

AUDIT COMMITTEE
7 MAY 2014

Minutes of the meeting of the Audit Committee of Flintshire County Council held in the Clwyd Committee Room, County Hall, Mold on Wednesday, 7 May 2014

PRESENT: **Councillor Alison Halford (Chair)**

Councillors: Glyn Banks, Haydn Bateman, Tim Newhouse, Ian Roberts and Arnold Woolley

LAY MEMBER: Mr Paul Williams

APOLOGY: Councillor: Alan Diskin

ALSO PRESENT: Leader of the Council

IN ATTENDANCE:

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

Ms. Amanda Hughes of Wales Audit Office

91. DECLARATIONS OF INTEREST (INCLUDING WHIPPING DECLARATIONS)

No declarations of interest were made.

92. MINUTES

The minutes of the meeting of the Committee held on 26 March 2014 were submitted.

Matters Arising

Minute number 80: Wales Audit Office Annual Financial Audit Outline 2013/14 - Ms Amanda Hughes of Wales Audit Office (WAO) advised that the total audit fee for 2013/14 had been reduced by 5.4% and that this included audit work for the Council, Clwyd Pension Fund and joint committees for which Flintshire was the lead. A change to the fee charging mechanism meant that reserves were no longer permitted to be held by WAO, resulting in a one-off re-distribution of 15% of previous audit fees to be paid back to the Council.

RESOLVED:

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

93. AUDIT COMMITTEE SELF ASSESSMENT AGAINST CIPFA GUIDANCE

The Internal Audit Manager introduced the results from the Committee's self assessment to feed into preparation for the Annual Governance Statement 2013/14 and to help inform any future training requirements. The assessment

was based on new guidance from CIPFA on which the Committee had received training earlier in the year.

Appended to the report were comments submitted, together with the range of scores for each area and average scores: overall these were positive, indicating that the Committee generally operated effectively. The Internal Audit Manager provided clarification on the two lowest scoring areas on the Council's approach to value for money and public reporting. He gave examples of two final reports recently received by the Committee which incorporated value for money elements in the recommendations as part of the regular Internal Audit Progress Report item and acknowledged that these could be better highlighted in future. Although public reporting was not a core function of the Committee, this could be looked at for the future.

In agreement with these remarks, Ms. Amanda Hughes of the Wales Audit Office (WAO) explained the requirement for external auditors to give an opinion on the effectiveness of the Council's value for money arrangements as part of the Annual Audit Letter last received by the Committee in December 2013. She said that although there were no concerns, it may be reasonable for the Committee to consider receiving more specific work on value for money in future if this was felt to be of benefit to the Council.

The Chief Executive agreed with the recognition that more could be done to highlight value for money in reports to the Committee and suggested that further work could also be completed on developing a consistent approach to ensuring value for money across all functional areas including non-audited work in the Council where Audit had not the opportunity to give an independent opinion. In response to other low scores from the self assessment, he pointed out that public reporting and partnership working were not amongst the core activities of the Committee but suggested sharing the work of Internal Audit and the Policy, Performance and Partnerships Team on external partnership governance and performance, noting that there was already a protocol in place for reporting on the business cases for new recommended collaborations.

Councillor Arnold Woolley reiterated his concerns on differences on auditing practice of Town/Community Councils and County Councils which had been raised at the previous Audit Committee meeting, and questioned how the Committee was able to guarantee value for money when the audit did not provide absolute assurance over accuracy. Ms. Hughes explained that the audit of the financial statements provided an opinion on whether the accounts gave a true and fair view of the Council's financial position and outturn. Whether they had achieved value for money was a separate matter which needed to assess the level and quality of service, the cost and whether it had achieved the Council's objectives and had the right impact.

In response to further comments from Councillor Woolley on the Committee's need to gain assurance, the Head of Legal & Democratic Services said that assessment of value for money involved a subjective judgement based on performance. Whilst an element of value for money formed part of Internal Audit work, such as that identified in the Housing report at the previous meeting, performance was mainly assessed as part of the role of Overview & Scrutiny, with the Audit Committee ensuring that this was fulfilled.

Mr. Paul Williams referred to the self-assessment guidance notes on assurance of achieving value for money and asked how the Committee could be assured that robust financial information was being reviewed by Overview & Scrutiny. It was acknowledged that a report to set out budgetary processes had been included as a future item for discussion on the Forward Work Programme and would be reported on the June 2014 agenda.

The Head of Legal & Democratic Services suggested that this could be a suitable topic for the Committee's joint meeting with Overview & Scrutiny Chairs.

The Chair highlighted the negative responses in the self-assessment which were included in the report and asked whether the individual(s) wished to identify themselves and provide explanation. In response to the Chair seeking views from officers on the explanations, the Head of Finance pointed out that the responses were opinions expressed by Members of the Audit Committee and two officers who would need to provide any clarity needed. The Chief Executive said it was unusual that some of the scores ranged from 1-5 on the same question in any self-assessment, and that as the document was publicly available it could reflect on the reputation of the Committee in undertaking its role and responsibilities.

On the area of promoting the principles of good governance and their application to decision making, Councillor Woolley provided explanation on the reason for his response. He felt that criticism and requests for explanation were not always fully addressed by officers across the Council, leaving some matters ongoing, a view which he said was shared by some other Members. He said it was appropriate to call to account where concerns were raised and that there should be more scrutiny of what sanctions were in place to make sure that these were applied.

The Chief Executive felt that there was respect for the work of the Committee and that support given to the Internal Audit Manager on scoping the structure, tracking systems and recommendation negotiations had resulted in positive changes, with sanctions in place for those failing to comply.

The Internal Audit Manager said that the improved process held accountable any senior officers where recommendations had failed to be implemented in their areas and gave examples of Heads of Service who had attended past meetings to provide explanation on this. Since the introduction of this new procedure, more recommendations had been implemented on time.

In response to comments from the Chair on the more mixed responses given under the value for money area, and following earlier explanation by the Internal Audit Manager, the Chief Executive spoke of the increasing financial pressures in the current climate highlighting the need to demonstrate value for money.

The Chair questioned the person who had criticised reports in their response, as the current process allowed for draft reports to be scrutinised by the Chair prior to submission to the Committee and the format of some reports had been altered to reflect the wishes of the Committee. Councillor Woolley said that

this had been his response, based on his opinion that reports to this and some other Committees often did not comply with the Plain Language Policy previously adopted by the Council.

Councillor Ian Roberts felt that this questioning about Member responses was unnecessary and that the responses which had been made should be accepted by the Committee to consider how to proceed. Councillor Tim Newhouse spoke in support of this view.

The Chair advised that she had opposed a suggestion made at the pre-brief meeting to insert the names of individuals alongside their responses and that she wished to explore the concerns so that any appropriate corrective action could be taken. This led to comments from Members on their preferred course of action for future years. Whilst Councillor Glyn Banks suggested that the self-assessment form indicate that responses would be aligned to the author, Councillor Newhouse disagreed and felt that anonymity would encourage a more honest answer. In pointing out the aim of the self-assessment, Mr. Williams felt that individuals should be able to expand on the answers they had given to help find a resolution. Councillor Roberts said that the questionnaire should seek examples of areas where the Committee had performed well and suggestions for improvements.

The Chief Executive said that the Committee may wish to consider completing the self-assessment through an informal meeting next year.

In summing up, the Head of Legal & Democratic Services referred to the actions proposed by the Chief Executive and said that further consideration would be needed on how to deal with future self-assessments.

RESOLVED:

- (a) That the Internal Audit Manager increase the profile of value for money elements of specific work;
- (b) That further work be completed on developing a more consistent approach to ensuring value for money on financial pressures and non-audited work in the Council; and
- (c) That the work of Internal Audit and the Policy, Performance & Partnerships team on external partnership governance and performance be shared with the Committee.

94. PUBLIC SECTOR INTERNAL AUDIT STANDARDS

The Internal Audit Manager introduced the report of results of a first internal assessment of conformance with the new Public Sector Internal Audit Standards (PSIAS). Although the Standards had been introduced on 1 April 2013, guidance on how to apply them was published only shortly after, leaving no time to prepare. The summary attached to the report indicated that nine out of the eleven Attribute and Performance Standards showed 'general conformance'. Those showing partial or non conformance were not significant and would be

addressed by an action plan as part of the usual processes for developing improvements.

Due to the level of conformance, Mr. Paul Williams asked whether the external assessment of the Quality Assurance and Improvement Programme (QAIP) should take place later than year 2. The Internal Audit Manager agreed that the assessment in year 3 would allow time for the QAIP to develop.

RESOLVED:

That the report be noted.

95. INTERNAL AUDIT ANNUAL REPORT

The Internal Audit Manager introduced the report on the outcome of all audit work carried out during 2013/14 and gave the annual Internal Audit opinion that the Council had adequate and effective arrangements in place for internal control, risk management and governance. The report included a summary of all audit work undertaken in 2013/14 and performance indicators for the department. It confirmed that the department showed general conformance with the Public Sector Internal Audit Standards. The report would contribute to the Annual Governance Statement.

The Chair thanked the Internal Audit Manager and his team for the detailed actions within the report.

In response to a query from Councillor Haydn Bateman, information was given by the Democracy and Governance Manager on the Corporate Governance Working Group, chaired by himself, which met regularly to update the Code of Corporate Governance and prepare the draft Annual Governance Statement.

Following a comment on the reporting of strategic and operational risks, the Internal Audit Manager said that this would be under the new structure. The Head of Legal & Democratic Services advised of an Internal Audit study on risk management which would shortly be made available.

RESOLVED:

That the report be approved.

96. WHISTLEBLOWING POLICY

The Internal Audit Manager presented the updated Whistleblowing Policy reflecting changes suggested at the previous meeting of the Committee and checking against the National Audit Office checklist. In providing clarification on the amendments to the policy, he advised that the approved version would be submitted to the Constitution Committee for endorsement prior to re-publishing on the Council's Infonet site.

The Head of Legal & Democratic Services explained that the prominence given to the paragraph on the Council's commitment to the policy reaffirmed the

ethos to support and address any concerns raised. He responded to a query from Mr. Paul Williams on the need for disclosures to be made in the public interest due to new legislation.

Mr. Williams felt that reference to the internal and external procedures should be shown earlier in the policy to clarify to the reader the options available. The Head of Legal & Democratic Services agreed that this could be signposted in the document. The Chief Executive emphasised the section in the policy which encouraged concerns to be raised, even if these were anonymous, and said that signposting should detail the internal procedure in the first instance, whilst also indicating the external procedure.

Councillor Glyn Banks felt that the internal procedure should be made more prominent than the external procedure to clarify the preferred route for consideration of these options.

The Head of Legal & Democratic Services said that the points raised would be taken on board and hoped that employees would be encouraged to raise concerns with their line manager rather than using the external route.

The Internal Audit Manager pointed out that the officer posts listed under the internal procedure section of the Policy would need to be updated to reflect the new structure. It was also pointed out that names of Members of Parliament should be included in the list of relevant organisations recorded at the back of the policy.

RESOLVED:

That the updated policy be approved with the agreed amendments.

97. 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 which were due for completion had been finalised.

RESOLVED:

That the report be accepted.

98. FORWARD WORK PROGRAMME

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

The Democracy & Governance Manager had written to the Committee to advise that the next meeting in June would commence at 10.30am to allow for a half-hour informal discussion on the draft Annual Governance Statement prior to its formal submission to the Committee in July.

The Chief Executive confirmed that the Annual Improvement Report would be submitted to both Cabinet and the Audit Committee in June.

Ms. Amanda Hughes requested that the Certification of Grants and Returns Report be removed from the June meeting as this was due in July, and this was agreed.

RESOLVED:

That the Forward Work Programme be approved with the agreed amendment.

99. INFORMAL MEETING WITH INTERNAL AND EXTERNAL AUDITORS

Following a proposal from the Chair, it was agreed that the informal annual meeting with internal and external auditors, which was due to be held at the close of the meeting, would instead be held immediately following the next meeting on 25 June 2014.

In closing the meeting, the Chair referred to the discussion on the Audit Committee Self-Assessment item and hoped that Members appreciated her intention had been to identify any concerns so that they could be addressed.

100. ATTENDANCE BY MEMBERS OF THE PRESS AND PUBLIC

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

(The meeting started at 2.00 pm and ended at 3.24 pm)

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Chair