

AUDIT COMMITTEE
16 JULY 2014

Minutes of the meeting of the Audit Committee of Flintshire County Council held in the Clwyd Committee Room, County Hall, Mold on Wednesday, 16 July 2014

PRESENT: Councillor Tim Newhouse (Chair)

Councillors: Glyn Banks, Haydn Bateman, Alison Halford, Ian Roberts and Arnold Woolley

APOLOGY: Mr Paul Williams

ALSO PRESENT: Leader of the Council

IN ATTENDANCE:

Chief Executive, Head of Legal & Democratic Services, Democracy & Governance Manager, Internal Audit Manager, Corporate Finance Manager, Finance Manager - Technical Accountancy, Accountant - Technical Accountancy and Committee Officer

Mr. John Herniman of Wales Audit Office

16. DECLARATIONS OF INTEREST (INCLUDING WHIPPING DECLARATIONS)

In response to advice sought from the Head of Legal & Democratic Services, Councillors Ian Roberts and Haydn Bateman declared a personal interest as members of the Clwyd Pension Fund on Agenda Item 4: Draft Statement of Accounts 2013/14.

The Head of Legal & Democratic Services pointed out that the same agenda item included information on senior officer emoluments and that he would leave the meeting if Members wished to debate that item.

17. MINUTES

The minutes of the meeting of the Committee held on 25 June 2014 were submitted.

Matters Arising

Minute 7: Budget Setting and Budgetary Control Arrangements - the Democracy & Governance Manager confirmed that arrangements had been made to submit the report by the Corporate Finance Manager to Overview & Scrutiny Committees.

RESOLVED:

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

18. DRAFT STATEMENT OF ACCOUNTS 2013/14

The Corporate Finance Manager presented the Statement of Accounts 2013/14 (subject to audit) for Members' information only at this stage. The accounts would then be submitted to the Committee in late September 2014 for approval and recommendation to County Council following the audit, to meet the statutory deadline.

The Corporate Finance Manager and Finance Manager - Technical Accountancy delivered a presentation which detailed the main points:

- Purpose and Background
- Key Dates
- Responsibility
- Changes
- Contents and Overview
- Links to Budget Monitoring
- Headlines - Council Fund, Reserves at Year End, Capital and HRA
- Core Statements
- Next Steps

Changes to the Code of Practice for Local Authority Accounting 2013/14 had resulted in the need to restate figures for 2012/13: explanatory notes throughout the document indicated where this had happened. In addition, officers had taken the opportunity to review and make a number of improvements to the accounts to assist the reader and to address comments previously raised by the Wales Audit Office (WAO). The Committee was reminded of the complexity of producing the annual accounts which meant there was an expectation for further changes to be made prior to submission of the final accounts. Drop-in sessions had been arranged for 9 September 2014 to provide all Members with the opportunity to raise questions with officers prior to presentation of the final Statement of Accounts on 24 September 2014 along with the opinion of the Wales Audit Office (WAO).

Councillor Alison Halford thanked the Finance Manager - Technical Accountancy and her team for their efficiency in producing the Draft Statement of Accounts 2013/14. This was echoed by the Chair and other Members of the Committee who were grateful for the time allowed for Members to read the report in detail together with the explanatory notes contained within the accounts. Councillor Haydn Bateman congratulated the Corporate Finance Manager on his appointment following the recent management restructure.

In response to a question from Councillor Ian Roberts, it was confirmed that balancing entries had been eliminated in the accounts for 2012/13 and for 2013/14. Mr. John Herniman of Wales Audit Office said that this had been acknowledged in the 2012/13 report previously submitted to the Committee.

Councillor Halford requested an explanation on the reduction in the number of houses within the Council's stock between 2013 and 2014. The Chief Executive said that this may be due to Right To Buy sales, however the Finance Manager - Technical Accountancy agreed to look into this and provide a full response.

Following a question on the increased expenditure on the Housing Revenue Account Income and Expenditure Statement, it was pointed out that clarification on such changes was contained in the note on non-current asset accounting included within the accounts.

Councillor Glyn Banks sought clarification on the 'miscellaneous' group of inventories. The Finance Manager - Technical Accountancy said that this contained a number of various items of stock including recycling bins etc, but would provide written detail.

RESOLVED:

- (a) That the draft Statement of Accounts 2013/14 (including the Annual Governance Statement), together with the underlying policies, be noted;
- (b) That the planned provision of 'drop-in' sessions over the summer period be noted.

19. ANNUAL GOVERNANCE STATEMENT

The Democracy & Governance Manager introduced a report to consider and approve the draft Annual Governance Statement (AGS) for 2013/14.

In response to comments previously made at the Committee, preparation of the AGS for 2013/14 had enabled a greater degree of involvement by Members, including circulation of a questionnaire to all Overview & Scrutiny Committee Chairs. In addition, an informal meeting of the Audit Committee had been held to consider the draft AGS, where Members' views had been sought.

As an action from the AGS for 2012/13, the Chief Executive said that work had been undertaken to review Section 5 of the AGS and asked if the Committee was satisfied that this was now better aligned to the corporate risk register in the Improvement Plan. The Committee supported the recommendations of the report.

RESOLVED:

That the Annual Governance Statement attached to the Statement of Accounts be approved.

20. SUPPLEMENTARY FINANCIAL INFORMATION TO DRAFT STATEMENT OF ACCOUNTS 2013/14

The Finance Manager - Technical Accountancy presented supplementary financial information to accompany the Draft Statement of Accounts 2013/14. Due to a technical error, Table 3 in Appendix 1 to the report had been omitted from the printed version of the agenda but had subsequently been made available.

On the table showing consultants and non-permanent posts for 2013/14 across the whole authority, it was stressed that the actual costs incurred were

payments to the organisations employing those individuals. Councillor Alison Halford asked for clarification on the role and nature of complaints dealt with by the Independent Reviewing Officer (IRO) (complaints).

The Chief Executive explained that these individuals were responsible for reviewing complaints in Social Services and that the amount involved may be due to a peak in complaints or through additional support needed for a particularly sensitive case. The Head of Legal & Democratic Services was in agreement and explained that it was considered good practice to seek independent advice in some cases to verify the Council's position. He felt that these costs may have related to a case in Children's Services but agreed to confirm with a written response.

Councillor Halford queried whether the costs for engaging the Occupational Health Physician were cost-effective. The Chief Executive explained that by providing this role on a consultancy basis, where a minimum 1-1½ day provision per week was necessary, was more cost effective than the previous arrangement where a General Practitioner had been employed by the Council on a full-time basis to manage the Occupational Health service.

RESOLVED:

That the contents of the report be noted.

21. TREASURY MANAGEMENT ANNUAL REPORT 2013/14 AND 2014/15 QUARTER 1 UPDATE

The Finance Manager - Technical Accountancy presented the Annual Report on the Council's Treasury Management Policy, Strategy and Practices 2013/14 together with an update on Treasury Management activity in 2014/15 to the end of June 2014.

On the Annual Report for 2013/14, a summary of the key points provided information on the economic position during the year and the impact it had on the investments made by the Council. No new borrowing had taken place during the year. An update at Quarter 1 reported no new borrowing and on investments, there had been a reduction in the number of counterparties used by the Council between February and June 2014 with yield and the total amount invested roughly the same. The Finance Manager - Technical Accountancy advised of an investment masterclass which she and a member of the team had recently attended, to obtain information on the range of financial products available to Local Authority investors.

Councillor Haydn Bateman welcomed the reduction in counterparties and asked for clarification on the investment limit. The Finance Manager - Technical Accountancy explained that the 2013/14 policy allowed for a maximum limit of £5m investment per counterparty for those with a minimum rating of A- whilst the 2014/15 policy stated a maximum limit of £7m. She went on to say that a further increase would not be recommended at this time and that a prudent approach was being taken in diversification to spread the default risk across a wider range of counterparties.

RESOLVED:

That the report be noted.

22. ACTION TRACKING

The Internal Audit Manager presented an update report on actions carried out to date from points raised at previous Audit Committee meetings. It was noted that all actions currently due for completion had been finalised.

RESOLVED:

That the report be accepted.

23. FORWARD WORK PROGRAMME

The Internal Audit Manager presented the report to consider the Forward Work Programme for the next year.

A request was made by Councillor Alison Halford for the Committee to consider the costs for out of county placements, as this had previously been an area of concern. The Chief Executive explained that this had been the subject of extensive consideration by the Lifelong Learning Overview & Scrutiny Committee due to the complexity of the issue and costs. He said that value for money work to reduce costs had provided assurance on the way that the service was now commissioned and that a report could be brought to the Committee.

As Chairman of the Lifelong Learning Overview & Scrutiny Committee, Councillor Ian Roberts spoke in support of this suggestion and referred to cost implications of the out of county placements service as a result of local government reorganisation. It was agreed that a report would be submitted to the next meeting in September 2014.

Councillor Roberts asked for an update on the Council's banking arrangements following discussion at the Committee in January 2014. The Finance Manager - Technical Accountancy reported on the tendering exercise carried out by the Eastern Shires Purchasing Organisation (ESPO) and that following this, work was due to commence on progressing the Council's tenders over the coming months. She agreed to bring an update report to the Committee, which was anticipated to be the December 2014 meeting.

Councillor Halford referred to concerns which had been raised by the Head Teacher of a secondary school about value for money on the school catering service. Councillor Roberts said that the Lifelong Learning Overview & Scrutiny Committee had considered reports covering primary and secondary schools which indicated positive feedback on the catering service, but was aware of concerns around some of the smaller primary schools due to the low number of pupils. The Chief Executive offered to follow up this issue outside of the meeting.

The Internal Audit Manager commented that this appeared to be a performance issue which was perhaps best dealt with by Overview & Scrutiny.

Councillor Halford pointed out that the school in question was a larger secondary school and that the Head Teacher had felt that a more cost-effect option could be sourced.

The Chairman suggested that the Chief Executive liaise with Councillor Halford outside the meeting. The Chief Executive said that professional communication channels such as the Secondary Heads Federation were in place to raise such issues. He agreed to follow this up to see if the same concerns were shared by other Head Teachers.

RESOLVED:

That the Forward Work Programme be approved with the inclusion of a report on the costs for out of county placements on 24 September 2014 and a report on the Council's banking arrangements on 10 December 2014.

24. ATTENDANCE BY MEMBERS OF THE PRESS AND PUBLIC

There were no members of the press or public in attendance.

(The meeting started at 10.00 am and ended at 10.55 am)

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Chairman