

AUDIT COMMITTEE
3 JUNE 2015

Minutes of the meeting of the Audit Committee of Flintshire County Council held in the Clwyd Committee Room, County Hall, Mold on Wednesday, 3 June 2015

PRESENT:

Councillors: Glyn Banks, Haydn Bateman, Alison Halford, Tim Newhouse and Arnold Woolley

LAY MEMBER: Mr Paul Williams

SUBSTITUTIONS: Councillors: Ian Dunbar (for Ian Roberts) and Ron Hampson (for Alan Diskin)

APOLOGY: Chief Executive

ALSO PRESENT: Leader of the Council

IN ATTENDANCE:

Chief Officer (Governance), Internal Audit Manager, IT Support Services Manager, Corporate Finance Manager, Finance Manager, Performance Team Leader and Committee Officer

Mr. Paul Goodlad, Ms. Amanda Hughes and Ms. Michelle Phoenix of Wales Audit Office

1. APPOINTMENT OF CHAIR

Councillor Ron Hampson's nomination for Councillor Tim Newhouse was seconded by Councillor Ian Dunbar. On being put to the vote, this was carried. No further nominations were received.

RESOLVED:

That Councillor Tim Newhouse be appointed Chair of the Committee.

(From this point, Councillor Newhouse chaired the remainder of the meeting)

2. APPOINTMENT OF VICE-CHAIR

Following a request for nominations for Vice-Chair, the Chair proposed that Mr. Paul Williams be appointed. This was seconded by Councillor Glyn Banks and on being put to the vote, was carried.

RESOLVED:

That Mr. Paul Williams be appointed Vice-Chair of the Committee.

3. **SUBSTITUTIONS**

In line with the Constitutional requirement, Councillor Glyn Banks proposed that the Committee allow Councillors Ian Dunbar and Ron Hampson to substitute for Councillors Ian Roberts and Alan Diskin respectively. It was confirmed that both had undertaken the relevant training. This was agreed by the Committee.

RESOLVED:

That Councillors Ian Dunbar and Ron Hampson be permitted as substitutes for the meeting.

4. **DECLARATIONS OF INTEREST (INCLUDING WHIPPING DECLARATIONS)**

There were no declarations of interest.

5. **MINUTES**

The minutes of the meeting of the Committee held on 18 March 2015 were submitted.

Accuracy

Minute number 63: Wales Audit Office Audit Plan 2015 - in relation to Councillor Alison Halford's comments about the cancellation of a meeting of the Planning & Development Control Committee, she asked for it to be noted that the meeting related to the crematorium issue in Flintshire.

Minute number 65: 2014/15 Treasury Management Update - Councillor Haydn Bateman clarified that his request was for future reports to include investment balance details for the previous year's quarter, rather than the previous quarter.

Matters Arising

Minute number 60: Internal Audit Progress Report - Councillor Halford referred to the report on mobile phones which had been included on the agenda following the Chairman's request for a breakdown of the electronic devices issued by the Council. She sought explanation on why the report had omitted costs for extras such as data sim cards for laptops and iPads at the request of the Chairman, as reported in the local press.

The Chairman explained that he had wished to simplify matters by limiting the information to mobile phones to avoid any confusion with other devices. The Chief Officer (Governance) alluded to a range of mobile devices used in the Council and said that the report contained details of the key issues, ie Blackberry and mobile devices, and excluded low usage items such as data SIM cards.

RESOLVED:

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

6. AUDIT REPORT ON MOBILE 'PHONES

The IT Support Services Manager presented information on the use and cost of mobile phones by officers and elected Members of the Council, as requested by the Chairman. A recent review of Council issued mobile phones had resulted in the withdrawal of 513 mobile phone contracts which were no longer required. As an update on figures previously shared and based on usage in the previous year and annual rental charges, this represented savings of approximately £35,500 excluding VAT (£42,608 including VAT).

The report included a breakdown of the 1,985 active mobile phone contracts within each portfolio as at 31 March 2015. At the end of May 2015, there were 2,076 active contracts (including 'SIM only'). Whilst contracts with inclusive minutes had previously been considered, it had been found that when looking at overall use, it was more cost-effective to use 'pay as you go' contracts. The Council would be taking part in a tendering exercise, due for completion at the end of July 2015, to investigate whether further savings could be made.

The Chief Officer (Governance) explained that the provision of mobile phones supported the Council's agile working policy, where teams were 'hotdesking', and to enable those required to work outside their normal place of work to remain in contact with their teams and customers. In addition, developments in service areas such as Housing reinforced the importance of mobile phone usage. Whilst the IT section had responsibility for the corporate contract, mobile phones were distributed and managed through a network of departmental representatives with responsibility for allocating and collecting devices from leavers as well as monitoring usage. It was pointed out that some low usage mobile phones were allocated for emergencies only or to accept incoming calls only, and that cost analysis on high usage phones indicated that only 1.5% of the entire mobile phone estate had incurred charges above £200 per month. The Chief Officer advised of plans to carry out further reviews of mobile phone provision on an annual basis and summarised the actions taken to date in response to the recommendations of the audit report. As set out in the recommendation tracking section of the Internal Audit Progress Report, all had been implemented apart from the reconciliation to supplier data, due to the delay in removing charges from cancelled contracts and also the review of the policy.

Following a question from Councillor Alison Halford, the Chief Officer confirmed that the Council's policy was for officers working from home to be contactable. He said that Members wishing to contact officers on work matters should be given the mobile phone number, alternatively he provided explanation on the 'Sametime' facility which enabled officers' work numbers to be diverted to a home or mobile number, with the cost of diverting the call met by the Council.

Councillor Ian Dunbar remarked on the difference in cost between contracts for mobile phones compared with those of Blackberry phones. The Chief Officer explained that whilst the mobile phone contracts were £2 per month

(including handset), the Blackberry contract at £12 per month included handset and data charges. The IT Support Services Manager added that call charges were the same for both devices at 2p to 4½p, depending on which network was being called and that Blackberry devices enabled easier access to emails. When asked about the number of Blackberry phones currently used within the Council, he agreed to find out: following the meeting he confirmed this to be 507.

The Chairman referred to the analysis showing eight mobile phones with annual usage costs over £400 and asked whether it would be beneficial to move these to a pay monthly contract. The IT Support Services Manager advised that this would be considered as part of the review along with the potential to use 'blended' tariffs comprising some contract phones and some with 'pay as you go'.

On the breakdown shown in the report, Councillor Halford referred to the high number of mobile phone contracts in Community & Enterprise in comparison with the total number of employees in that portfolio. It was explained that these figures included mobile personal digital assistant (PDA) devices used by some employees to receive their work docket and mark jobs completed.

The Chairman thanked officers for their work in producing the report and welcomed the savings achieved through the reduction in mobile phone contracts.

RESOLVED:

That the report be noted.

7. WALES AUDIT OFFICE REVIEW OF THE COUNCIL'S WHISTLEBLOWING ARRANGEMENTS

The Internal Audit Manager introduced the results of the Wales Audit Office (WAO) review of the Council's whistleblowing arrangements.

In presenting the report, Mr. Paul Goodlad of WAO explained that the basis of the review was not due to any concerns, but formed part of an Improvement Study across all 22 Councils in Wales to ensure that sufficiently robust arrangements were in place, following some high-profile whistleblowing cases in England. The conclusions of the review, as set out in the report, were that the Council's policy was satisfactory and was applied appropriately on the few whistleblowing incidents which had occurred during the period. Whilst there were no recommendations or proposals for improvement, the report contained some suggestions to strengthen aspects of the policy which could be considered when the policy was next due for review by the Council.

Mr. Paul Williams noted that checks had not been carried out to determine whether schools had whistleblowing arrangements in place and raised concerns that this affected the Council's ability to support and challenge schools' governing bodies.

The Internal Audit Manager said that it was the responsibility of schools to adopt their own whistleblowing policy and gave assurance that this would be followed up. When asked by Councillor Alison Halford if there was any pressure on Head Teachers and Governors to produce a policy, he replied that this was

not the case as the Council commended its own policy for use together with the good practice model policy produced by the Welsh Government for schools.

Mr. Goodlad advised the Committee that the key issue was for the Council to be assured that schools had adopted a policy.

Responding to further comments by Councillor Halford and Mr. Williams on the need to ensure that policies were adopted by schools, the Chief Officer (Governance) said that there was no formal mechanism. However, there were opportunities to persuade schools, for example by the Internal Audit Manager or his officers raising the matter with the Heads' Federation and by using school governor contacts and primary liaison officers in Education & Youth. The Internal Audit Manager agreed to follow up with the Chief Officer for Education & Youth.

Mr. Williams felt that a more direct approach was required by producing an action plan and identifying which schools had not yet adopted a policy.

In relation to the confidentiality clause within the Council's severance arrangements, Councillor Glyn Banks spoke of the need to encourage employees to disclose any concerns whilst in the employment of the Council wherever possible.

RESOLVED:

That the report be noted.

8. RISK MANAGEMENT UPDATE

The Performance Team Leader introduced an update on the improved risk management approach as part of streamlining and integrating the business planning arrangements. An overview was also given of the key risks of the Improvement Priorities of the Council at year end. Attention was drawn to the actions being taken by the Council to strengthen its approach to risk management, also addressing findings as previously identified in the Wales Audit Office (WAO) Corporate Assessment report and an Internal Audit report. Information was also provided on the implementation of the new approach across the nine new Programme Boards and phased introduction of a new performance management system (CAMMS). On Improvement Plan strategic risks, the Quarter 4 position in March 2015 reported a reduction in Red (high) risks and increase in Green (low) risks. As an update to the report, the risk trend position since Quarter 4 showed six increasing, 28 decreasing and 45 remaining the same.

In response to a question from Councillor Glyn Banks, the Performance Team Leader explained that the new 6x4 risk matrix included more categories which offered more clarity on how risks were changing over time, particularly in relation to the mitigation being put in place and changes to the environment, eg new legislation.

On the Improvement Plan 2014/15 Risks Summary for April 2015, Mr. Paul Williams queried some of the 2014 target score dates for the Financial Strategy

sub-priority. The Performance Team Leader acknowledged that those dates would need to be updated.

When asked by Mr. Williams what could be done as further improvement, Mr. Paul Goodlad of WAO gave assurance that the new risk management approach would be given time to implement fully before being reviewed to ascertain its effectiveness.

RESOLVED:

- (a) That the improved risk management approach as part of streamlining and integrating the business planning arrangements be endorsed and the Committee assured that the proposed improvements for risk management are robust; and
- (b) That the summary of strategic risks, as related to the Improvement Priorities of the Council, be noted.

9. PROTOCOL INTERNAL AND EXTERNAL AUDIT

The Internal Audit Manager presented the updated Protocol between Internal Audit and the Auditor General for Wales and the Wales Audit Office (WAO). He explained that the Protocol had been revised following a review undertaken to ensure it reflected current practice and met requirements, including those of the Public Sector Internal Audit Standards (PSIAS) and the Code of Audit Practice and Statement of Practice of the Auditor General for Wales.

RESOLVED:

That the Protocol be accepted as the basis for the ongoing co-operation between the internal and external auditors.

10. CERTIFICATION OF GRANT CLAIMS AND RETURNS 2013/14

The Corporate Finance Manager introduced the Wales Audit Office (WAO) annual report on the grant claim certification for the year ending 31 March 2014. He confirmed that the findings of the report had been considered by the Corporate Finance Management Team and that appropriate actions had been put in place which would be subject to monitoring. A total of 19 grants had been certified with a net adjustment to claims of £0.224m, which was a relatively small proportion of the total £183m, of which £0.200m related to the timing of the receipt of grant income. Having acknowledged that further work was required to address the issues raised by WAO, Council officers had worked with WAO colleagues to identify control measures to be implemented immediately. In addition, all officers dealing with grants would be obliged to attend forthcoming training sessions with WAO.

Ms. Amanda Hughes of WAO expressed her disappointment on the findings of the overall report. Although it was noted that the Council had generally adequate arrangements in place for the production and submission of its 2013-14 grant claims, she said there was a need to further embed and improve the arrangements which had been adopted following recommendations

in reports for previous years. Of the 19 claims submitted, ten were qualified and nine unqualified, of which five were subject to amendment. Ms. Hughes referred to her work with the Finance team to assist with the arrangements and identify improvements such as the training sessions, as a result of which she was confident that claims for 2014/15 would see a marked improvement.

In response to a question by Councillor Haydn Bateman, Ms. Hughes explained the grant claim process relating to Families First where a number of transactions had been identified outside the 2013/14 period and should not have been included as expenditure within that grant claim. The Corporate Finance Manager confirmed that the officer dealing with this matter had been made aware of the issue. Ms. Hughes went on to respond to queries on other grant claims explaining the need for the Council to adhere to rules applied to grant claims.

Councillor Alison Halford felt that there were major issues with grant claims and that the situation was unacceptable in light of the issues raised in previous years, questioning the root of the problem. Ms. Hughes said that the grant claims rules were not too complex and that the issues may have arisen due to a lack of understanding of the requirements for grant expenditure and following up the rules. She referred to the Grant Completion Checklist which had previously been implemented to accompany and verify grant claims and explained that it had not been used consistently or correctly completed. Having discussed this with the Chief Executive, Corporate Finance Manager and his team, all were keen to ensure this was quickly resolved. A pre-audit check certified by a senior Finance officer was also due to be introduced to identify any issues prior to the audit.

Councillor Halford commented on the expectation for basic finance issues to be dealt with appropriately and asked Ms. Hughes whether it was possible for the issues raised to be partly attributable to the restructuring of the Finance department. Ms. Hughes said that the processing of grant returns was routinely carried out by accountants and would not be impacted by the restructure. She felt that the issue was around raising awareness with officers dealing with grant claims - not just in Finance but across the organisation - to improve understanding on putting together auditable grant claims.

Mr. Paul Williams remarked that grant claims had been an issue since he was co-opted on the Committee in 2012 and that the Committee should be concerned that its recommendations had not been followed through. He felt that the Committee's dissatisfaction and call for accountability should be conveyed to the Chief Executive if no improvement was shown this year.

Whilst the Corporate Finance Manager shared concerns, he gave assurance of the steps being taken to improve matters, eg the central grants register to collate and document claims, pre-audit checks and encouraging service managers to attend the training which was mandatory for all officers dealing with grant claims, focussing on those areas where issues had been identified.

Following up the comments by Mr. Williams, the Chairman suggested that officers could be held accountable in future by appearing before the Committee to explain and justify the reasons for any errors.

The Chief Officer suggested that the requirement for the relevant Chief Officer or senior manager to attend and provide explanation on how the error arose and preventative action could form part of the Committee's recommendation.

Councillor Glyn Banks referred to the Welsh average for qualified claims and requested more information to provide context on the numbers involved. Ms. Hughes agreed to find out and respond separately. Following the meeting, she confirmed that the Welsh average for local authority errors was £105k on £141m (in comparison to the Council's £200k on £183m).

Following a suggestion by Councillor Banks, the Corporate Finance Manager agreed that attendance at the WAO training sessions would be made compulsory for service managers in addition to officers responsible for dealing with grant claims.

Concerns were raised by Councillor Arnold Woolley that seven previously reported qualification issues were deemed by WAO to be still ongoing. He went on say that assurance was needed that officers had the necessary skills and capacity to enable them to undertake their roles effectively.

In acknowledging the concerns raised, the Corporate Finance Manager said that the previous year had been particularly challenging due to the introduction of the new operating model and departmental capacity in dealing with the implementation of Single Status. He hoped that the Committee would be assured by the processes under review to understand the reasons for issues identified.

Mr. Williams proposed that the Committee state its disappointment and concerns on the findings of the report, despite previous recommendations and actions. Accordingly, to recommend that in the event of any further findings, the responsible Chief Officer be requested to attend the Audit Committee to give appropriate explanation. In seconding the proposal, Councillor Halford added that the Chief Executive should also be in attendance. This was agreed by the Committee.

The Chairman thanked WAO colleagues for their work on the report.

RESOLVED:

The Committee wishes to state its disappointment and concerns on the findings of the report, despite previous recommendations and actions. Accordingly, it recommends that in the event of any further findings, the Chief Executive and responsible Chief Officer be requested to attend the Audit Committee to give appropriate explanation.

11. FINANCIAL PROCEDURE RULES

The Finance Manager presented the proposed updated Financial Procedure Rules (FPRs) and sought recommendation to the next Constitution Committee meeting on 1 July prior to submission to County Council on

30 September 2015. In line with the Council's statutory obligations, there was a need to annually review the FPRs as well as reviewing each individual rule at least every two years. A brief overview was given of the six sections of the document, which included a glossary of financial terms to help understanding. The Finance Manager welcomed any feedback on the document and provided detail on the publication of the final approved FPRs together with a summarised version.

Mr. Paul Williams suggested that the wording on the formal virements requiring Cabinet approval be changed to reflect that this applied to aggregate amounts in excess of £75K within that specific budget. The Corporate Finance Manager confirmed that the £75K limit was an accumulative amount and would amend the wording to clarify this.

RESOLVED:

That the updated Financial Procedure Rules, incorporating the suggested amendment, be approved and recommended for submission to County Council.

12. INTERNAL AUDIT PROGRESS REPORT

The Internal Audit Manager presented the update report on progress of the Internal Audit department. He referred to work on the completion of the updated Plan for 2014/15 and commencement of the 2015/16 Plan, together with implementation of the integrated audit software as detailed in the report.

On the list of finalised reports, an overview was provided on the findings of those with red assurance levels. On Communities First, reference was made to the grants issues raised by the Wales Audit Office (as discussed earlier in the meeting) and the need to comply with the Contract Procedure Rules on future procurement. On Schools Safeguarding, the Internal Audit Manager welcomed the swift response and actions from management to address the recommendations. In addition to communications sent to all schools, it was intended to raise the urgent safeguarding issues identified by the audit review through the Heads' Federations in the current term to ascertain any training requirements. Following a query from Councillor Glyn Banks, it was confirmed that the seven schools involved had been selected at random.

On the implementation of recommendations, it was explained that actions relating to staff recruitment and induction had been delayed due to the departure of key staff at managerial level. Actions had therefore been reallocated and a new deadline date would be agreed.

Following concerns raised by Councillor Alison Halford on Section 106 Agreements, the Internal Audit Manager gave assurances that this audit would be scheduled into the 2015/16 Plan.

Councillor Arnold Woolley pointed out that some of the recommendations remained outstanding from reports issued up to six years ago and had been given revised deadline dates. The Internal Audit Manager acknowledged this and assured Members that each would be reviewed to ascertain if they were still relevant to enable him to report back to the Committee on progress with actions

being taken. He added that most related to the Capital Programme which would be addressed through the Capital Strategy due to be issued. Following further comments by Councillor Woolley on the need for accountability to the Committee, the Chief Officer (Governance) detailed the reasons behind outstanding recommendations in his portfolio which demonstrated the need to defer actions in some cases. He added that the integrated audit software would aid in the implementation and tracking of recommendations. The Internal Audit Manager gave a reminder that the process also involved seeking approval from the relevant Chief Officer on the reason for non-implementation of recommendations.

Mr. Paul Williams pointed out that audit recommendations were based on risk which was a concern for those which had been outstanding for some time. Whilst acknowledging reliance on the opinion of Internal Audit on acceptance of the risks, he felt that fuller explanations would be helpful to give assurance to the Committee, and hoped that the situation would improve.

In response to a query by Councillor Haydn Bateman, the Internal Audit Manager agreed to provide more detail on Communities First.

On Performance Indicators, the overall target for issuing reports had been narrowly missed. Despite the downturn in the number of returned client satisfaction questionnaires at the end of each audit, the annual figure was 57% which remained above the Welsh average.

In response to concerns raised by Councillor Halford at this downturn, the Internal Audit Manager explained that the returned questionnaires generally reported positive feedback. He gave assurances that questionnaires would continue to be chased and hoped that this figure would improve through monitoring by the new integrated audit software. Councillor Halford said that this was a long-standing problem and suggested that those responsible could attend a future meeting to provide explanation. Whilst the Chief Officer understood these frustrations, he pointed out the need to consider the workload involved, highlighting the audit work on the Plan which was disproportionately spread amongst portfolios.

On the summary of investigations, the Committee was advised that the disciplinary process relating to Waste had reached a conclusion and that, as previously requested, a report would be received at the next meeting.

RESOLVED:

That the report be approved.

13. INTERNAL AUDIT ANNUAL REPORT 2014/15

The Internal Audit Manager introduced the report which summarised the outcome of all audit work undertaken during 2014/15 and included the audit opinion that the Council had an adequate and effective framework of governance, risk management and internal control along with the scope and basis of that opinion.

RESOLVED:

That the report and the internal audit annual opinion be received.

14. ACTION TRACKING

The Internal Audit Manager presented an update report on actions carried out to date from points raised at previous meeting of the Committee. All actions stated were either in progress or had been completed.

RESOLVED:

That the report be accepted.

15. FORWARD WORK PROGRAMME

The Committee received the report on the Forward Work Programme for the next year.

RESOLVED:

That the Forward Work Programme be accepted.

16. ATTENDANCE BY MEMBERS OF THE PRESS AND PUBLIC

There was one member of the press in attendance.

(The meeting started at 2.50 pm and ended at 5.00 pm)

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Chairman