

AUDIT COMMITTEE
25 JANUARY 2017

Minutes of the meeting of the Audit Committee of Flintshire County Council held in the Clwyd Committee Room, County Hall, Mold on Wednesday, 25 January 2017

PRESENT:

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

APOLOGIES: Councillors Tim Newhouse (Chairman) and Alison Halford, and Mr. Paul Williams (co-opted member)

ALSO PRESENT: Councillors: Bernie Attridge and Billy Mullin

IN ATTENDANCE:

Chief Executive, Chief Officer (Governance), Interim Internal Audit Manager, Corporate Finance Manager and Committee Officer

John Herniman, Amanda Hughes and Matthew Edwards of Wales Audit Office

Chief Officer (Social Services) and Senior Manager, Safeguarding & Commissioning (for minute number 35)

Corporate Business & Communications Executive Officer (for minute numbers 36-37)

Finance Manager - Technical Accountancy (for minute numbers 39 & 40)

IT Infrastructure Manager (for minute number 41)

Tom Booty, Programme Manager, Facilities, Assets & Housing, Denbighshire County Council (for minute number 42)

Chief Officer (Planning and Environment) and Chief Officer (Organisational Change) (for minute number 47)

32. APPOINTMENT OF CHAIR

In the absence of the Chair and Vice-Chair, the Chief Officer (Governance) explained the requirement for the Committee to nominate a Chair for the meeting, based on the criteria set out within the Constitution. As the only eligible Member, Councillor Arnold Woolley accepted and this was agreed by the Committee.

John Herniman explained the approach by Wales Audit Office (WAO) to work with authorities on a rotational basis which meant that this would be the final meeting attended by Amanda Hughes. She was thanked by the Chairman for her work and Matthew Edwards, who would now be working with the Council, was welcomed. On behalf of officers, the Chief Executive spoke about the continuation of positive, professional working relationships with the WAO.

RESOLVED:

That Councillor Arnold Woolley be appointed Chairman for this meeting.

Councillor Woolley chaired the meeting for the remainder of the items.

33. DECLARATIONS OF INTEREST (INCLUDING WHIPPING DECLARATIONS)

Councillor Glyn Banks declared a personal and prejudicial interest on agenda item 11 'Implementation of Contract Procedure Rules' as he was a contractor on the Council's approved list and would leave the room for this item.

Councillor Ian Dunbar declared a personal interest on agenda item 4 'Internal Audit Progress Report' as he was a governor of Connah's Quay High School which was mentioned on Appendix E.

34. MINUTES

The minutes of the meeting held on 26 September 2016 were submitted.

RESOLVED:

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

35. INTERNAL AUDIT PROGRESS REPORT

The Interim Internal Audit Manager presented the update on progress of the Internal Audit department including changes to the audit plan, action tracking, performance indicators and investigations.

Following concerns raised at the previous meeting, senior officers were in attendance to share an overview of the actions and safeguards taken in response to the red review of care provider overpayments. A reminder was given of the key findings to the audit which had been undertaken at the request of Social Services.

The Chief Officer (Social Services) acknowledged the overpayment as a serious error mainly arising from (i) the arrangement of a care package without the necessary contracts and (ii) the systematic error in failing to update the care and support plan. Whilst this was primarily an error on the part of the Council, the responsibility of the provider was also recognised. An agreed plan with the provider to repay the full amount over five monthly instalments was on track for completion. Internal Audit had worked with the team to put in place a range of safeguarding measures involving the checking of provider payments overseen by a panel, the completion of guidance on procedures and the verification of care plans. The work of the Task & Finish Group - established to improve governance arrangements as a result of this issue - was progressing well and was due to conclude at the end of April 2017. Until then, the Financial Assessment team would ensure that invoices were not processed for payment until details were cross-checked with the PARIS system. An additional amount of £68K from the

Health Board towards the cost in supporting the service user was being received in instalments and would be fully met by the end of the financial year.

The Senior Manager (Safeguarding & Commissioning) gave assurance on agreed actions implemented to strengthen procedures such as checks carried out by the Financial Assessment team, the rotation of officers to different roles to help identify issues and authorisation limits on invoices.

The Chief Executive was satisfied that actions on this individual case were progressing, without risk to the care provider, and that there was demonstrable evidence that the system controls were now in place.

Councillor Ian Dunbar spoke about the significance of the overpayment to the single provider. The Chief Executive reaffirmed that this was an error and not a case of any fraudulent behaviour. The quality of services of the care provider was not in question and repayment terms had been agreed and were in place. Speaking in agreement, the Chief Officer (Social Services) said that the Contract Monitoring team had confirmed there was no financial risk and that the safeguarding measures, along with any additional findings from the Task & Finish Group, would ensure correct use of the PARIS system.

Councillor Glyn Banks said that this matter did not detract from the excellent work of Social Services. On the actions being implemented, the Senior Manager acknowledged the challenges within team capacity in reviewing other learning disability payments as a priority area and gave assurances that the significance of the overpayment was recognised by officers.

As further assurance, the Interim Internal Audit Manager advised that the audit plan for 2017/18 would include provision for a review of the controls on provider payments.

The Chief Officer (Governance) gave a summary of the key findings of the red review report on compliance with the Payment Card Industry Data Security Standard (PCIDSS), the method of processing credit card payments from residents. Having become the nominated lead officer for PCIDSS, the Chief Officer would assume responsibility and have oversight of use the facility across all departments. Good progress was being made on the actions with some already implemented, such as the establishment of a working group which had determined a low merchant level across the Council.

A third red review report on Greenfield Valley Heritage Park was dealt with under a separate agenda item.

RESOLVED:

That the report be accepted.

36. STRATEGIC RISKS - MID YEAR REVIEW

The Corporate Business & Communications Executive Officer presented the position statement on the strategic risks contained within the Council's 2016/17 Improvement Plan.

The current assessment showed a significant reduction in the level of risk with 88% reported as either moderate or minor/insignificant, demonstrating effective risk management during the period. Although the six current red risks were being monitored, most involved factors outside the control of the Council or were due to financial challenges. Details were given on the National Procurement Service (NPS), the only risk which had increased in significance.

In response to Councillor Haydn Bateman, the Chief Officer (Governance) provided clarification on the NPS run by Welsh Government (WG) which sought to offer procurement savings to councils in Wales through a collaborative approach. Following an initial period, agreement had been reached with WG on the best use of procurement frameworks to achieve the best value for money in the interests of the Council. On a query from Councillor Ian Roberts, the Chief Officer spoke about disadvantages of a national framework and the effective joint procurement service currently in place with Denbighshire Council.

Councillor Ian Dunbar asked about funding for flood alleviation schemes and was informed that capital funding had been made available for 2017/18.

Councillor Bateman made reference to the potential effects arising from the increased work programme on the Welsh Housing Quality Standard (WHQS). The Chief Executive responded that there was a downward trend on this risk. Risk was inevitable given the scale of the programme and its implementation being at a mid-point. The risk remained open due to the potential for contractor under-performance, however this would reduce as the programme neared conclusion.

Councillor Ian Roberts highlighted contractor performance as an on-going concern.

RESOLVED:

That the Committee note the status of the 2016/17 mid-year summary of the strategic risks of the improvement priorities of the Council; endorsing the successful management of the risks.

37. CODE OF CORPORATE GOVERNANCE AND ANNUAL GOVERNANCE STATEMENT

The Chief Executive introduced a report on the updated Code of Corporate Governance and preparation process for the next Annual Governance Statement (AGS). Work on the AGS was underway and would be presented in June 2017 in its new format which was based on the national framework and guidance.

The Corporate Business & Communications Executive Officer spoke about the role of the Corporate Governance Working Group in reviewing the national guidance on the Code. The new format for the Code had been simplified and provided a framework to inform the AGS. As part of preparations for the AGS, the usual questionnaire had been circulated to seek the views of Overview & Scrutiny Chairs and Chief Officers.

Councillor Glyn Banks commended the approach. The Chairman recorded the thanks of the Committee to those on the Working Group.

RESOLVED:

- (a) That the Committee endorses the updated Code of Corporate Governance for adoption; and
- (b) That the Committee supports the process for the preparation of the Annual Governance Statement.

38. GRANTS AUDIT WORK 2015/16 - VERBAL UPDATE

The Corporate Finance Manager introduced a verbal update by the Wales Audit Office (WAO) on grants audit work for 2015/16 as previously requested by the Committee, in advance of receiving the final report at the next meeting.

Amanda Hughes advised that all claims had been audited except for one which was on track for completion the following month. She referred to concerns on previous grant audits and was pleased to report improvements in the quality of grants with the required checklist completed in each case. Of the 12 grants audited by 31 December 2016, seven were unqualified, three qualified, one amended and one qualified and amended, indicating a positive trend from previous statistics.

The Chief Executive said that previous inconsistency in the use of the checklist had been frustrating; the update demonstrated positive progress in implementing the recommendations.

RESOLVED:

That the verbal update be accepted.

39. WALES AUDIT OFFICE (WAO) - ANNUAL AUDIT LETTER 2015/16

The Corporate Finance Manager introduced the Annual Audit Letter from the Wales Audit Office (WAO) which summarised the key messages arising from the Auditor General for Wales' statutory responsibilities. He advised that the accounts action plan used in previous years to address issues highlighted by WAO was not required this year, as the issues now being raised were service specific. A post-project learning meeting had taken place enabling officers to work with WAO colleagues to make further improvements.

In acknowledging the progress made, John Herniman of WAO reported a significant improvement in issues identified this year and highlighted the earlier deadline required for closure of the accounts.

On a query by Councillor Haydn Bateman, Mr. Herniman explained the need for the Council to investigate any potential liabilities from the former waste disposal sites to establish if financial provision was required within the accounts. The Chief Executive said that this was an ongoing technical accounting issue which did not pose any public risk. The Finance Manager advised that complex

testing work was being carried out at the sites and that until its conclusion, £250K had provisionally been set aside in the Capital Programme as a contingency.

RESOLVED:

That the WAO Annual Audit Letter for 2015/16 be noted.

40. TREASURY MANAGEMENT - STRATEGY 2017/18, MID-YEAR REPORT 2016/17 AND QUARTERLY UPDATE 2016/17

The Finance Manager - Technical Accountancy presented the draft Treasury Management Strategy 2017/18 for review and discussion, seeking recommendation to Cabinet. Also presented was the draft Treasury Management Mid-Year report for 2016/17 prior to consideration by Cabinet, and a quarterly update for information.

Attention was drawn to key areas of the Strategy, although there were no significant changes from the 2016/17 Strategy. There was a continued focus on reducing cash balances and increasing borrowing. It was noted that the borrowing limits under Section 9 of the Strategy would be slightly reduced prior to submission to Cabinet and Council.

Councillor Haydn Bateman sought clarity on the advice given by Arlingclose on interest rates. The Finance Manager said that this was in line with expert predictions and reflected the potential impact of leaving the European Union and economic uncertainty in global markets. On the investment portfolio, a range of factors were involved such as market conditions, security and yield, however the priority was to maintain liquidity.

In response to questions from Councillor Glyn Banks, the Finance Manager said that the variations in total investment figures over the six month period were due to cash fluctuations during the year i.e. grant funding received and spent during that time. On debt rescheduling, she explained that this was an expensive option and agreed to a request to share examples showing repayments and savings made. On further queries, the Strategy allowed for flexibility to ensure borrowing at the right time. The approach to the investment of money borrowed in advance of need was set out and future long-term borrowing requirements may involve the use of 'forward starting loans'.

RESOLVED:

- (a) That the Committee recommends the draft Treasury Management Strategy 2017/18 to Cabinet on 14 February 2017 and confirms there are no matters which it wishes to raise;
- (b) That the Committee recommends the draft Treasury Management Mid-Year Report 2016/17 to Cabinet on 14 February 2017 and confirms there are no matters which it wishes to raise; and
- (c) That the Committee notes the Treasury Management 2016/17 quarterly update.

41. MOBILE PHONES - PROGRESS UPDATE

The IT Infrastructure Manager presented an update report showing a breakdown of cost and use of mobile phones in the Council for 2015/16 compared with information previously shared for 2014/15.

The position in March 2016 showed a reduction in the number of mobile phones and costs, with further reductions expected following the introduction of new contractual arrangements involving inclusive tariffs. The Mobile Phone and Smartphone Policy had been updated and approved, and the new arrangements were expected to generate around £111K of savings each year.

The Chairman referred to concerns about the possible use of mobile phones for purposes other than work. The Manager gave assurance of regular monitoring of usage across portfolio areas. The Chief Officer (Governance) said that high usage was not an issue due to the inclusive minutes tariff.

Councillor Glyn Banks commended the terms of the new contract and projected efficiencies. In response, the Manager said that the full year savings could not be given due to the period of transferring to the new terms between August and November 2015, and the changing mobile phone estate.

The Chief Executive welcomed the improved cost controls, and observed that cost and usage were low in comparison to similar sized organisations where a large number of employees worked in a mobile way. He gave a reminder that mobile phones not only enabled work base and customer contact but also supported lone working and personal safety.

Councillor Ian Dunbar said that the report addressed the concerns previously raised.

RESOLVED:

That the Committee is assured that the costs and processes for mobile phones are satisfactory.

42. IMPLEMENTATION OF CONTRACT PROCEDURE RULES

The Chief Officer (Governance) introduced an update on the implementation of the Contract Procedure Rules (CPRs) with particular focus on contract management, as requested at the previous meeting.

Since approval of the CPRs in September 2016, only a small number of contracts had been let and therefore there was limited evidence at this stage to demonstrate how the CPRs were working in practice. The initial findings of an Internal Audit review of contract management across Flintshire and Denbighshire Councils were shared and would form part of the finalised report to be brought to a future meeting.

Tom Booty, Programme Manager, Facilities, Assets & Housing at Denbighshire County Council reminded Members that the CPRs had been adopted in Denbighshire at an earlier stage and that bespoke support was given

to teams where issues had been identified. In Flintshire, there was good attendance at training sessions which were scheduled for another six months.

Councillor Ian Dunbar asked about guidance for dealing with sub-contractor issues which had been an area of concern. Mr. Booty explained that contracts were between the Council and main contractor whose work was subject to quality monitoring whether directly or indirectly through a sub-contractor. It was therefore the contractual responsibility of the main contractor to deal with any issues.

The Chairman pointed out that whilst Members had accepted the need for occasional use of sub-contracting, there were concerns about the supervision of performance. Mr. Booty said that the CPRS addressed this and that the procurement software gave notification of the use of sub-contractors.

Members were advised that twice yearly update reports on the implementation of CPRs had been scheduled in the Committee's Forward Work Programme.

Prior to the item, Councillor Glyn Banks left the room as he had declared a personal and prejudicial interest, and he returned following the vote.

RESOLVED:

That the Committee endorses the early progress in implementing the new CPRs and receives further reports in accordance with its work programme.

43. ACTION TRACKING

The Internal Audit Manager presented the progress update report on actions arising from previous meetings of the Committee. Whilst the vast majority had been implemented, the remainder were in progress.

RESOLVED:

That the report be accepted.

44. FORWARD WORK PROGRAMME

In presenting the current Forward Work Programme for consideration, the Interim Internal Audit Manager explained the deferment of the annual report on external inspections to the meeting in June 2017.

The Corporate Finance Manager advised that the report on the completion of grant claims was scheduled for June 2017 if it was not available by the March 2017 meeting.

RESOLVED:

(a) That the Forward Work Programme be accepted; and

- (b) That the Interim 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.

45. ARRANGEMENTS FOR THE POST OF INTERNAL AUDIT MANAGER - VERBAL UPDATE

The Chief Officer (Governance) reported on the recruitment process as opportunities for a shared post with neighbouring councils had not materialised. Given the nature of the post, the advertisement would be open to both internal and external candidates. Due to the forthcoming election and subsequent changes to the Committee membership, the recruitment process would be delayed until that stage to allow for Member involvement.

The Chief Officer said it was a shame that the co-opted member did not wish to seek a further term and that a report would need to be submitted to full Council on recruitment to this post.

The Chief Officer took the opportunity to thank the Interim Internal Audit Manager for her work and the improvements made to the service. Councillor Ian Dunbar also expressed gratitude for her help and support.

RESOLVED:

That the verbal update be accepted.

46. LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985 - TO CONSIDER THE EXCLUSION OF THE PRESS AND PUBLIC

RESOLVED:

That the press and public be excluded from the meeting as the following item was considered to be exempt by virtue of paragraphs 12 and 13 of Part 4 of Schedule 12A of the Local Government Act 1972 (as amended).

47. GREENFIELD VALLEY HERITAGE PARK

The Interim Internal Audit Manager introduced the findings of the 'red' assurance audit report on the Greenfield Valley Heritage Park.

The Chief Officers for Organisational Change and Planning & Environment were in attendance to give further explanation on their respective areas in addressing the audit recommendations where some progress had already been made. In acknowledging the importance of the site, the officers responded to questions from the Committee and advised that the recommendations were due to be implemented by the end of September 2017.

Following discussion, the Chief Executive agreed to provide the Committee with an informal update on outcomes at a later stage.

RESOLVED:

That the report be accepted.

48. ATTENDANCE BY MEMBERS OF THE PRESS AND PUBLIC

There was one member of the press in attendance.

(The meeting started at 10.00 am and ended at 12.35 pm)

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Chairman