

**SPECIAL MEETING OF AUDIT COMMITTEE**  
**3 NOVEMBER 2010**

Minutes of the special meeting of the Audit Committee of Flintshire County Council held in County Hall, Mold on Wednesday, 3 November 2010.

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

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

**ALSO PRESENT:** Councillors K Armstrong-Braun, P G Heesom, H D Hutchinson, A P Shotton and A Woolley

**APOLOGIES:**

Councillor G H Bateman and Mr Patrick Green of RSM Tenon Plc

**IN ATTENDANCE:**

Chief Executive, Head of Finance, Head of Legal & Democratic Services, Head of Internal Audit and Committee Officer

At the start of the meeting, the Chairman welcomed Mr Ron Parker from the Wales Audit Office, who was present in the public gallery.

**33. DECLARATIONS OF INTEREST**

There were no declarations of interest.

**34. MINUTES**

The minutes of the meeting of the committee held on 29 September 2010 were submitted.

**Matters Arising**

**Minute 22 - Statement of Accounts 2009/10**

Councillor Pemberton referred to the two drop-in sessions on the Statement of Accounts which had been held in September. He had been asked to mention that Councillor Bateman had attended the sessions, however the minutes had reported that no queries had been received. The Head of Finance clarified that although Councillor Bateman had attended the second session, his queries had not been in relation to the Statement of Accounts but the in-year budget monitoring position.

In response to a question about the meeting to be held to discuss the accounts of A D Waste, the Head of Legal & Democratic Services advised that as the Finance Director of A D Waste was indisposed, it had not been possible to arrange the informal meeting with Members to go through the accounts. It was

hoped that the Finance Director would return at the end of this week or start of next week, when arrangements for the meeting could be initiated. The Head of Legal & Democratic Services asked Members to contact him or the Head of Finance by email to advise of any documents they wished to see, for example, documents arising out of the transfer, to allow time for the papers to be made available prior to the informal meeting.

Councillor Pemberton reiterated that Members had asked to view the accounts information some time ago and felt that the information had been kept from Members. He advised that he wished to see a breakdown of the profit and loss accounts for each of the last four years and that if the information was not forthcoming, he would pursue this through a Freedom of Information request.

In response to a query by Councillor Halford, the Head of Legal & Democratic Services clarified that it was not the intention to bring any papers to a meeting of the Audit Committee. The proposal was for Members of the committee to attend an informal meeting with the Finance Director of A D Waste, along with any other Members, and that the documents be compiled prior to that informal meeting. He had previously confirmed in an email to Councillor Halford that the Finance Director of A D Waste was indisposed at the present time but was expected to return at the end of this week or start of next week.

The Chief Executive reiterated advice given previously that as A D Waste were now in-house, the documents would be available to Members. He assured the committee that monitoring and challenge had been ongoing during the transfer process, adding that officers would need advance notice of all documents that Members wished to see, for example if they wished to look into the history and financial operations of A D Waste.

Councillor Halford queried the possibility of using a Freedom of Information request to obtain the information. The Head of Legal & Democratic Services felt that the informal meeting would provide a quicker response and so it would not be necessary to submit a Freedom of Information request which required a response within 20 working days.

Councillor Dodd queried which Members would be invited to the meeting and what it would cover in terms of confidentiality. The Chairman responded that this would not be an Audit Committee meeting, but an informal opportunity for any Members of the Council to look over the accounts and ask questions in the interests of transparency. The Head of Legal & Democratic Services repeated his comments made at the previous meeting that this may result in more than one informal meeting, depending on what Members wished to discuss. If Members wished to see agreements arising out of the transfer, this could be deemed commercially confidential and the press and public would need to be excluded.

In response to Councillor Pemberton's question about the final total cost of the winding up of A D Waste, the Head of Legal & Democratic Services advised that although a figure had been previously provided, this had not been the final total. Although no significant further costs had been incurred due to the repeal of

regulations preventing the Council generating and selling electricity, there will have been some other costs arising from the transfer.

Councillor Halford asked if the committee could be provided with the minutes from the meeting between Flintshire County Council and A D Waste held on 28 September when details of the transfer were finalised. The Head of Legal & Democratic Services explained that this was a short meeting attended by Council officers and members of the A D Waste Board to sign the agreements and resolve any outstanding matters, and also enabled the Executive Member to thank A D Waste for their work. Councillor Halford asked if a report would be made to Executive. It was explained that no formal minutes had been taken at the meeting, apart from any individual notes although a formal resolution was available. Periodic reporting on progress had been communicated at various meetings prior to the transfer.

#### Minute 23 - Report by Wales Audit Office - Audit of Accounting Statements

In response to a query from Councillor Halford, the Head of Internal Audit confirmed that the report on overpayments made to staff would be brought to the next Audit Committee meeting in December. The Chief Executive added that a report by the Head of Human Resources & Organisational Development had recently been received at Overview & Scrutiny.

#### Minute 29 - Investigations Progress Report

Councillor Pemberton asked if an update report was available following the audit on Housing Maintenance. Since this had been discussed at the previous meeting, the Head of Internal Audit had established that a report had not been received by Overview & Scrutiny but that he had started work on a follow-up report and hoped this would be brought to the Audit Committee meeting in December if completed.

#### **RESOLVED:**

- (a) That the minutes be received, approved and signed by the Chairman as a correct record.
- (b) That Members email the Head of Legal & Democratic Services or the Head of Finance with details of documents they wish to be made available at the informal meeting with the Finance Director of A D Waste.
- (c) That the report on overpayments made to staff be received at the Audit Committee meeting in December.
- (d) That the update report on the Housing Maintenance audit be received at Audit Committee when completed.

**35. 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 15 of Schedule 12a of the Local Government Act 1972 (as amended).

**36. FINANCE FUNCTION REVIEW - REVIEW OF INTERNAL AUDIT**

The Head of Finance thanked Members for attending this special meeting of the committee and introduced the report which proposed a revised service model and staffing structure for Internal Audit. The report also advised of the specification and procurement timetable for the contract for the management of Internal Audit.

The Head of Finance explained that the report built upon discussion at the meeting of Audit Committee on 29 September, and explained that it was important that there was a shared understanding of the proposals. She outlined her responsibility as s151 Officer for financial affairs including Internal Audit, along with those of the Chief Executive, Head of Legal & Democratic Services and Head of Internal Audit as part of the governance arrangements for the Council. Under the Terms of Reference, Members of Audit Committee had a responsibility to keep under review the organisational structure and resource requirements of the Internal Audit section. She also took the opportunity to thank the Head of Internal Audit and members of the team for their contribution to the development of the proposals.

The review of Internal Audit was one of the four workstreams within the Finance Function Review. A report on the Pension Fund had already been received by the Clwyd Pension Fund Panel. A report on Corporate Finance and Revenues & Benefits was due to be considered by Corporate Resources Overview & Scrutiny Committee. A composite report would be submitted to Executive on 16 November for the whole of the review, incorporating feedback from this meeting.

The project objectives identified in the report applied to the whole of the Finance Function Review. It was recognised that cashable efficiency savings was not a key driver in determining the proposed structure in comparison to other objectives which were to ensure that the service met current and future needs.

At the September meeting, Members had agreed for the management of Internal Audit to be let on a two year contract whilst collaborative opportunities could be pursued. At that meeting, the committee had also considered the report by PricewaterhouseCoopers (PwC) which had included amongst its findings the view that the Internal Audit service currently provided a traditional service. Whilst there would always be a need for some 'checking after the event', it was felt that a move was needed to re-shape and re-focus the service to more effective ways of carrying out audits and managing risks.

Details of the current service model were included in the report together with proposals to make the service more efficient, proactive and risk based, in line with recommendations from the PwC report. The consultation process with staff and Trade Unions would continue, however feedback had so far shown there is broad support for the proposed service model from a majority, but this is not universal. Agreement on the proposed service model was the first of three distinct stages to the project, to be followed by detailed job design and then implementation. The Head of Finance gave an assurance that employees would be treated fairly during the process and in accordance with Council policies.

In referring to opportunities for collaborative working, the Chief Executive reassured Members that there would always be a need for internally based auditors within the service and was open to the possibility of sub-regional working at a later date. In response to a question from the Chief Executive on the capability of the service, the Head of Internal Audit replied that the service had been moving towards the proposed service model for some time, given the introduction of new technology and the fact that some vacancies had been held and not replaced over a period of time. He remained convinced that this was the right structure in taking the service forward and commended this to the committee.

The Chief Executive supported and commended the review subject to clarification/assurance on the size, functionality and effectiveness/value for money of the proposals.

Councillor Halford thanked the Head of Finance and the team for their work and asked about mitigating any current risks. The Head of Finance explained that there had been a recognition that the Internal Audit service needed to be updated to improve the service. There was a need to act now, as outdated structures could result in potential risks.

Members asked a number of questions on detailed aspects of the report including Procurement and referred to previous joint arrangements. The Head of Finance explained that Procurement had been established as a function within Finance some years ago, but that in recognition of the need to make changes, temporary responsibility had been assumed by the Head of IT & Customer Services who was also on the Project Board led by Gwynedd. The Procurement function was being reviewed under the Flintshire Futures programme and arrangements were being put in place for shared management support from Denbighshire County Council. It was confirmed that Flintshire no longer had a trading entity of the type previously used.

Officers responded to a number of queries raised on staff training, job titles and responsibilities. The Head of Finance also made reference to the development of a Trainee Programme and the need to utilise resources in the correct way to ensure the best opportunity for the service to manage the risks of the Council. There was a risk that any delay in progressing the proposed service model could compromise work on the Audit Plan.

On being put to the vote, the recommendations were carried by 5 votes for and 1 against.

**RESOLVED:**

- (a) That Members support the proposed future service model and staffing structure for Internal Audit.
- (b) That Members note the specification and timetable for the contract for the management of Internal Audit.

**37. DURATION OF MEETING**

The meeting commenced at 2.00pm and finished at 3.45pm.

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**Chairman**

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

<b>AUDIT COMMITTEE</b>	<b>DATE: 3 NOVEMBER 2010</b>
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<b>MEMBER</b>	<b>ITEM</b>	<b>MIN. NO. REFERS</b>
NO DECLARATIONS WERE MADE		