

**AUDIT COMMITTEE**  
**12 JULY 2010**

Minutes of the meeting of the Audit Committee of Flintshire County Council held in County Hall, Mold on Monday, 12 July 2010.

**PRESENT: Councillor I B Roberts (Chairman)**

**Councillors:** G H Bateman, Q R H Dodd, A M Halford, B Mullin and M J Peers

**ALSO PRESENT:** Councillors K Armstrong-Braun, P G Heesom and G James, Head of Corporate & Capital Accounting, Funds Manager and Funds Officer

**APOLOGIES:**

Councillor P R Pemberton and Chief Executive

**IN ATTENDANCE:**

Head of Finance, Head of Legal & Democratic Services, Head of Internal Audit, Interim Corporate Finance Manager (Financial Control), Interim Corporate Finance Manager (Financial Strategy) and Committee Officer

Mr Kevin Emmitt, Wales Audit Office

Mr Ron Parker, Wales Audit Office

**15. DECLARATIONS OF INTEREST**

There were no declarations of interest.

**16. STATEMENT OF ACCOUNTS 2009/10**

The Head of Finance introduced a report to present the draft Statement of Accounts 2009/10 (subject to audit) for Members' information only at this stage. This enabled Members to peruse the document and raise any queries over the summer period prior to the final accounts being received in September. She also took the opportunity to thank staff for their work in preparing the Statement of Accounts to date and in particular to the Head of Corporate & Capital Accounting, Funds Manager and Funds Officer who were present in the gallery.

The Head of Finance welcomed the Interim Corporate Finance Manager (Financial Control) and Interim Corporate Finance Manager (Financial Strategy), and invited them to deliver the presentation. It was explained that the two officers were jointly undertaking the role of the former Interim Corporate Finance Manager on a temporary basis until November. In response to a query from Councillor Halford, it was explained that attempts had been made to appoint a permanent candidate however, following interviews, no such appointment had been made.

The Interim Corporate Finance Manager (Financial Control) and Interim Corporate Finance Manager (Financial Strategy) gave a verbal summary of the presentation which covered the following points:

- What is the Statement of Accounts and what is included?
- Responsibility for the Statement
- Timeline
- What can be found where
- Impacts for GF and HRA
- Annual Governance Statement
- What next?

In response to Councillor Bateman's comment on a reduction in staffing levels within Internal Audit, the Head of Internal Audit stated that a review of the section was currently being undertaken as part of the Finance Function Review. He added that one member of staff who had left the section last year had not been replaced. The Head of Finance confirmed that despite the reduced level of staff in the section, this was not posing a risk to the Authority and the actions within the Audit Plan were being carried out.

Councillor Peers asked if Members of the committee could receive the final Statement of Accounts and Wales Audit Office report seven working days before the meeting in September, instead of the usual three working days, to allow time to go through the documents in detail. The Head of Finance noted the request and confirmed that she would seek to adjust the timetable, in conjunction with Wales Audit Office, so that this could be done.

On pages 56 and 63 of the accounts, Councillor Halford queried the significant increase in the depreciation and impairment of fixed assets since 2008/09, and a substantial increase in the net cost of HRA services for 2009/10. The Interim Corporate Finance Manager (Financial Control) referred to a reduction in property values due to the current economic climate. In response to a query on the housing stock shown on page 58, the Head of Finance clarified that the figures reflected the total number of properties owned by the Council, including voids. A slight reduction in the number of houses in 2009/10 was due to a small number of Right to Buy properties.

Councillor Halford asked questions concerning the public accountability of senior officers and what remit SOLACE and the Wales Audit Office had in dealing with complaints. The Head of Legal & Democratic Services explained that SOLACE was a professional body for Chief Executives and senior officers across the country. He gave clarification on complaints procedures in Flintshire but stressed that all complaints would need to be considered on their own merits. Any complaint made to the Wales Audit Office would be likely to require communication with the relevant statutory officers and/or the Leader of the Council. Mr Emmitt echoed these comments, adding that Members could share any concerns with the Wales Audit Office, however this would not necessarily mean they would be able to deal with the complaint, depending on the nature of it. He clarified that complaints relating to SOLACE did not fall within the remit of Wales Audit Office.

Councillor Peers pointed out that there were three different sets of figures for Council Tax on pages 1, 23 and 31 of the accounts, and that page 2 incorrectly refers to a reduction in Council Tax. He raised concerns about the increase in the debtors figure shown on pages 21 and 42 asking how this was being dealt with, and queried what was meant by assisted car purchase loans shown on page 41. On page 33, three officers were listed in the remuneration band of over £100K, however only one of these was shown on page 34. The Head of Finance commented that under new regulations, remuneration details of the Chief Executive, Strategic Directors and statutory officers needed to be listed as per the table on page 34. The table on page 33 included 'non-permanents' (interims/consultants) for 2009/10.

In response to a query on significant governance issues shown on page 16, the Head of Internal Audit explained that these related to limited assurance reports which were issued during the year and details received at the Audit Committee. As part of recommendation tracking, actions have been and will be monitored and reported back to the Audit Committee.

The Head of Finance suggested that the detailed queries in relation to Council Tax and debtors be taken away by officers to formulate a fuller response for circulation to the committee. In response to the query on debtors, a breakdown of these was shown on page 42 of the document, however further explanation would be given in the fuller response. The Head of Finance commented on the difficulty of needing to present the accounts in a prescribed format which did not always aid understanding of them, but undertook to deal with the points raised recognising that some of the fuller responses may be technical in nature.

Councillor Bateman also queried the levels of income and expenditure shown on page 18 and the figure for depreciation and impairment of fixed assets on page 19. He sought further explanation on a number of issues including a significant decrease in capital receipts since 2009 shown on page 2 and an increased deficit on the income and expenditure account resulting in a substantial increase in losses for the year shown on page 20. The Interim Corporate Finance Manager (Financial Control) explained that the decrease in capital receipts had been due to the effects of the economic climate, however further explanation on both issues would be provided in the full response. Councillor Bateman also referred to the valuation of property assets on page 38 and commented on the housing stock ballot. The Head of Finance advised that under any transfer, any assets and liability to maintain them would be transferred to the new landlord.

Councillor Halford sought clarification on officers' remuneration details shown on page 34. It was explained that salaries had been agreed as part of the Pay and Grading Model which had previously been agreed by Members approximately 18 months ago, possibly at Council. Councillor Halford asked for confirmation to be provided on when this had been approved.

Councillor Halford referred to page 67 on A D Waste and requested an update on Members' access to accounts which had been discussed at the previous meeting. The Head of Legal & Democratic Services advised that following research into relevant legislation, he would be liaising with colleagues to

formulate a request to the company. He advised that following a meeting with the A D Waste Board, it had been suggested that the transfer date of 1 September be delayed for a further month to finalise the transfer of staff. It had been established that there would be no continuing major liability to the Council, and the continuation of A D Waste in a different form to deal with the generation and sale of electricity would be necessary. In response to a question from Councillor Halford, the Head of Legal & Democratic Services did not envisage any additional cost to the taxpayer and it was unlikely that any such cost would be identified in the final report from the tax consultants.

In response to a question from Councillor Bateman, it was confirmed that the investment loss of £351k referred to on page 18 related to the Landsbanki investment.

The Head of Finance confirmed that informal drop-in sessions would be held to give Members the opportunity to look at the information in more detail and ask questions. It was proposed that these be held in early September following the holiday period and to allow time for preparation of the final papers, and that officers would advise Members of the proposed dates.

The Chair thanked officers for the presentation and for the information and responses provided.

**RESOLVED:**

- (a) That the draft Statement of Accounts be noted.
- (b) That Finance officers provide full responses to Members' questions outlined above and circulate them to the Committee.
- (c) That Finance officers determine dates for drop-in sessions and advise Members accordingly.
- (d) That the audited Statement of Accounts and Wales Audit Office report be despatched to the committee seven working days prior to the September meeting to allow full consideration.

**17. THE IMPLEMENTATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)**

The Interim Corporate Finance Manager (Financial Strategy) introduced a report to provide a progress update in respect of the move towards preparing the statutory Statement of Accounts on an IFRS basis, with effect from 2010/11.

To ensure momentum in progressing the IFRS project, additional resource had been created in the Corporate & Capital Accounting Team by way of a secondment which had been covered from within the existing budget. One of the key milestones in the IFRS process had been achieved in the completion of the restated transition balance which had been presented to External Audit for their consideration. Following concerns reported in the previous IFRS update, it was

confirmed that mitigation measures were now in place to ensure that there was no need for the Council to make provision in the revenue budgets for the value of leave entitlement and flexi-time earned but untaken at the balance sheet date.

**RESOLVED:**

That the report be noted.

**18. DURATION OF MEETING**

The meeting commenced at 10.00am and finished at 11.15am.

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

There were no members of the press or public present.

.....  
**Chairman**

**SUMMARY OF DECLARATIONS MADE BY MEMBERS**  
**IN ACCORDANCE WITH FLINTSHIRE COUNTY COUNCIL'S**  
**CODE OF CONDUCT**

<b>AUDIT COMMITTEE</b>	<b>DATE: 12 JULY 2010</b>
------------------------	---------------------------

<b>MEMBER</b>	<b>ITEM</b>	<b>MIN. NO. REFERS</b>
NO DECLARATIONS WERE MADE		