

MEETING OF AUDIT COMMITTEE
30 JANUARY 2012

Minutes of the meeting of the Audit Committee of Flintshire County Council held in County Hall, Mold on Monday, 30 January 2012

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: C.A. Thomas, D.E. Wisinger and A. Woolley

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

Director of Community Services, Head of Development & Resources and Head of Housing (for minute number 54)
Clwyd Pension Fund Manager (minute number 55)

Mr. John Herniman and Ms. Amanda Hughes of Wales Audit Office

52. DECLARATIONS OF INTEREST

No declarations of interest were made.

53. MINUTES

The minutes of the meeting of the Committee held on 14 December 2011 were submitted.

RESOLVED:

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

54. GALW GOFAL: FURTHER INFORMATION AND LESSONS LEARNT

The Chairman invited Councillor C.A. Thomas to join the Committee for this item and to speak first. Councillor Thomas stated her reasons for submitting a notice of motion to County Council due to her concerns about a lack of information to Members on the decision to extend the regional Telecare out of hours service to include school buildings and highways. She referred to the setting up of a Service Level Agreement (SLA) and highlighted the potential significant costs and impact on services arising from the changes. Although she had received notification of the new dedicated telephone number for vulnerable adults, no background information had been circulated to Members on the new elements to the service. In referring to the report of the Director of Community Services, she felt that no explanation had been given for the inclusion of other sections of the Council sharing the service and she queried the formation of the Regional Programme Board and level of Member involvement.

The Director of Community Services then introduced his report which provided an overview of lessons learnt from the process of developing the North Wales Regional Telecare Monitoring Service Project, Galw Gofal, and gave further information in response to Members' questions at the Audit Committee meeting on 1 November 2011.

The Director drew attention to chronologies on both the Council's decision making process in relation to the development of the project and on the regional development of the project, appended to the report. In acknowledging the need to improve communication and that the new arrangements to the service could have been better promoted, he said that lessons had been learnt and that appropriate procedures had been followed in terms of decision making. He advised that he and the Executive Member for Social Services were included on the Regional Programme Board for Social Services and Health which had overseen the project. The report also gave information on reasons for the selection of Conwy as the chosen location for the service and the contract price for the additional services which represented good value.

Councillor Thomas asked why the Executive Member for Social Services had been selected as the relevant lead Member and what precautions were in place to ensure that SLAs did not result in significant increased costs. She also remarked that the Project Manager had been unaware of the inclusion of other services in the project which had been introduced at a later stage in the process.

The Director explained that as the project extended across Social Services and Housing, either Executive Member could have been chosen and that the partner Councils had different lead Members. Flintshire's choice had been for the Executive Member for Social Services to lead and feedback to the Executive Member for Housing to ensure a co-ordinated approach.

The Head of Development & Resources commented that information on the number of calls to the out of hours service had been given to the project which would have been forwarded to the operational planning team. In response to concerns about any future increase in costs, the Board responsible for setting charges included equal representation from all partner Councils and therefore Flintshire's interest was protected. He said that any increase for 2012/13 was only likely to be a small inflationary rise and that the Streetscene service would probably increase the number of calls, however it was understood that savings from the project would be expected and that opportunities to increase business would be pursued.

Councillors A.M. Halford and P.R. Pemberton shared concerns on the lack of Member involvement in decision making on the project. Councillor Pemberton asked why a report on the project had not been submitted to Overview & Scrutiny prior to consideration by the Executive on 19 October 2011, why there was no Member representation on the Galw Gofal Regional Programme Board and what authority had been given to the Head of Development & Resources to act in the creation of the Board.

The Chief Executive said that the business case had been made, the service introduced effectively, and was performing well, as seen during visits by Members. He said that concerns had been around the transition stage where lessons had been learnt on sharing knowledge. On the item not being submitted to Overview & Scrutiny, he pointed out that this was technically a decision of the Executive to which all Members had access to papers and that the safeguard option to call in the item was there if needed. At a recent meeting of the Corporate Resources Overview & Scrutiny Committee, during discussion on regional collaboration projects such as the Social Services commissioning hub and School Improvement Programme, it had been agreed that outline business cases would be shared with Overview & Scrutiny prior to the final business case being submitted to both Overview & Scrutiny and Executive to give all Members an opportunity to contribute, as a matter of course as a 'protocol'. On a general point, it was noted that the Wales Audit Office had included in its Corporate Assessment report the positive and negative elements of "intensive" Member involvement in Flintshire, for example in the number of Member workshops, compared to other Welsh Councils.

The Democracy & Governance Manager pointed out that Appendix 1 clearly explained the reasons for the report not being first considered by the Community & Housing Overview & Scrutiny Committee. At a workshop in June 2010, it had decided not to include the topic in the Committee's Forward Work Programme and this had been formally agreed at the Committee's meeting in September 2010. However, details of the proposals had been included in quarterly performance reports to the Committee in June and September 2010.

Councillor Pemberton felt that an Overview & Scrutiny workshop was not an appropriate forum to make a decision on items for consideration.

The Chairman said that according to the chronology, the item had been scheduled for the Committee's meeting on 6 July 2010 but that the Head of Development & Resources had advised that this would not be the case as Stephen Jones of Welsh Local Government Association (WLGA) was due to prepare a generic report to all the Authorities involved. The Chairman went on to refer to two incidents in his ward on emergency repairs which had raised concerns about the sharing of information and local knowledge during the Telecare handover process.

In response to queries on membership of the Regional Board, the Chief Executive explained that Telecare was an operational service and that there had been no Board for the previous local service. The new Board was accountable to report to both Overview & Scrutiny and the Executive.

The Director of Community Services explained that the Head of Development & Resources' remit spanned both Housing and Social Services. He said that many areas of the project had performed well during the first six months and that any unresolved issues should be reported to the operational Board.

The Head of Housing outlined her input to the project in working with the Head of Development & Resources and highlighted the different policies and

working practices of each Council which had initially led to problems. During consideration of a report on regional working at the Housing Overview & Scrutiny Committee in January 2012, Members had agreed to receive future quarterly reports on regional and sub-regional projects.

On Appendix 1, Councillor M.J. Peers commented on the preparation of the report which had been scheduled for Overview & Scrutiny in July 2010 and at what stage this had been removed from the draft agenda and why the WLGA report to Executive on 5 October 2010 could not have been first considered by Overview & Scrutiny. He had first become aware of the changes to Telecare at a Streetscene Task & Finish Group and said that the Environment Overview & Scrutiny Committee had also not received detail on the topic. On the corporate contract section of the report, he requested a comparison contract price figure for the previous Telecare service, details of the method for estimating calls to the service and actual number of calls to date.

The Head of Development & Resources explained that the method for determining the call charge rate was complex and had been formulated with the help of an accountant. The cost per call had been based on the total cost of the service and estimated taken per call.

Councillor B. Mullin stressed the importance of sharing information with Members and hoped that lessons would be learned to avoid any reoccurrences. He suggested that a seminar/workshop be arranged to ensure that all Members understood the changes to the service.

Councillor Thomas welcomed the suggestion and said that conflicting information had been given on the Telecare contact telephone number and that feedback from some residents had shown a lack of confidence in the service. She questioned why the Executive report had not referred to the involvement of other Directorates and why the Housing Overview & Scrutiny Committee had not been made aware of this before deciding to defer the item.

The Chief Executive suggested that during the next few weeks an operational bulletin be sent to all Members giving information on how the service currently worked and how this related to their wards, including confirmation of contact details.

In response to queries from Councillor G.H. Bateman, it was explained that Stephen Jones was the regional co-ordinator project support officer at WLGA. On technology, there had been three platform providers of equal quality. Although Flintshire had selected Chubb, the Tunstall platform had become more widely used by other North Wales Councils and this had led to the selection of Conwy as the Telecare project location.

Councillor Halford sought clarification on an earlier question on the role of the Head of Development & Resources on the project. The Chief Executive replied that he had been assigned as the Council lead.

Following further concerns by Members, the Chief Executive pointed out that although it was not a constitutional requirement for Executive reports to be considered first by Overview & Scrutiny, there were many examples where a conscious decision had been made to do this. The Democracy & Governance Manager said that Audit Committee Members' concerns were not shared by the Housing Overview & Scrutiny Committee as they had opted not to take up the offer of a joint meeting with Audit Committee, but instead to continue to receive regular updates as part of performance monitoring reports.

Councillor Bateman, who was a member of the Housing Overview & Scrutiny Committee, confirmed that it had been agreed not to include this topic in its Forward Work Programme.

Councillor Q.R.H. Dodd felt that any criticism of the Head of Development & Resources was unfair and sought clarification on whether the WLGA report had been submitted to the Executive. It was noted on the chronology that the report had been considered on 19 October 2010.

Whilst Councillor Thomas acknowledged that lessons had been learned, she felt that there were still some issues of concern but was content for the matter to proceed.

RESOLVED:

- (a) That the lessons learnt in terms of decision making and communication, in particular recognising that officers need to improve arrangements for future collaboration based on their learning, be noted;
- (b) That the Director of Community Services circulate an operational bulletin to all Members to provide information on the Telecare regional project;
- (c) That any concerns on operational issues be referred to the officers;
- (d) That updates on regional and sub-regional projects including the Telecare project be submitted to Overview & Scrutiny as part of quarterly monitoring reports;
- (e) That a working practice (protocol) be established to share information on key stages of regional collaboration projects with Overview & Scrutiny prior to the Executive; and
- (f) That information on transition stages of operational services be shared with Members via a written briefing note.

55. TREASURY MANAGEMENT POLICY AND STRATEGY STATEMENT 2012/13

The Clwyd Pension Fund Manager introduced a report on the 2012/13 draft Treasury Management Policy and Strategy Statement for review prior to recommendation to Executive. The report also provided an update on matters

relating to the Council's Treasury Management Policy, Strategy and practices in 2011/12 and on the Council's investment in Landsbanki.

The position with the Treasury Management Policy and Strategy Statement for 2011/12 had remained largely unchanged since the update at the meeting in December 2011. The approach for 2012/13 had been considered at a Member training session on 17 January 2012.

On Landsbanki, the Clwyd Pension Fund Manager advised that confirmation had been given by the Court on Flintshire's priority status, but that the amount to be distributed was not yet known. Following a query by Councillor G.H. Bateman, it was explained that the assets of Landsbanki are such that investors treated as priority creditors are currently likely to receive around 85% of their investment back.

Councillor M.J. Peers referred to the proposed increase in the 2012/13 policy in the limit of non specified investments from £30M to £50M to allow for further use of AAA rated Money Market Funds and asked if this conflicted with Welsh Government (WG) advice for Councils to invest prudently. He pointed out that the report made reference to the intention to use Money Market Funds (MMF) instead of term deposits with banks whereas the Policy & Strategy Statement (paragraph 3.4.5) indicated that a small amount would be invested over the longer term, probably over two years, in fixed term deposits. The Clwyd Pension Fund Manager explained that Welsh legislation required that MMFs be treated as capital expenditure and that whilst non specific investments may seem to imply a high level of risk, AAA rated MMFs were considered a very safe option. As explained in the report, the Council's current approach to its investment strategy was extremely cautious with low risk. However if market conditions improved, it still allowed for a move back to short term deposits with banks.

On debt restructuring, Councillor Peers asked if stating that the replacing of higher rate loans with new ones at a lower rate being an unlikely possibility was a negative approach. The Clwyd Pension Fund Manager said that the Strategy reflected officers' thinking and there were different options for dealing with debt, however the forecast suggested no changes to interest rates. In response to a query on bank contracts, it was explained that the formal tender EU procurement process was undertaken every five years, with the next due in 2013. The contract price included a detailed specification for other services and therefore provided excellent value for money.

Councillor Peers proposed an additional recommendation for the Committee to review in detail the Council's approach to debt management at mid-term of the next financial year.

Following a query by Councillor G.H. Bateman on a list of banks, the Clwyd Pension Fund Manager suggested that the counterparty list be included with the next Treasury Management report to the Committee. The Head of Finance spoke about the complexities of Treasury Management which was not just about dealing with interest on the Council's accounts, but also managing risk and return across the organisation, made difficult by the current economic climate.

RESOLVED:

- (a) That the Audit Committee recommend the draft Treasury Management Policy and Strategy Statement 2012/13, including Treasury Management Indicators, to the Executive on 21 February 2012; and
- (b) That the position in relation to Treasury Management in 2011/12 and the Council's investment in Landsbanki be noted; and
- (c) That the Audit Committee review the policy on debt management at mid-term of the next financial year.

56. FINAL REPORTS AND PERFORMANCE INDICATORS

The Internal Audit Manager introduced a report to advise of final reports issued since the last Audit Committee and of Directorates and Internal Audit's performance for responses against target. He explained that the report had been deferred from the meeting in December 2011 and had since been updated.

On Main Accounting, Councillor M.J. Peers asked about the duplicate invoice amount which had been passed for payment. The Internal Audit Manager agreed to respond separately on the amount involved. A review of corporate debt arrangements was being undertaken as part of the Flintshire Futures programme and teams were being reminded of the checks to be carried out before passing invoices for payment.

Councillor A.M. Halford remarked on the new software which had been purchased by the Council to identify duplicate payments and the reference to inadequate resources. The Head of Finance explained that the software was in place to identify duplicate payments on goods/services invoices and that the 'Purchase to Pay' system would help to tighten up procedures. The Flintshire Futures project on corporate debt recovery aimed to establish a revised policy in managing debt and additional issues had been identified through work on the Lean review.

Also on Main Accounting, Councillor G.H. Bateman referred to the number of test sample construction payments submitted without a VAT invoice, raising concerns that they may be not VAT registered and asked about the date of the last VAT inspection. The Head of Finance agreed to respond separately on the date of inspection. She agreed that the issue was of concern, as recognised in the report, and said that additional work would be undertaken before the set deadline.

Councillor Halford pointed out that a recommendation had been made in September 2010 for a review of this issue. The Head of Finance gave an assurance that steps had been taken across the Council to address this and that a move to more modern pay arrangements would assist. Whilst reiterating the positive work in progress, the Chief Executive said that if there were repeated problems this would be a performance issue for the individuals involved, to be followed through. He would liaise with the Head of Finance on this.

The Chairman queried whether VAT registration should be identified as part of procedures for the Contractors List and Councillor P.R. Pemberton said that invoices should refer to a unique order number supplied by officers. The Internal Audit Manager confirmed that order numbers were used and that the new software now in place would help to identify duplicate invoices.

The Democracy & Governance Manager suggested that if a previous Audit recommendation had not been resolved, this should be escalated to a higher tier of management.

In response to Councillor Halford's query on approval for utilising waste disposal reserve, the Internal Audit Manager said that the recommendation had stated that the use of £.300M for costs relating to the transfer of AD Waste should have been considered by the Executive. The management comment referred to the use of the reserve to be included in the final report to Executive when the liquidation of AD Waste was finalised. Councillor Halford asked when this would be and the Democracy & Governance Manager agreed to respond in writing, with a copy provided to the Committee.

RESOLVED:

That the report be noted.

57. OPERATIONAL AUDIT PLAN AND RECOMMENDATION TRACKING

The Internal Audit Manager presented the report to advise of progress against the operational plan for 2011/12 together with results of the current recommendation tracking since the previous Audit Committee. He explained that this report had been deferred from the meeting in December 2011 and had since been updated. As discussed previously, the tracking detail on the Action Plan had been amended to show completed actions in shading and recommendations still outstanding in white.

On Section 106 Agreements, Councillor A.M. Halford said that the information conflicted with her understanding of the performance for that area. The Internal Audit Manager said that only three recommendations had been tracked for this meeting and that one had been implemented, two were still outstanding. Management comments had been provided for the report and a deadline set for completion of actions by February 2012 to ensure full compliance. Following concerns by Councillor Halford, it was agreed that the Internal Audit Manager would forward the Action Plan on Section 106 Agreements to the Head of Planning for comment and provide an update at the next meeting.

On Enforcement, Councillor M.J. Peers referred to the originally agreed implementation date of June 2009 which had been revised to a later date and suggested that a comment be included to reflect that although the action was not causing any problems, it was still considered significant and should be implemented. The Internal Audit Manager agreed to consider this for the next

report. He also clarified that the recommendation in the report was for the Committee to approve the Annual Audit Plan.

RESOLVED:

That the Annual Audit Plan, including changes, be approved.

58. VARIATION IN ORDER OF BUSINESS

Following a question raised by a Member on the Investigations Progress Report, the Democracy & Governance Manager advised that as a detailed response could not be given in a public meeting, this could be sought directly from the Internal Audit Manager outside the meeting or that the Committee may wish to consider excluding the press and public for the item. It was therefore agreed that the item would be considered at the end of the agenda.

59. AUDIT COMMITTEE SELF ASSESSMENT

The Internal Audit Manager introduced a report to request Members and statutory officers to complete the accompanying self assessment form as part of the preparation for the Annual Governance Statement 2011/12 and to facilitate the identification of training needs for inclusion in the Committee's forward work programme.

It was explained that the self assessment had been brought to the Committee earlier due to the forthcoming Elections and that the checklist was to be returned to the Internal Audit Manager by the end of February 2012 to inform training of any new Members of Audit Committee following the May Elections.

Councillor M.J. Peers suggested that in view of the checklist having been completed on previous occasions by current Members of the Audit Committee, the checklist could be circulated in May to better identify training requirements of any new Members.

The Internal Audit Manager explained that the completion of the checklist formed part of the evidence for the Annual Governance Statement which was to be submitted to the Audit Committee in June 2012 and that this timescale needed to be taken into consideration. It was therefore suggested that current Members of the Audit Committee be requested to complete the checklist and that the circulation of a further checklist on training needs be considered following any changes to membership following the Elections in May 2012.

RESOLVED:

- (a) That the completion of the questionnaires by the end of February 2012, with the results to be reported back to the next meeting, be agreed; and
- (b) That consideration be given to circulating a further questionnaire on training needs following any changes to Audit Committee membership after the May 2012 Elections.

60. **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 12 of Schedule 12A of the Local Government Act 1972 (as amended).

61. **INVESTIGATIONS PROGRESS REPORT**

The Internal Audit Manager introduced the report to outline ongoing proactive counter fraud work and reactive investigative work. He provided clarification on a query on one of the investigations.

RESOLVED:

That the report be noted.

62. **DURATION OF MEETING**

The meeting commenced at 10.00am. and finished at 12.35pm.

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

There was one member of the press in attendance.

.....
Chairman

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

AUDIT COMMITTEE	DATE: 30 JANUARY 2012
------------------------	------------------------------

MEMBER	ITEM	MIN. NO. REFERS
NO DECLARATIONS OF INTEREST WERE MADE		