

MEETING OF AUDIT COMMITTEE
14 DECEMBER 2011

Minutes of the meeting of the Audit Committee of Flintshire County Council held in County Hall, Mold on Wednesday, 14 December 2011

PRESENT: Councillor I.B. Roberts (Chairman)

Councillors: G.H. Bateman, Q.R.H. Dodd, A.M. Halford, W. Mullin, M.J. Peers and P.R. Pemberton

ALSO PRESENT: Councillors: J.B. Attridge, M. Bateman, P.G. Heesom, R.P. Macfarlane, D. McFarlane, C.A. Thomas and A. Woolley

IN ATTENDANCE: Chief Executive, Head of Finance, Internal Audit Manager, Democracy & Governance Manager and Committee Officer

Revenues & Benefits Manager (for minute number 44)

Director of Environment, Director of Community Services, Director of Lifelong Learning and Head of Human Resources & Organisational Development (for minute numbers 47-49)

Mr Patrick Green of RSM Tenon Plc

Ms. Amanda Hughes of Wales Audit Office

41. MINUTES

The minutes of the meeting of the Committee held on 1 November 2011 were submitted.

Accuracy

On the use of consultants, the Internal Audit Manager said that the final sentence of the second paragraph should read 'The Internal Audit Manager confirmed that the cost for the use of consultants had increased in the second half of 2010/11 compared to the first half of 2010/11.'

Matters Arising

On the Risk Management item, Councillor G.H. Bateman sought an update on national grants. The Head of Finance reported that details of the final settlement for 2012/13 had been received along with other significant information such as specific grants in Wales, however specific grant information for Flintshire was still awaited. Further details would be received at the Executive meeting on 20 December 2011.

In response to a query by Councillor A.M. Halford on Final Reports and Performance Indicators, the Internal Audit Manager advised that a letter had previously been sent to all Members providing information on the Data Protection group.

On the Use of Consultants, Councillor Q.R.H. Dodd asked if collaborative working arrangements would reduce the overall number of consultants engaged by the Authority. The Chief Executive differentiated between the two types of savings where consultants were procured together with other Councils, eg legal and waste, and where savings were made through service integration, as in Planning.

RESOLVED:

That, subject to the above amendment, the minutes be approved as a correct record and signed by the Chairman.

42. DECLARATIONS OF INTEREST

No declarations of interest were made.

43. TREASURY MANAGEMENT UPDATE

The Head of Finance introduced a report to update on the Council's Treasury Management Policy, Strategy and Practices 2011/12. A summary of the Council's investments was shown in paragraph 3.04 of the report together with a breakdown in the appendix.

A training session, to be hosted by the Audit Committee, had been scheduled for 17 January 2012 to which all Council Members would be invited. The draft Policy & Strategy Statement for 2012/13 would then be considered at the Committee's next meeting on 30 January 2012. On Landsbanki, the Head of Finance said the indications were that Flintshire would be given priority status, however confirmation of this was awaited. Priority status had been announced for test cases and this was anticipated for non test case investors, of which Flintshire was one.

Councillor M.J. Peers questioned whether the decision to invest with Doncaster Council had been made prior to the Council's advisers issuing a 'red flag' on credit risk status and asked about the rationale behind investments made with other Councils. The Head of Finance said that longer term investments had been made prior to the change to credit risk status which had occurred only recently and which would continue to change over time. She went on to say that Local Authorities were amongst many institutions in which to place investments and that many preferred to raise money for their borrowing capital investment purposes in this way, rather than with financial institutions. In response to Councillor Peers' concerns, the Head of Finance said that the Council did not have any influence on how investments were used by other Authorities but that this method of investing was low risk and adhered to the Council's Treasury Management Policy Statement.

Councillor G.H. Bateman questioned the volume of investment with some overseas institutions. The Head of Finance explained that officers had taken advantage of rates available at that time and that these changed on a daily basis.

Councillor Bateman queried the limit of investment with building societies and the Head of Finance replied that this was £5M.

In response to comments made by Councillor P.R. Pemberton, the Head of Finance said that in treasury management terms, Doncaster Council had offered availability to invest and the Council had taken up that opportunity. The Chief Executive added that the previous Government intervention at Doncaster Council was no indication that they were not a suitable organisation in which to make a treasury investment.

RESOLVED:

That the report be noted.

44. HOUSING AND COUNCIL TAX BENEFIT UPDATE

The Head of Finance introduced a report to provide an update on the 2009/10 Housing and Council Tax Benefit Subsidy audit, progress with the 2010/11 audit and preparation for the 2011/12 audit. The report also provided an update on Welfare Reform and progress on the Benefit Service Action Plan which had been introduced to improve the service and to maximise income to the Council through subsidy payments.

It was reported that the 2009/10 Housing and Council Tax Benefit subsidy claim had been accepted by the Department for Work & Pensions (DWP) and that the issue on subsidy reduction now stood at £10,031 with the matter concluded. The claim for 2010/11 confirmed at this stage that no subsidy reduction on the payment of benefits had been incurred but this was subject to the finalisation of the claim and consideration by the DWP on the Wales Audit Office (WAO) audit letter on the subsidy return. Work had commenced on the 2011/12 claim which would need to be completed one month earlier than previously. The Head of Finance reported on the very positive and productive work undertaken with the DWP Performance Development Team to develop an improvement plan to respond to previously reported issues. She also reported on work with the Head of Housing in 2012 to report to Executive in January 2012 on welfare reforms and the impact on wider sections of the Council.

It was envisaged that, for the future, further reporting on welfare reform would be reported to Executive and Overview & Scrutiny.

Councillor A.M. Halford welcomed the improvement in processing new claims and changes in circumstances and commented on ICT issues. She questioned the Council's choice of software used to process benefits, due to the significant risk identified as Councils considered the options for a replacement Council Tax Scheme as a result of welfare reform proposals. The Head of Finance explained that only a few different types of software were used by Local Authorities to run Council Tax and Benefits systems and that the one adopted at Flintshire was used elsewhere in England, but not in Wales, hence the significant risk. She confirmed that procurement of the system had been the subject of a business case and usual procurement process at the time and that there were

currently no issues with the software. However, she added that being the only user of the system in Wales could potentially leave the Council vulnerable to changes in legislation and that collaborative arrangements may be required. The Revenues & Benefits Manager referred to the potential for an all Wales model, as outlined in the report.

The Chief Executive said that this was an operational risk and on the wider point made about ICT issues, highlighted Flintshire as a progressive Council in collaborating with other Authorities. He added that every Council would have systems which were in a minority compared to others, and that over time Councils would merge on ICT infrastructure.

Councillor P.R. Pemberton asked if the DWP undertook monthly monitoring. The Revenues & Benefits Manager replied that this was not the case or the role of DWP, but that data cleansing was now carried out on a monthly basis by the Benefits Service which enabled officers to undertake ongoing monitoring prior to the final audit.

Councillor W. Mullin asked who was responsible for informing people about changes which were being made to welfare benefits. The Head of Finance said that a multi-agency approach was adopted including the DWP, Council departments and partner organisations to ensure that those affected by the changes were able to plan ahead. She said that this was a complex issue and that work was in place which she was leading with the Head of Housing to enable the Council to understand and manage the risks to the Authority. The Chief Executive commented on an important project led by Flintshire Citizens' Advice Bureau on maximising benefits uptake.

On the software issue, Councillor M.J. Peers highlighted the positive that the risk could be managed once it had been identified, but queried whether significant maintenance costs should have been incorporated in the Financial Implications section of the report. The Head of Finance said that maintenance costs were only potential future financial implications and that at this stage, the purpose of the report was to provide update information.

Councillor G.H. Bateman commented on the proposed new Council Tax scheme for Wales and the reference that more guidance was required from the Welsh Government (WG). The Head of Finance said that this was a statement of fact and that further information was being sought through professional networks to help the Council to determine the direction it wished to take.

Members commended the officers and teams on the improvements made and the Chief Executive endorsed the appreciation in the turnaround of services and the time and effort taken to do this.

RESOLVED:

- (a) That the report be noted; and

- (b) That the 2010/11 Housing and Council Tax Benefit Subsidy Claim be reported at the next Audit Committee together with any further updates on progress and developments on Welfare Reform.

45. REPORTS FROM WALES AUDIT OFFICE

Ms. Hughes from the Wales Audit Office (WAO) introduced a report to provide the Annual Audit Letter to Council Members and the Final Accounts Memorandum 2010/11.

She explained that the Annual Audit Letter would be incorporated in the Annual Improvement Report to be issued at the end of January 2012. The Final Accounts Memorandum summarised the Auditor's comments on the final accounts which had been issued with an unqualified opinion in September 2011.

Annual Audit Letter

Councillor A.M. Halford remarked on issues identified in points 3-5 and invited comments from the Leader of the Council who was present in the public gallery. The Leader asked that any specific questions be submitted in writing to ensure that full responses could be provided.

On point 5, Councillor M.J. Peers asked for clarification as to why the accounting policy in valuing housing stock had not been correctly applied and whether this had been rectified. Ms. Hughes explained that more detailed information on the accounts had been considered at the Committee's meeting on September 2011. The Beacon principle had been applied incorrectly as the 20% of housing assets being valued on a rolling basis was not representative of the Council's whole stock. It had since been agreed that the Council's housing stock would be valued in its entirety for the current year.

Following a comment made by Councillor P.R. Pemberton on point 6 relating to private equity investments, Ms. Hughes said that this was merely to draw attention to a degree of uncertainty in the valuation of such investments.

Final Accounts Memorandum 2010/11

In response to Ms. Hughes' comment that the Council had failed to publish its accounts on the website within the deadline, the Head of Finance said that arrangements were being put in place to deal with this. The Chief Executive remarked on the time restrictions of some translations and suggested that the requirement to publish the accounts would overrule in exceptional cases such as this.

Councillor G.H. Bateman referred to point 24 on the need for the Audit Committee to consider the Annual Governance Statement (AGS) as a discreet agenda item. Ms. Hughes explained that the AGS was an important statement that the Committee should give due attention to, as opposed to considering it as part of the agenda item on the accounting statements. She added that new requirements under the Local Government Measure on Audit Committee work

further strengthened this need and that the Statement should in future be considered as a separate agenda item. The Democracy & Governance Manager advised that points 23 and 24 of the Memorandum had been considered at a meeting of the recently formed Corporate Governance Working Group to ensure that the Council complied with best practice guidance in future.

In response to Councillor Halford's queries on the remaining issues on point 24, Ms. Hughes said that the Annual Governance Statement set out governance arrangements for the Authority, however it could prove difficult to provide evidence to demonstrate this. She went on to say that links with the risk register and Statement were not logical as it was felt that the Council's Statement did not capture everything, however amendments had since been made to the Statement in the final accounts to remedy this.

Councillor Halford thanked the Head of Finance for the letter recently sent to the Audit Committee to address queries on the Clwyd Pension Fund. In response to a question, the Head of Finance replied that 'AVC' meant Additional Voluntary Contributions where Pension Fund members could increase contributions to receive additional benefits. Councillor Halford commented on the indication in the letter that there were around 35-50 retirements per month and the Head of Finance stated that this represented the whole of the Clwyd Pension Fund scheme across North East Wales, not just Flintshire.

RESOLVED:

That the Annual Audit Letter to Members of Flintshire County Council and the Final Accounts Memorandum 2010/11 be noted.

46. VARIATION IN ORDER OF BUSINESS

Due to time constraints, it was agreed that the final two agenda items would be brought forward to allow the senior officers present to answer questions. It was also agreed that the following items would be deferred for consideration at a separate meeting, details of which would be notified in writing:

- Item 7 - Final Reports and Performance Indicators
- Item 8 - Operational Audit Plan and Recommendation Tracking
- Item 9 - Investigations Progress Report
- Item 10 - Galw Gofal: Further Information and Lessons Learnt

47. CONSULTANTS - RECOMMENDATION TRACKING

The Internal Audit Manager introduced the report to inform Members of progress against the recommendations made in the Audit report on the systems and controls around the use of consultants by the Council.

The Chief Executive highlighted paragraph 3.06 of the report which explained the reason for deferral of some of the recommendations following the delay of a national review of Contract Procedure Rules (CPRs).

Councillor A.M. Halford pointed out that some of the issues previously raised had not been included in the report, for example background information on the engagement of consultants by Human Resources and whether a register was used. The Chief Executive said that there were a number of consultants used by Human Resources on significant change projects and where specialised expertise was required (with a breakdown provided in the following agenda item).

The Head of Human Resources & Organisational Development said that specific details could not be provided in a public forum but confirmed that arrangements were in place for procuring services through agencies for specific work and in specific circumstances. She continued that services had been required in Occupational Health where an appointment could not have been made from within the organisation and that ongoing consultancy support had been sought via the procurement process for the maintenance of the Midland Trent system. This type of expertise had not been available within the new HR structure which had only recently been approved.

In response to further queries, the Chief Executive commented on the complexity of the Midland Trent system and said it would be common practice for an Authority to buy in fixed-term specific support when introducing such a system, however that support would no longer be needed during the next phase of the project. The system had already generated savings via the implementation of the self-service facility and changes to support in Occupational Health had resulted in 6-figure efficiency savings through joint working with Wrexham County Borough Council.

Councillor M.J. Peers asked whether a full-time equivalent (FTE) figure was available for consultants used. The Chief Executive said that although this could be provided theoretically, it could only be a limited comparison.

Councillor Halford commented on the lack of separate guidance to officers on the engagement of consultants and asked about Directors' means of monitoring the use of consultants within their sections.

The Director of Environment said that officers used the Council's Contract Procedure Rules as part of the tender process and did their best to secure value for money within the Rules. Where there were specific but not significant projects, he expected Heads of Service to sanction consultancy requirements. He went on to explain that consultants rather than an in-house team had been engaged on a speed limit review for reasons of capacity, expertise in this field and relevant software used.

The Director of Community Services said that he required knowledge of why consultants were required in his Directorate. A manageable number of consultants were used and consultants were engaged in a competitive process in the majority of cases.

The Head of Human Resources & Organisational Development said that the tender process was followed for larger projects, except in a minority of cases where the field of expertise was limited and that it was usually more cost effective

to use consultants than to recruit. She added that she would need to approve the engagement of consultants in her section and that the Chief Executive would also be made aware.

The Director of Lifelong Learning said that very few consultants were engaged in his Directorate, at any point in time. The major consultancies were dedicated to specific projects and funded by the Welsh Government (WG) or other regional sources. In-house capacity was always initially explored before procuring services at best value, with monitoring by Heads of Service.

In response to a question from Councillor Halford on School Modernisation, the Director said that no consultants had been used to conduct local area reviews and that schools preferred to deal with officers they were familiar with. However, capital elements such as major school refurbishment may require work with specific consultants where appropriate, procured through the Environment Directorate. The Chief Executive said that a consultant had previously been involved, initially to support the 14-19 Transformation business case, but this had since been dealt with internally and there would be a reluctance to outsource. The Director of Lifelong Learning added that external consultants had been engaged and procured on the 14-19 Transformation programme on a national framework procured by the WG.

Mr. Patrick Green of RSM Tenon Plc said that the need for consultants at various times in public sector organisations was acknowledged and that the report identified the different uses within the Authority. He highlighted the importance of formal rules of engagement to monitor use and protect services and to avoid areas of concern and said it was important to demonstrate transparency.

Ms. Amanda Hughes of Wales Audit Office said that the report clearly outlined where consultants were being employed for specific reasons and that it was important for all organisations to consider whether the value and recommendations were being acted on to ensure the engagement was a cost effective process. She added that more emphasis was required on monitoring consultants rather than the appointment process.

Councillor P.R. Pemberton asked about checking of consultants' fees and asked if it would be best to employ someone rather than regularly use consultants. The Chief Executive said that although there were areas of good practice across the Council, there was not a consistent approach and that a more robust process and register was required to make a transparent case for consultants. In a competitive tender situation, cost was a significant factor but would be evaluated along with other factors such as track record. Consultants were generally required over the short-term and should not generally be employed where there was a long-term requirement. It was also important that consultants leaving the organisation transferred skills to employees wherever possible, as was the case with a consultant on LEAN working practices.

On collaborative working, Councillor Q.R.H. Dodd asked if Directors had exchanged dialogue with their counterparts at other Authorities on skills sets and software availability. The Chief Executive reported an increased level of sharing

expertise in Legal Services, Environmental Protection, ICT and software with scope for more and said that the information provided in the following agenda item indicated that 35% of consultancy projects were funded either regionally or nationally.

The Director of Environment remarked that regional work on minerals and waste planning and a proposed review of transport and fleet issues were good examples of collaborative work to reduce the amount of consultancy support between Authorities. The Director of Community Services cited two further examples as the joint Housing Strategy workshop with Wrexham County Borough Council using external capacity and the regional commissioning hub with officers at Denbighshire County Council.

RESOLVED:

That the results of the work carried out on the controls around the use of consultants and the reasons for the delays in updating Flintshire CPRs be noted.

48. 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 paragraph 14 of Part 1 of Schedule 12A of the Local Government Act 1972 (as amended).

49. CONSULTANTS - ANALYSIS OF SIGNIFICANT EXPENDITURE

The Internal Audit Manager introduced the report to provide further analysis of the consultants used during the second half of 2010/11 as requested at the Committee's meeting in November 2011. A list of consultants used by the Authority showing type and cost of work was appended to the report, together with a more detailed breakdown for each Directorate.

The Chief Executive remarked on the previous agenda item on consultants' tracking and said that much could be learnt from this to adopt a more robust approach. He said that a great deal of work had been involved in collating the information provided in the breakdown which included a column indicating whether each appointment had provided value for money. He continued that the collective view was that the Authority did not overuse consultants and referred to comments by Wales Audit Office colleagues that Flintshire was under-capacitated compared to other Authorities. It was important to note that 35% of projects were funded with other parties, as referred to under the previous agenda item, and that projects listed for Human Resources were all time-limited.

In response to a question from Councillor A.M. Halford, the Director of Lifelong Learning explained that there were a number of different workstrands to the regional transport project involving significant savings across six Local

Authorities. The start of the project had been on education transport costs and had since passed to Environment.

Councillor Halford commented on the cost of LEAN training and asked if the Housing ballot process was being funded by the Welsh Government (WG). The Chief Executive said that the LEAN training was for improvements in services such as voids and repairs with the outcome of skilled employees and that this was now being run almost independently of external support. The Housing ballot process was included in the externally funded projects mentioned earlier, to be reimbursed fully by WG.

Councillor M.J. Peers felt it would be easier to understand and compare the figures if they were based on working hours. The Chief Executive explained the complexity with some of the figures but said that this could be developed as part of the final evaluation. The Director of Environment said that most consultants were engaged on an hourly basis but that the fees shown did not necessarily cover the entire cost of the project, eg officer time.

In response to queries on Single Status by Councillor P.R. Pemberton, the Head of Human Resources & Organisational Development said that a project manager had been engaged through an agency and specific work undertaken by five job evaluation experts on the conventions review and panels. The Chief Executive added that a revised timetable had been adopted following a review of the package and that support would be kept until at least the projected Single Status implementation date of October 2012.

Councillor B. Mullin asked if consultancy contracts could be terminated if the support was ineffective. The Chief Executive said that this depended on the arrangement and how the appointment was made. However, generally no long-term commitment was given and longer-term contracts were sometimes renewed on review against the needs of the Council for continued support.

RESOLVED:

That the results of the analysis of the use of consultants during the second half of 2010/11 be noted.

50. DURATION OF MEETING

The meeting commenced at 2.00pm. and finished at 4.45pm.

51. ATTENDANCE BY MEMBERS OF THE PRESS AND PUBLIC

There were two members of the press in attendance.

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Chairman

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

AUDIT COMMITTEE	DATE: 14 DECEMBER 2011
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MEMBER	ITEM	MIN. NO. REFERS
NO DECLARATIONS OF INTEREST WERE MADE		