

AUDIT COMMITTEE
18 MARCH 2015

Minutes of the meeting of the Audit Committee of Flintshire County Council held in the Clwyd Committee Room, County Hall, Mold on Wednesday, 18 March 2015

PRESENT: Councillor Tim Newhouse (Chairman)

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

LAY MEMBER: Mr Paul Williams

IN ATTENDANCE:

Chief Executive, Internal Audit Manager, Democracy & Governance Manager, Corporate Finance Manager and Committee Officer

Mr. John Herniman, Ms. Amanda Hughes and Mr. Huw Lloyd Jones of Wales Audit Office

Policy & Performance Manager (for minute number 63)

Finance Manager - Technical Accountancy (for minute number 65)

58. DECLARATIONS OF INTEREST (INCLUDING WHIPPING DECLARATIONS)

There were no declarations of interest.

59. MINUTES

The minutes of the meeting of the Committee held on 28 January 2015 were submitted.

RESOLVED:

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

60. INTERNAL AUDIT PROGRESS REPORT

The Internal Audit Manager presented the update report on progress of the Internal Audit department. No major issues were reported on the Audit Plan which was generally on track. An update was given on changes made to the Plan and the implementation of the integrated audit software which was progressing well.

On finalised reports, more detail was provided on the findings of those where high level recommendations had been made. Following concerns raised by Mr. Paul Williams on the overpayment of provider invoices, the Internal Audit Manager explained how the errors has arisen in this particular section and confirmed that there had been no evidence of fraudulent activity, with £20K recovered to date and arrangements made to recover the remaining amount. In

response to comments from the Chairman, he agreed to ascertain the number of staff involved in this issue.

On mobile phones and devices usage, Councillor Ian Roberts referred to the process for monthly declarations by Members on their usage and suggested that a system be introduced for officers to complete a one-off declaration to confirm that their acceptance of a Council mobile phone would not involve personal use. The Internal Audit Manager advised that the recommended review of mobile devices was now underway. Following a request from the Chairman, he agreed to provide a report on the breakdown of costs by department.

Queries were raised by Councillor Alison Halford on further monitoring the use of mobile devices, particularly for accessing social media. The Chief Executive pointed out that telephone calls and text messages were chargeable on mobile devices whereas internet use was available at no cost through the Council's Wi-fi.

In response to a further reassurance sought by the Chairman, the Chief Executive explained the role of the IT section in co-ordinating the provision of mobile phones, with allocation and usage reviewed by Chief Officers and senior managers. Whilst acknowledging that this had been an unregulated system, there was no evidence to suggest any widespread abuse. The total cost was low, given the number of devices, perhaps partly due to the increased use of email at no cost if accessed through Wi-fi. It was noted that a number of officers used their own personal devices at their own expense and some were issued Council mobile phones to specifically respond to callout alerts.

The Chairman requested that the Committee receive a breakdown of the types of electronic devices issued by the Council.

On staff recruitment and induction, Mr. Williams raised concerns at the findings and sought assurance that explanations would be received if recommendations had not been implemented by the impending due dates. The Internal Audit Manager confirmed that this information would be included as part of the recommendation tracking update in the next report due in June 2015. The Chief Executive gave assurance that recommendations would be followed up with Human Resources on the development of an e-module for employment contracts and corporate induction.

In response to a query from Councillor Haydn Bateman, the Internal Audit Manager explained that schools had been requested to undertake a Control and Risk Self-Assessment (CRSA), the results of which had been used to identify audits on those topics at particular schools. Work had started on the audits, with the results due to be reported to the Committee in June 2015.

For recommendations not implemented, the Internal Audit Manager confirmed receipt of the two management responses in respect of procurement and income from fees and charges, since drafting the report.

RESOLVED:

That the report be approved.

61. **ANNUAL IMPROVEMENT REPORT AND THE CORPORATE ASSESSMENT REPORT OF THE AUDITOR GENERAL FOR WALES FOR FLINTSHIRE**

The Chief Executive invited Mr. Huw Lloyd Jones of the Wales Audit Office (WAO) to present the Council's Annual Improvement Report published by the Auditor General for Wales. The report contained the Annual Audit Letter, which had been reported to the previous meeting of the Committee, and the findings of the Corporate Assessment carried out in September 2014. This work by WAO had continued beyond this date to ensure that information was updated. In line with the usual practice, the Council's Executive response was presented for endorsement.

The Chief Executive explained that the report had been presented to Cabinet and would be submitted to the Corporate Resources Overview & Scrutiny Committee the following month. He went on to clarify the role of the Audit Committee in determining whether the report was proportionate.

Mr. Lloyd Jones explained the arrangements for Corporate Assessments to be undertaken on a four year cycle across all Welsh Councils. He added that the outcomes within the report were not solely based on the work in September 2014, but also reflected work prior to and after this period, partly due to the implementation of a new operational model at that time. He confirmed that, despite this significant change, the Council had engaged fully with WAO representatives on the Corporate Assessment and that prior to recent publication of the full report, verbal feedback had been given to the Council with an action plan currently being progressed. A summary of the full report, which had been prepared by WAO, was appended to the report and included the key messages. The Chairman confirmed that the Committee had been provided with copies of the full report in advance of the meeting.

Mr. Lloyd Jones stressed that the Council's report was mainly positive and gave an overview of the four main headings in respect of improvement issues, as this was the focus of the Committee. He confirmed that there were no statutory recommendations and detailed the seven advisory proposals for improvements, as set out in the report, which were being progressed by the Council.

The Chief Executive agreed that this was a positive report and agreed with the observations by WAO which gave no cause for major concern. He provided further detail on the Council's Executive response, prepared by Cabinet and senior officers, to address the seven proposals for improvement and highlighted the overlap of remit on some matters, for example the review of the Medium Term Financial Plan which would be reported to the Corporate Resources Overview & Scrutiny Committee no later than June 2015. Whilst detailing actions for the proposed improvement on workforce planning, attention was drawn to the national report recently produced by WAO which had identified Local Government in the public sector as the most cost-effective on policies and practices in this area, with all of its recommendations met or exceeded in Flintshire.

In response to a query from Councillor Haydn Bateman, Mr. Lloyd Jones explained that the four main conclusion headings within the report were each

supported by lower level sub-headings within the full Annual Improvement Report.

Mr. Paul Williams agreed that this was a largely positive report. On the need to develop a consistent approach to business planning, he spoke of the importance of linking this with employee appraisals and referred to concerns previously raised on the implementation of the appraisal system and the need for involvement by the relevant Cabinet Member.

The Chief Executive explained that responsibility for appraisals rested with Human Resources along with the Cabinet Member for Corporate Management who was currently on long-term sickness absence and whose portfolio was being covered by the Leader of the Council. It was anticipated that the new model appraisal programme, based on competencies and linked to the Council's objectives, would be implemented for managers by April 2015. This new process had involved contribution from the Corporate Resources Overview & Scrutiny Committee whose report was available on the Council's website.

Mr. Williams said that more succinct committee reports were required so that key performance indicators could be monitored more effectively, and suggested that an assurance mapping process be introduced to show that this was being achieved. He referred to the preparation process for the Annual Governance Statement and suggested the inclusion of an Audit Committee member at Overview & Scrutiny workshops to give assurance on the level of challenge. In respect of appraisals, he suggested that the Leader of the Cabinet be made aware of the concerns to seek assurance that these would be addressed in the new process.

On the first point, the Chief Executive said that there was a complex system of reporting with room for improvement, however the way in which information was presented could influence the level of challenge. On the latter point, he explained that arrangements were already in place for the Corporate Resources Overview & Scrutiny Committee to consider a report on the outcomes from the first phase of managerial appraisals. In response to concerns raised by Mr. Williams on ensuring the relevant skills set on committees to interpret the information being presented, the Chief Executive referred to the full report on risks and progress with the Improvement Plan which had been well received at the previous meeting of the Corporate Resources Overview & Scrutiny Committee. The Democracy & Governance Manager gave a reminder of the intention to review the Member Development programme with assistance from the Welsh Local Government Association.

RESOLVED:

That the Annual Improvement Report be accepted and the Council's response endorsed as a comprehensive response of assurance.

62. INTERNAL AUDIT STRATEGIC PLAN

The Internal Audit Manager presented the proposed Internal Audit plan for the three year period 2015/16 to 2017/18 and highlighted the key considerations for the Committee. The Plan would inform the annual opinion on the adequacy of

the Council's arrangements on risk management, control and corporate governance. Whilst highlighting the types of audits covered and departmental resources, it was pointed out that the Plan retained a degree of flexibility to respond to changes within the organisation during the period and that some 'green' rated low risk audits may be deferred to allow concentration on the higher risk areas in-year.

In response to a question from Mr. Paul Williams, the Internal Audit Manager indicated that he was satisfied with the level of resources in his section.

Councillor Glyn Banks referred to the personnel implications in the report. The Internal Audit Manager explained that the Audit Plan was based on current departmental resources. The Chief Executive confirmed that the current level of resources would be maintained without further review at the present time, however any proposed changes would involve consultation with the Committee due to the impact on the Audit Plan.

RESOLVED:

That the report be approved.

63. WALES AUDIT OFFICE (WAO) AUDIT PLAN 2015

The Corporate Finance Manager introduced the Wales Audit Office (WAO) Audit Plan for 2015 in respect of proposed audit work on the Council's accounts for 2014/15 and those of the Clwyd Pension Fund. He highlighted the legal requirements of the financial audit work leading to submission of the draft financial statements to the Committee in July 2015 prior to consideration of the final accounts before the deadline of 30 September 2015. The report also detailed the legal requirements in respect of performance audit work to be carried out by WAO.

Mr. John Herniman of WAO highlighted some of the financial audit risks and a risk area on the audit of the North Wales Residual Waste Joint Committee (NWRWJC), which would be addressed as part of the audit work. He also referred to audit arrangements in respect of the Connah's Quay Harbour Authority and the legal requirement to undertake improvement assessment work involving the areas of Council funding in the third sector, income generation and charging and Community Safety Partnership. Attention was also drawn to the timetable and audit fee information included in the report.

Councillor Ian Roberts asked how information could be accessed on grant recipients of the Welsh Church Fund, which had previously been made available. The Policy & Performance Manager replied that delegated powers had been granted to the Chief Executive through Cabinet. In response to the question, the Chief Executive agreed that the information would be published on the Council's website. Councillor Roberts requested that this include eligibility criteria for the funding and how to apply.

Councillor Alison Halford commented on the NWRWJC and raised concerns about the cancellation of a recent meeting of the Planning & Development Control Committee in respect of the crematorium for Flintshire.

Mr. Herniman stated that the audit work would focus on the accounts of the Joint Committee and that the risk area had been highlighted due to the procurement process nearing completion which would impact on disclosures within the accounts.

The Chief Executive explained the role of WAO in auditing the accounts of the Joint Committee and that the project was regulated directly by the Welsh Government with stringent governance arrangements in place. As Flintshire was the lead council, the Chief Executive explained his involvement on the project together with that of the Internal Audit Manager and Corporate Finance Manager. He explained that the deferment of the Planning Committee meeting had been necessary to address an issue raised by a statutory consultee. The Democracy & Governance Manager added that notification of the initial meeting had clearly stated the date as provisional.

RESOLVED:

That the report be noted.

64. AUDIT COMMITTEE SELF ASSESSMENT AGAINST CIPFA GUIDANCE

The Internal Audit Manager introduced the results from the Committee's self-assessment to feed into preparation for the Annual Governance Statement 2014/15. He thanked the Committee members for completing the questionnaires, the results of which were summarised in the appendix to the report along with the averages and range of scores given. Members were reminded that the exercise also helped to inform any future training requirements and were encouraged to pass any suggestions to the Internal Audit Manager.

In comparison with the 2014 results, scores had mainly improved with the exception of risk management where there had been a slight decrease. The Internal Audit Manager referred to the lowest score achieved for the value for money question, and highlighted the additional audit work being undertaken and reference to value for money in the Annual Audit Letter by Wales Audit Office.

Councillor Haydn Bateman queried reference in the report to partnership working arrangements with other Audit Committees. The Internal Audit Manager explained that this applied to councils with joint governance arrangements, which was not the case in Flintshire.

Following his earlier comments, Mr. Paul Williams reiterated the need to understand key performance indicator outcomes in certain areas through the introduction of an assurance mapping system.

The Internal Audit Manager explained the background to this issue which had been raised at a governance seminar to which he and Mr. Williams had attended. He went on to say that the system would show where assurance was being supplied for each risk in the Improvement Plan and gave a commitment that this would be progressed in 2015.

RESOLVED:

That the report be noted.

65. 2014/15 TREASURY MANAGEMENT UPDATE

The Finance Manager - Technical Accountancy introduced the quarterly update on matters relating to the Council's Treasury Management Policy, Strategy and Practices 2014/15 to the end of February 2015. She reported no new borrowing during the period and drew attention to the economic update from the Council's treasury management advisors in respect of projected changes on bank interest rates and gilt yields. An update was also provided on the bail-in regime and its impact on the number of counterparties with whom the Council could invest.

An update on investments reported that the balance at the end of February 2015 had been £48.8m spread across 20 counterparties with an average interest rate of 0.54%. There was no significant change from the previous quarter where the investment balance of £52.4m had been spread across 19 counterparties with an average interest rate of 0.55%.

Following a request from Councillor Haydn Bateman, it was agreed that investment balance details for the previous year's quarter would be indicated in future reports for comparison purposes.

RESOLVED:

That the report be accepted.

66. PUBLIC SECTOR INTERNAL AUDIT STANDARDS

The Internal Audit Manager presented the results of the annual internal assessment of conformance with the Public Sector Internal Audit Standards (PSIAS). The checklist and summary of results appended to the report indicated that the Internal Audit section had achieved general conformance with the PSIAS. The report also included an update on progress against actions identified in the first assessment presented to the Committee in 2014, together with actions taken and planned in compliance with the Quality Assurance and Improvement Programme. On the latter, there was a need for an external assessment to be carried out at least once every five years.

The Internal Audit Manager provided information on the three minor areas where it was felt that partial conformance had been achieved and explained that these would be addressed during 2015 through the update of the audit manual and assurance mapping.

Mr. Paul Williams thanked the Internal Audit Manager and his team for their hard work which had resulted in an excellent outcome.

RESOLVED:

That the report be noted.

67. ACTION TRACKING

The Internal Audit Manager presented an update report on actions carried out to date from points raised at previous meeting of the Committee. All actions due for completion had been finalised.

The Internal Audit Manager confirmed that he had sent an email to the Committee earlier in the week with the information requested at the previous meeting on the disciplinary process within Streetscene. He added his intention to submit a report to the Committee's meeting in June 2015 pending the completion of the disciplinary process.

RESOLVED:

That the report be accepted.

68. FORWARD WORK PROGRAMME

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

Following earlier discussion, the Chairman requested that the report by the Head of IT on departmental mobile phone usage be prepared for the meeting in June 2015 if possible.

Councillor Alison Halford referred to the provision of iPads for all Council Members and spoke of the difficulty in viewing full pages of agendas without resorting to scrolling. She pointed out that the officers present at this point in the meeting were in possession of hard copy agendas and requested that the same be provided to members of the Committee for future meetings, adding that this was not unreasonable due to the size of the membership.

The Democracy & Governance Manager stated that the Democratic Services Committee was a more appropriate forum for this topic and explained that the provision of iPads had resulted in significant savings in the printing and postage of hard copy agendas and that further training could be provided.

Whilst Councillor Ian Roberts appreciated the reduction in paperwork, he agreed that scrolling through lengthy agendas was an issue and that he had requested hard copy agendas specifically for chairing meetings. He also referred to the potential difficulty for Council Members in rural areas to access information on their iPad due to limited broadband.

The Chairman drew attention to the availability of useful tools on the iPad to improve reading visibility, adding that it would be helpful for report writers to keep documents in portrait orientation wherever possible.

Councillor Glyn Banks commented on the timing of introducing iPads to Members and felt that the withdrawal of hard copy agendas appeared premature.

The Democracy & Governance Manager pointed out the availability of a small number of hard copy agendas in Members' group rooms, and advised that a report relating to this subject was due to be considered at a future meeting of the Democratic Services Committee.

RESOLVED:

That the Forward Work Programme be accepted with the inclusion of the item on mobile phones at the next meeting in June 2015.

69. 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 12.00 pm)

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Chairman