked Members for sharing

information. He reassured the Committee that the issues were being referred to Overview & Scrutiny with advisory work planned by Internal Audit.

Councillor Chris Dolphin referred to recruitment and retention issues with the Youth Service. The Chief Executive offered to follow-up.

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.

30. 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 11.45am

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Chair