

AUDIT COMMITTEE
7 OCTOBER 2013

Minutes of the meeting of the Audit Committee of Flintshire County Council held in the Clwyd Committee Room, County Hall, Mold on Monday, 7 October 2013

PRESENT: Councillor Alison Halford (Chair)

Councillors: Glyn Banks, Haydn Bateman, Alan Diskin and Arnold Woolley

LAY MEMBER: Mr Paul Williams

SUBSTITUTE: Councillor Ray Hughes (for Tim Newhouse)

APOLOGY: Councillor Ian Roberts

ALSO PRESENT: Councillor Aaron Shotton

IN ATTENDANCE:

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

Ms. Amanda Hughes of Wales Audit Office

46. SUBSTITUTION

Prior to the start of the meeting, the Democracy & Governance Manager explained that Councillor Hughes had received the requisite training and the constitutional requirement for the Committee to consider whether appropriate reasons had been provided for the proposed substitution. On being put to the vote, the Committee unanimously indicated their agreement.

RESOLVED:

That Councillor R. Hughes be permitted as a substitute for the meeting.

47. DECLARATIONS OF INTEREST (INCLUDING WHIPPING DECLARATIONS)

No declarations of interest were made.

48. WALES AUDIT OFFICE REGULATORY PLAN FOR PERFORMANCE 2013

The Chief Executive introduced the proposed Regulatory Programme for Performance Audit for the Wales Audit Office (WAO) for the period April 2013 to March 2014. Following receipt of the WAO report on the audit of the financial statements received at the previous meeting, this report sought to provide assurance on governance arrangements together with improvement planning and compliance work on national guidance. A report on the WAO Improvement Assessment Letter would be submitted to the next meeting following consideration by Cabinet and the Corporate Resources Overview & Scrutiny Committee.

In highlighting the WAO fees shown within the report, which were generally based on Council sizes, the Chief Executive felt these to be reasonable and said that good progress had been made on reducing the risk-based fees in years past.

The Chair said it was important that fees were appropriate for the audits undertaken and asked about the impact of any additional fees arising from the new Measure. The Chief Executive explained that £137K was not a new cost and that some performance work of the WAO under newer legislation simply replaced the old.

On pointing out an inaccuracy which had been reported in the local press, Ms. A. Hughes of WAO clarified that the fee of £215K had applied only to audit work on checking figures in the financial statements whereas the total of £354K included performance audit work.

Mr. P. Williams questioned whether the WAO considered the adequacy of resources in assessing the Council's capacity to meet its objectives and he felt that a capacity review should be undertaken to ensure the delivery of the Medium Term Financial Plan (MTFP). Ms. Hughes was positive that her colleagues would take into account resources capacity and was aware of discussions between colleagues and the Chief Executive on the MTFP and activities undertaken by the Council to address the significant financial challenges.

Councillor A. Woolley asked about the availability and review of the Work Plan and Timetable mentioned in the report, which indicated the range of performance audit work undertaken by WAO and relevant regulators.

The Chief Executive said that there were capacity issue challenges in managing and changing the organisation. It was acknowledged that capacity would reduce over time as the size of the organisation reduced. The budget gap position was now significantly worse and a report on the MTFP, which was due to be received at the next Cabinet meeting, was up-to-date in predicting local financial pressures. In response to Councillor Woolley's question, there was not a broken-down quarterly work plan although regular meetings were held to review audit work. Ms. Hughes confirmed that discussions were ongoing between the Council and WAO to ensure the timely delivery of audit work. The Chief Executive stated that the Council generally complied with the timely delivery of reports.

The Chief Executive confirmed that for Improvement Studies, the WAO may decide to carry out work on a sample of Councils or across all 22 depending on the size of the study. Subject to the nature of the study, specific local feedback or overall findings would be provided.

RESOLVED:

That the proposed Regulatory Programme for Performance Audit of the Wales Audit Office for the period April 2013 to March 2014 be accepted.

49. **DATA PROTECTION AUDIT BY THE INFORMATION COMMISSIONER'S OFFICE**

The Democracy & Governance Manager introduced a report on processes which had been put in place following the audit undertaken by the Information Commissioner's Office (ICO) on Data Protection compliance. He detailed the background to the audit which had been carried out with the agreement of the Council and the areas covered. The report included a copy of the Executive Summary of the audit report together with details of actions to address the recommendations, which had also been submitted to the Corporate Resources Overview & Scrutiny Committee. The audit had concluded that there was 'reasonable assurance' around the Council's Data Protection processes and procedures, which was the second best of the four categories of audit opinion.

The Democracy & Governance Manager said that the overall conclusion was positive as a red risk had previously been allocated in the Strategic Assessment of Risks & Challenges (SARC). He said that actions were now in place to address the recommendations, for example where the iTrent system would be utilised to update records of Data Protection training.

The Chair congratulated officers for their efforts in reaching a positive outcome. The Chief Executive said that Data Protection covered many areas of the Council and the improvements to corporate arrangements would be made. The Head of Legal & Democratic Services added that the ICO had identified the involvement of Internal Audit on Data Protection work as one of the areas of good practice in Flintshire.

Following a query from Councillor A. Woolley, it was explained that out of the 38 recommendations made by the ICO, 15 had been implemented to date whilst some required longer term actions. The Democracy & Governance Manager had devised a folder system to help monitor how many recommendations had been implemented and signed off, which would be progressed at monthly meetings of the Data Protection team. Involvement by Internal Audit would ensure that satisfactory progress was being made, culminating in a report to be agreed by the Corporate Management Team (CMT) for submission to the ICO by 17 January 2014.

In response to a query from Councillor G.S. Banks, the Democracy & Governance Manager explained that existing internal processes could be utilised to action some of the recommendations. On training, Heads of Services were responsible for encouraging their teams to attend sessions with advice provided by the Data Protection team on the type of training required. In respect of the Information Systems Examination Board Certificate in Data Protection, arrangements were now in place for three members of the Data Protection team to pursue this training.

Mr. P. Williams remarked that monitoring of actions was a key issue and suggested that the Committee receive a progress report in January 2014. As work would be undertaken by Internal Audit at the end of the year to feed into the follow-up report to ICO, the Internal Audit Manager suggested that a report be brought to the Committee in March 2014.

RESOLVED:

That the Committee note the results of the ICO audit and the processes in place to monitor the agreed action plan to implement the recommendations made.

50. IMPLEMENTATION OF FINANCE AUDIT RECOMMENDATIONS

The Head of Finance introduced the report detailing outstanding audit recommendations for Finance and the management of risks prior to implementation. She explained that the nature of some of the work carried out in Finance meant that this received regular coverage on the Internal Audit Plan for each year. Assurance was given that the monitoring of actions to address the recommendations had been incorporated into monthly and quarterly performance monitoring and would feed into half-yearly corporate reporting arrangements.

On the summary of recommendations in Appendix 1, the Head of Finance advised that out of 70 recommendations for Finance, 27 were outstanding beyond their originally agreed implementation date, covering six areas of the Finance division. An additional 8 recommendations for Corporate Grants, arising from a recently issued report, had not yet reached their agreed implementation date of March 2014. She provided an overview of the reasons for delay in each case as detailed in the report which was cross-referenced with information on the recommendations made by Internal Audit.

In relation to the Medium Term Strategy Audits, Mr. P. Williams questioned the impact of resources on implementing actions and spoke of the need for the Committee to be satisfied as to the adequacy and effective use of resources. The Chief Executive said that the issues raised in the audit had been overtaken by the updating of the Medium Term Financial Plan (MTFP) which was due to be published later in the week. This was a fully comprehensive document linked with corporate priorities as set out in the Improvement Plan. The Improvement Plan would be reported on a six monthly basis to set out progress. In response to a further question, the Internal Audit Manager confirmed that the validity of outstanding recommendations was verified as part of work on recommendation tracking.

In response to a question on the MTFP from Councillor G.H. Bateman, the Head of Finance said that arrangements had now been put in place to include pressures within the Strategy document, which documented the current practice.

The Chief Executive spoke of the latest refresh of the MTFP which factored in the Council's key priorities. Costs of borrowing and Single Status had been built into the Plan which added to the budget gap and were critical pressures.

The Head of Finance said that detail on the Capital Strategy and Programme had been received previously at the Committee. Since the audit was completed, there had been recognition of the need for a wider corporate approach to the Capital Strategy. A significant amount of work had been carried out and a decision taken to move the date for producing the Strategy to the end of the financial year as a more meaningful timescale.

Following queries raised on recommendations in Enforcement, the Head of Finance provided an explanation on consistent use of the 'Masterpiece' financial ledger which was one of the areas requiring a corporate approach. The Internal Audit Manager explained that there were some areas where invoices had been raised but not chased up consistently which contributed to delays. In recovery of debt, the Head of Finance also clarified that assessing the adequacy of current processes for monitoring income collection did not relate to the collection of rent arrears which was dealt with by Housing. This issue was around the effectiveness of collecting sundry debts owed to the Council.

The Internal Audit Manager commented that having received similar reports on Procurement and Planning, this was the third report to be considered by the Committee in response to concerns raised about outstanding recommendations. He advised that these were the three main areas of concern in this regard and thanked the Committee for raising the profile, giving assurance that progress would continue to be tracked to the revised implementation dates.

In response to the questions raised on the MTFP and Strategy, the Chief Executive would liaise with the Internal Audit Manager to agree on the reporting of ongoing work about their development to the Audit Committee.

Mr. Williams noted that the report included information on the management of risks prior to implementation which he felt gave assurance to the Committee.

RESOLVED:

That the report be noted.

51. ATTENDANCE BY MEMBERS OF THE PRESS AND PUBLIC

There were two members of the press in attendance.

(The meeting started at 2.30 pm and ended at 3.45 pm)

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Chair