

GOVERNANCE AND AUDIT COMMITTEE
14 NOVEMBER 2022

Minutes of the Governance and Audit Committee of Flintshire County Council held as a remote attendance meeting on Monday, 14 November 2022

PRESENT: Sally Ellis (Chair)

Councillors: Glyn Banks, Allan Marshall, Andrew Parkhurst and Linda Thomas

Co-opted members: Reverend Brian Harvey and Allan Rainford

APOLOGIES: Councillor Bernie Attridge, Councillor Ian Roberts (Leader of the Council and Cabinet Member for Education, Welsh Language, Culture and Leisure) and the Corporate Manager - Capital Programme and Assets

IN ATTENDANCE: Councillor Paul Johnson (Cabinet Member for Finance, Inclusion and Resilient Communities), Councillor Billy Mullin (Cabinet Member for Governance and Corporate Services), Chief Executive, Chief Officer (Governance), Internal Audit, Performance & Risk Manager, Corporate Finance Manager and Strategic Finance Managers

Gwilym Bury and Mike Whiteley from Audit Wales

For minute number 44

Chief Officer (Housing and Communities) and Strategic Housing & Delivery Programme Manager

33. DECLARATIONS OF INTEREST

On minute number 44 (Maes Gwern Contractual Arrangements), Councillor Glyn Banks declared a personal and prejudicial interest as a Board member of NEW Homes and left the meeting prior to the item.

34. MINUTES

The minutes of the meeting held on 28 September 2022 were approved, as moved and seconded by Councillors Linda Thomas and Andrew Parkhurst.

RESOLVED:

That the minutes be approved as a correct record.

35. UPDATE ON THE STATEMENT OF ACCOUNTS 2021/22

The Corporate Finance Manager presented a report to update the Committee on the current position with the Council's Statement of Accounts for the 2021/22 financial year.

As reported in July, the draft accounts had been completed and submitted to Welsh Government (WG) within the deadline and the statutory deadline for

publishing the final audited accounts had been extended to 30 November 2022. Whilst audit work was now substantially complete, a national issue around the accounting of infrastructure assets had resulted in a risk that all local authority financial statements could be subject to qualified audit opinions in this area. Finance officers and Audit Wales were of the view that an opinion could not be given on the accounts and that formal approval of the accounts should be deferred until the issue of infrastructure assets was resolved.

When asked by the Chair, the Corporate Finance Manager confirmed that the infrastructure assets issue was a presentational matter with no significant impact on the accounts.

In providing background, the Strategic Finance Manager advised that WG was currently developing a statutory override as a temporary solution and would be extending the statutory deadline for publishing the final accounts to the end of January 2023 following consultation.

These comments were echoed by Mike Whiteley of Audit Wales who confirmed ongoing engagement with Finance officers on the matter. On progress with the audit of the accounts, he advised that there were no significant issues and that revised figures for asset valuations (discussed at previous meetings) had been appropriately reflected within the accounts.

In response to concerns raised by Allan Rainford, Mike Whiteley provided clarity on the approach to completing the audit in the event that the matter could not be resolved. However, it was likely that a statutory override would be identified and the Chartered Institute of Public Finance and Accountancy (CIPFA) was seeking an acceptable solution with minimal impact on local authorities.

On a query from Councillor Andrew Parkhurst, clarification was given on the definition of infrastructure assets within the accounts.

The recommendation was moved and seconded by Allan Rainford and Rev Brian Harvey.

RESOLVED:

That the Committee notes the report and the reasons for deferring the approval of the Statement of Accounts 2021/22.

36. TREASURY MANAGEMENT MID-YEAR REVIEW 2022/23 AND QUARTER 2 UPDATE

The Strategic Finance Manager presented the draft Treasury Management mid-year report for 2022/23 for recommendation to Cabinet, together with an update on Quarter 2 activities for information.

A summary of the key points referred to the impact of global events, changes in the UK government and an update on interest rates. It was confirmed that the treasury management function had operated fully within the limits set out

in the strategy for 2022/23. The quarterly update detailed the position on investments and borrowing as at 30 September 2022, with a reminder of the forthcoming annual training session.

Allan Rainford commented that compliance with approved prudential indicators provided some assurance for Cabinet during the period. In response to questions, the Strategic Finance Manager said that the Council's overall under-borrowing position remained unchanged and that decisions were based on requirements, available resources and spreading risk. He provided clarification on investment counterparties and the recent stabilising of Public Works Loans Board (PWLB) rates following a period of volatility.

In response to a question on the importance of robust monitoring arrangements for cashflow forecasting whilst working remotely, the Corporate Finance Manager gave assurance of regular liaison across departments to help plan any future borrowing requirements. He reported an emerging significant underspend in-year due to no borrowing undertaken at this stage of the financial year and additional investment income from rising interest rates.

As requested by Councillor Andrew Parkhurst, details of credit agency ratings for each of the investment counterparties would be shared with the Committee.

The recommendation, which was amended to reflect the debate, was moved and seconded by Allan Rainford and Rev Brian Harvey.

RESOLVED:

That the Committee notes the draft Treasury Management Mid-Year Report 2022/23 and confirms the following matters to be drawn to the attention of Cabinet at its meeting in December 2022:

- To note compliance with the Council's approved prudential indicators;
- Key considerations informing borrowing decisions; and
- Stability of PWLB rates which had been subject to fluctuations.

37. ASSET DISPOSAL AND CAPITAL RECEIPTS GENERATED 2021/22

The Chief Executive presented the annual report summarising land disposals and realisation of capital receipts during 2021/22 and comparison with previous years.

The Committee was reminded that capital receipts were aligned to contribute towards the Council's programme of capital schemes across all portfolios. The update noted the continued reduction in Welsh Government support for capital expenditure, an overview of the disposal strategy and the Council's current policy on agricultural estates.

On the appendix, Councillor Andrew Parkhurst acknowledged that the detailed breakdown of disposals should remain unpublished but asked if these could be shared privately with the Committee to enable it to undertake its role.

The Chief Executive explained the need to maintain confidentiality as some cases involved ongoing negotiations which may affect the Council's position and outcomes. He advised that local Members were consulted on disposals within their wards.

Councillor Parkhurst also sought assurance on the segregation of duty between the Capital and Asset Programme Board and the decision-makers in order to maintain independence. The Chief Executive explained that the role of the Programme Board as a non-decision making body was to take a view on disposal methods and that independence was provided by the Council's independent Valuation team in challenging external valuations and making the ultimate decision. Explanation was also given on the involvement of Cabinet in the process in certain circumstances.

Councillor Parkhurst expressed his disappointment in the response to his request for the details of capital receipts to be shared privately with the Committee.

During discussion, Councillor Glyn Banks asked about the potential for future links between the Programme Board and this Committee. The Chief Officer (Governance) advised that the annual report reflected a balance in reporting some detail whilst maintaining commercial confidentiality on those transactions. He clarified that Committee members were entitled to request background information on restricted reports on the understanding that the information was being shared in strict confidence. Officers gave assurance of the obligation to maximise best value for the Council on the disposal of assets.

In response, Councillor Parkhurst requested that members of the Committee be given access to a breakdown of more information on the capital receipts summarised in the appendix on a confidential basis.

In referring to the original intent of the item being brought to the Committee some years ago, the Chief Executive confirmed that further detail would be made available to the Committee on the clear understanding that it remained confidential.

The recommendation was moved and seconded by Councillors Glyn Banks and Allan Marshall.

RESOLVED:

That the report be noted.

38. FINANCIAL PROCEDURE RULES

The Corporate Finance Manager presented the updated Financial Procedure Rules (FPRs) for endorsement and onward submission to the Constitution and Democratic Services Committee for recommendation to County Council. She provided an overview of the two main changes to simplify the process for the recovery of salary overpayments and to amend the thresholds for approving write-off of bad debts, along with minor changes detailed in the report.

In response to questions from Allan Rainford, the Strategic Finance Manager provided clarification on changes arising from the 2019 review and said that officers could take into consideration the budget virement levels set by other authorities for comparison in future reviews. On the write-off of bad debts, she gave assurance that a rigorous process was in place for the Revenues team to maximise debt recovery.

On queries from Councillor Glyn Banks, the Strategic Finance Manager agreed to provide further clarification on reference to accepting a 'true copy' of a proper valid invoice and the checking of goods and services under 'Key Controls'.

In response to a question from Rev Brian Harvey, officers explained the approach to raising awareness of responsibilities across the authority through liaison with portfolio management teams, training sessions and reinforced through Internal Audit work. Assurance was also given on regular monitoring and escalation process for breaches.

Following a question by the Chair, the Strategic Finance Manager provided clarification on employee contractual clauses and the simplified process to recover salary overpayments.

The recommendation was moved and seconded by Rev Brian Harvey and Allan Rainford.

RESOLVED:

That the updated Financial Procedure Rules be endorsed and recommended for submission to Council on 24 January 2023 for approval following consideration by the Constitution and Democratic Services Committee on 12 January.

39. RISK MANAGEMENT FRAMEWORK

The Internal Audit, Performance & Risk Manager presented a report on the revised Risk Management Framework following an update to address the findings of the Internal Audit review.

Following changes to improve clarity on roles and responsibilities, scoring and escalation processes, work was ongoing to review all portfolio risks and further develop the performance and risk management system (InPhase) prior to the final framework being rolled out to services in conjunction with training and awareness sessions, and independent challenge of portfolio risks.

In response to questions from Allan Rainford, officers provided clarification on the introduction of risk dashboards to demonstrate risk profile and the process for reporting operational risks to Cabinet including examples of escalation and mitigation.

Following comments by the Chair, it was agreed that the document would be updated to include the referral of red risks to relevant Overview & Scrutiny committees within the roles and responsibilities of the Governance & Audit Committee, and to include reference to risks from Alternative Delivery Models and other partnerships being captured on Inphase. Explanation was given on the role of the Performance team in monitoring compliance through a range of actions to engage and raise awareness of responsibilities with management teams and the wider workforce. The aim was to share an example of the dashboard information in January 2023 to give assurance to the Committee.

The recommendation, as amended, was supported.

RESOLVED:

That with the inclusion of the two changes, the Risk Management Framework V3 2022 be approved.

40. GOVERNANCE & AUDIT COMMITTEE ANNUAL REPORT

The Chair introduced the Committee's Annual Report for 2021/22 for endorsement prior to submission for approval at Council. In meeting best practice requirements, the Annual Report would provide assurance to the Council on demonstrating specific areas of accountability.

In summarising the key points, the Chair thanked the Internal Audit, Performance & Risk Manager for drafting the report on which she had expanded upon areas relating to the Committee's role in improving performance which would be further explored in the forthcoming self-assessment exercise.

Her comments were supported by Rev Brian Harvey who spoke about the Committee considering how best to maximise its crucial role in 'being more effective and visible as an agent for improvement within the Council', which was an outstanding action in the report.

On a question from Councillor Andrew Parkhurst, the Chair confirmed that she had no areas of concern to raise for the period covered in the report.

In welcoming the report, Councillor Paul Johnson praised the work undertaken by the Committee and across the Council to achieve the Internal Audit opinion on the overall effectiveness of the Council's framework of governance, risk management and internal control.

The recommendation was moved by Councillor Linda Thomas and seconded by Rev Brian Harvey.

RESOLVED:

That the Annual Report for 2021/22 be endorsed prior to its submission to Council for approval on 13 December 2022.

41. ACTION TRACKING

The Internal Audit, Performance & Risk Manager presented an update on actions arising from previous meetings.

The recommendation was moved by Councillor Glyn Banks and seconded by Allan Rainford.

RESOLVED:

That the report be accepted.

42. FORWARD WORK PROGRAMME

The Internal Audit, Performance & Risk Manager presented the current Forward Work Programme for consideration, including movements since the last report. In response to a query by Councillor Andrew Parkhurst, she provided clarification on the reporting cycle for anti-fraud policies.

The recommendations in the report were moved and seconded by Councillors Andrew Parkhurst and Glyn Banks.

RESOLVED:

- (a) That the Forward Work Programme be accepted; and
- (b) That the Internal Audit, Performance & Risk 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.

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

The exclusion of the press and public was moved and seconded by Allan Rainford and Councillor Andrew Parkhurst.

Having declared a prejudicial interest, Councillor Glyn Banks left the meeting at this point.

RESOLVED:

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

44. MAES GWERN CONTRACTUAL ARRANGEMENTS

The Committee received a report on progress with the action plan relating to recommendations arising from the Internal Audit report from October 2021 on contractual arrangements for the Maes Gwern development. The report had been requested following the Committee's concerns about the lack of progress with actions, particularly those rated as red risks.

The Strategic Housing & Delivery Programme Manager reported that whilst some work was ongoing, significant progress had been made to ensure a robust framework for measuring and recording incoming information. He shared detailed information on revised timescales for the full value of the capital receipt and the resolution of contractual arrangements.

The Chief Executive provided background context to the scale and complexity of the project and gave assurance that learning principles would be taken forward for the future.

The Chief Officer (Governance) said that a key element of learning was to adapt processes to reflect management recommendations arising from Internal Audit reviews. His suggestion for a collective post-project review meeting to capture learning was supported by the Chair who proposed this as an additional recommendation.

In response to questions from Allan Rainford, officers envisaged that the full value of the capital receipt would be received within the deadline quoted and shared information on current resources within the Finance team.

In response to questions from Councillor Andrew Parkhurst, the Strategic Finance Manager provided clarification on capital receipts received to date for which there was an audit trail. Councillor Parkhurst reiterated his earlier concerns about the Committee having sufficient oversight of information so that it could be assured that process was being followed. During discussion on these concerns, officers provided clarity on the teams involved in the process on which there was segregation of duty. On concerns about transparency of information, officers agreed to give further consideration as to how best to report capital receipts involving ongoing projects without breaching commercial confidence.

The Internal Audit, Performance & Risk Manager advised of a forthcoming meeting with the Housing officers to establish whether any of the actions could be closed down.

The recommendations, as amended, were moved and seconded by Rev Brian Harvey and Allan Rainford.

As requested by the Chair, a brief update on progress with the action plan would be scheduled for the January meeting.

RESOLVED:

- (a) That the report and the updated timetable for the remaining actions be noted; and
- (b) That a cross-authority post-project review meeting be held to ensure that all learning is drawn out and captured.

45. ATTENDANCE BY MEMBERS OF THE PRESS AND PUBLIC

None.

The meeting started at 10am and finished at 12.25pm

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Chair