

**AUDIT COMMITTEE**  
**24 SEPTEMBER 2014**

Minutes of the meeting of the Audit Committee of Flintshire County Council held in the Clwyd Committee Room, County Hall, Mold on Wednesday, 24 September 2014

**PRESENT: Councillor Tim Newhouse (Chairman)**

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

**SUBSTITUTE:** Councillor: Ron Hampson (for Alan Diskin)

**APOLOGY:** Mr Paul Williams

**IN ATTENDANCE:**

Chief Executive, Chief Officer (Governance), Internal Audit Manager, Democracy & Governance Manager, Corporate Finance Manager and Committee Officer

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

Finance Manager - Technical Accountancy (for minute number 28)

Chief Officer (Education & Youth), Principal Learning Advisor Inclusion and Service Manager, Resources (for minute number 31)

Revenues & Benefits Manager (for minute number 32)

**25. SUBSTITUTION**

In line with the Constitutional requirement, agreement was sought to allow the substitution of Councillor Ron Hampson for Councillor Alan Diskin.

**RESOLVED:**

That Councillor Ron Hampson be permitted as a substitute for the meeting.

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

There were no declarations of interest.

**27. MINUTES**

The minutes of the meeting of the Committee held on 16 July 2014 were submitted.

**RESOLVED:**

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

## **28. STATEMENT OF ACCOUNTS 2013/14**

The Corporate Finance Manager presented the Statement of Accounts for 2013/14 together with the Wales Audit Office (WAO) reports in connection with the audit of the financial statements and Letters of Representation for Flintshire County Council and the Clwyd Pension Fund.

The final accounts incorporated changes agreed by WAO during the course of the audit, which had been discussed with officers and relevant actions taken. In response to comments previously raised by WAO and queries from Members, a briefing note had been circulated in advance of the meeting, highlighting the main changes to the final accounts since submission of the draft version to the Committee in July 2014. All Members of the Council had been provided with responses to queries raised at that meeting, along with details of the available drop-in sessions held on 9 September 2014. In line with the usual practice, a copy of the final accounts had been included on the agenda for the County Council meeting, to be held in the afternoon, where approval would be sought within the statutory deadline of 30 September.

### Audit of Financial Statements report for Flintshire County Council 2013/14

Mr. John Herniman of WAO acknowledged the production of the accounts comprising good quality working papers with improvements shown from previous years, within the statutory deadline, which he said was a significant achievement. In recognising the complex work involved, he thanked the Finance team for their support and efforts in reaching the current position. An unqualified (clean) opinion had been issued on the financial statements and a summary given of the corrected misstatements identified in the report, which had been agreed with management and incorporated in the final accounts. An overview was given of the risks identified during the audit process, together with actions taken to address other significant issues as set out in the report. As a recurring issue, although the WAO had taken a different view to that of the Council on pension contributions on Equal Pay and Single Status settlements, it had accepted that no further action was necessary for the 2013/14 accounts. Further advice was given on clarifying arrangements for the setting up and monitoring of reserves and improving the reconciliation of pension membership data.

### Audit of Financial Statements report for Clwyd Pension Fund 2013/14

Ms. Amanda Hughes of WAO explained that the report which had been made available was not the final version and contained two errors. Under 'Financial systems risks', it was noted that approximately £293.8m of unquoted investments were held by the Pension Fund in 2013/14 and that reference to the date in paragraph 14 should be 31 March 2014. Attention was drawn to the corrected misstatements which had been incorporated in the final accounts, mainly relating to the timing of investment reports received after preparation of the accounts - which was beyond the control of the Finance section - and the use of updated information to correctly accrue for lump sum accruals. Ms. Hughes noted the actions being taken to address the risks identified in the report and confirmed that no material misstatements had been identified. She went on to advise of the need to strengthen arrangements to capture all data on retirements and deaths up to and including year end.

As further assurance to Members, the Chief Executive explained the involvement of the Corporate Finance Manager and Chief Officers in the process for finalising the accounts and the intention for further work to be undertaken on the treatment of reserves.

**RESOLVED:**

- (a) That the final version of the Statement of Accounts 2013/14 be recommended to County Council; and
- (b) That the Letters of Representation for Flintshire County Council and the Clwyd Pension Fund be recommended to County Council.

**29. IMPROVEMENT PLAN 2014-15 AUDIT - CERTIFICATE OF COMPLIANCE**

The Chief Executive introduced the positive Certificate of Compliance which had been received from the Auditor General for Wales in respect of the audit of the 2014-15 Improvement Plan, together with the Council's Executive response. He explained that the Certificate of Compliance had replaced the full letter (issued in previous years by Wales Audit Office) and had been received by Cabinet and the Corporate Resources Overview & Scrutiny Committee. Discussion at the latter had led to agreement to establish a Task & Finish Group to work with the Chief Executive and Policy & Performance Manager on some of the process issues including target-setting and quality assurance of some of the narrative within the Improvement Plan.

The Committee received a presentation from Mr. Paul Goodlad of Wales Audit Office (WAO) who indicated that the feedback was mainly positive. The main points of the presentation were:

- Context and Background
- Summary
- The Council has addressed the key areas of concern highlighted in the September 2013 Improvement Assessment letter from WAO
- Improvement Objectives and sub-priorities within the Plan are (with a few exceptions) generally clear and robust
- Achievement measures do not always clearly reflect planned achievements/outcomes
- A few inconsistencies between aspirations to improve and the targets set for 2014-15
- In a few cases, the 'bigger impact' expected from the Plan is not apparent
- A minority of targets set for 2014-15 do not appear to be challenging
- In the significant majority of cases, the Council should be able to clearly demonstrate achievement of each improvement objective and sub-priority
- Gaining access to and awareness of the Improvement Plan and its key messages may be challenging for some stakeholders
- Proposals for Improvement

Mr. Goodlad referred to the austerity measures facing all Councils and the need for greater emphasis on clarity in defining improvement which could mean delivering the same service for less money. In terms of raising awareness of the Improvement Plan, it was confirmed that the 'Your Council' newsletter was available for anyone to access on the Council's website, with an option for users to subscribe if they wished.

Councillor Haydn Bateman commented on the potential for Flintshire Connects centres to help raise awareness of the Improvement Plan to members of the public. The Chief Executive commented on the challenges amongst all Councils in attracting public interest in corporate areas such as the Improvement Plan, whereas initiatives such as the Big Budget Conversation had generated considerable interest and had benefited from the use of social media.

**RESOLVED:**

- (a) That the presentation be received; and
- (b) That the report and the Council's Executive response be noted.

**30. INTERNAL AUDIT PROGRESS REPORT**

The Internal Audit Manager presented the update report on progress of the Internal Audit department. He reminded Members of the impact on the Plan as a result of work on an ongoing investigation and a departmental vacancy which had subsequently been filled. Outstanding audits from the 2013/14 Plan had been incorporated into the Plan for 2014/15 which had also been adapted to correspond with the new Chief Officer team, incorporating agreed changes to audits for their respective areas. As part of arrangements to increase the efficiency of the Internal Audit department, the Committee was advised of the procurement of integrated audit software to carry out a range of tasks in the audit process.

During an update on recommendation tracking, it was noted that 60% of recommendations had been implemented by their due dates including some which had previously been placed on hold, awaiting the implementation of Single Status.

On performance indicators for the department, the Internal Audit Manager explained changes to the process which had led to a reduction in the overall days from the end of fieldwork to issuing final reports. It was hoped that the new software might help to improve the number of completed client satisfaction questionnaires which had possibly been impacted by the management restructure.

It was also reported that following previous consideration by the Committee, the Whistleblowing Policy had been approved by the Constitution Committee and with no requirement for endorsement at County Council, had been published on the Infonet and highlighted with Members. It was hoped that employees' attention could be drawn to the new Policy by including a note in payslips for October 2014.

On the list of reports which had been finalised, Councillor Haydn Bateman asked for clarification on one of the recommendations relating to the Payroll audit which had been allocated a 'red' assurance level. The Internal Audit Manager explained that similar to remarks made by the Wales Audit Office on the previous agenda item, there was a need for accurate data to be kept on new starters for the Clwyd Pension Fund.

The Chief Executive said that the increase in voluntary redundancies may have been one of the reasons explaining performance issues on delays and that a commitment had been given to resolving the 'time lag' on pension leaver case processing working through into accounting.

On the findings of the same audit report, Councillor Alison Halford asked if the issues identified related to the iTrent system or inputting errors. The Internal Audit Manager said that the details of all new starters had not been captured in the report which was shared with Payroll and that the recommendation was for checks to be carried out on the list of authorisers for new starters. In response to a comment from Councillor Halford about the potential for senior officers to provide detail on the findings of audits within their sections, the Chief Executive said that more information could be made available above the level of detail in the report if required.

The Chief Executive thanked the Internal Audit Manager for the changes to the Plan in line with the new structure and welcomed the improvement shown in the number of days leading to final reports issued. He spoke of a change in management culture and working practices, led by himself and the Internal Audit Manager and said that there were no immediate plans to further review Internal Audit capacity which was aligned to the approved audit work programme.

The Internal Audit Manager responded to queries raised by Councillor Glyn Banks on performance indicators for the return of questionnaires and noted the suggestion for a change of term for 'client' questionnaires.

#### **RESOLVED:**

That the report be noted.

### **31. OUT OF COUNTY PLACEMENTS**

The Chief Officer (Education & Youth) introduced the report detailing commissioning practices relating to out of county (OOC) placements, in response to a request made by Councillor Alison Halford at the previous meeting.

The report outlined the reasons for the Council's use of OOC placements and the joint approach taken to commissioning placements between Education, Social Care and Health colleagues. The Chief Officer acknowledged the high expenditure on OOC provision, as set out in the report, but pointed out that the cost implication of capital investment and revenue funding to create similar provision within Flintshire was not considered to be the best use of public money when, for example, good educational provision for children on the autistic spectrum was available across the border at Ysgol Plas Brondyffryn in Denbighshire.

The Principal Learning Advisor Inclusion explained that OOC provision was only used for individuals with more complex needs and stressed the importance of meeting needs despite the significant cost and small number of individuals involved. She went on to refer to the review of OOC commissioning processes in 2010 where a series of outcomes had been agreed, as set out in the report, and that the introduction of new legislation and Educational reforms would generate further collective working between the three agencies: Education, Social Care and Health. Reference was made to the composition of the multi-agency OOC Panel responsible for considering placement options and the assessment activity taking place to reach that stage.

The Principal Learning Advisor Inclusion also commented on Flintshire's involvement with the North Wales Commissioning Hub and gave assurance that the processes in place to commission OOC placements were robust and were subject to monitoring and challenge to determine the most appropriate outcome.

In response to comments from Councillor Halford on the cost of OOC provision in Denbighshire, the Chief Officer said that the core charging rates were set out in regulations but that the availability and suitability of alternative placements were always given consideration first. When asked about any financial implications arising from issue of the Welsh Government (WG) Continuing Health Care Guidance (Children), the Service Manager (Resources) said that additional funding would not be available from WG. He stated his view that the contribution by Health was fair and that the intention was for Education and Social Services colleagues to work with the Health Board on these changes. The Principal Learning Advisor Inclusion spoke about the positive relationship with the Health Board and the other North Wales Councils in the Commissioning Hub.

Following comments from Councillor Ron Hampson on Ysgol Maes Hyfryd, the Principal Learning Advisor Inclusion said that pupil numbers were high in this school which was working creatively to maintain provision for children with specific learning needs. She also referred to the success of Coleg Cambria in helping pupils with the transition from specialist schools to college.

Councillor Glyn Banks welcomed the report and asked about the potential for Flintshire to buy into OOC provision. Officers spoke about the priority to work collaboratively for the benefit of young people and to utilise the expertise in place, ensuring that other learners were able to take advantage of facilities which were available. It was stressed that sustaining current OOC provision such as Ysgol Plas Brondyffryn was in the interests of Flintshire and Wrexham.

**RESOLVED:**

That the report be noted.

**32. SINGLE FRAUD INVESTIGATION SERVICE**

The Revenues & Benefits Manager presented the report on the transfer of the Housing Benefit Fraud Investigation to the Department of Work & Pensions (DWP) Fraud and Error Service.

It was explained that responsibility for the investigation and prosecution of Housing Benefit fraud was to pass from all Councils to the newly formed Single Fraud Investigation Service (SFIS) by March 2016, managed by DWP. Council officers in Flintshire were working with SFIS to achieve their set transfer date of 1 October 2014 when the Council would no longer have statutory powers to investigate incidents of fraud. The implications for the small investigations team in Flintshire were set out in the report and it was explained that the Council would maintain responsibility for reporting suspected fraud cases to SFIS by email. Confirmation was awaited on the level of new burdens funding for the support work required in providing Housing Benefit information to the new service.

In response to a query from Councillor Haydn Bateman, the Revenues & Benefits Manager reported on the transfer of the Council's two investigators to SFIS.

The Chief Executive said that there had been some concerns about the early transfer date for Flintshire and the possible impact on quality of service.

**RESOLVED:**

That the report be noted.

**33. CERTIFICATION OF GRANT CLAIMS AND RETURNS 2012/13**

The Corporate Finance Manager introduced the annual report on the grant claim certification for the year ending 31 March 2013. 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 in conjunction with the managers of relevant services.

The report by Wales Audit Office (WAO) was presented by Ms. Amanda Hughes who confirmed that whilst the Council had generally adequate arrangements in place for the production and submission of its 2012/13 grant claims, there was scope for improvement which was being progressed. She referred to the interactive training sessions held with Council officers which had been well received and had led to WAO giving individual feedback to relevant officers on each particular grant claim.

The overall grants total for 2012/13 was reported to be £190m with a £0.066m net adjustment to claims relatively small in proportion to the total. Of the 31 grant claims certified during this period, 17 were unqualified and 14 qualified. Ten of the grant claims had been submitted late, however it was noted that nine of these related to Communities First claims where the Council had retrospective approval for late submission. Following a request previously made, the summary of certification work outcomes included an additional column to show the result from the previous year's report for comparison. Ms. Hughes drew attention to the five recommendations in the WAO report and hoped that the more detailed feedback and training provided would impact positively on the grant claim certification for 2013/14.

Councillor Alison Halford asked for clarification on the delay relating to the claim for the North East Wales Town Regeneration Project. Ms. Hughes was unable to provide a response to this specific question but commented that delays resulting from submission issues sometimes applied to European claims.

In response to a question from Councillor Haydn Bateman, Ms. Hughes gave examples of various issues which could impact on the verification of claims.

The Corporate Finance Manager responded to queries from Councillor Ian Roberts on Communities First claims, explaining that claims for 2012/13 included those up to 31 March 2013. Councillor Roberts said that with the prospect of local government re-organisation, clear guidelines would be needed on the disposal of assets. Ms. Hughes said that officers should be aware of the requirements and conditions relating to each grant.

**RESOLVED:**

That the content of the Grant Claim Certification for 2012/13 be noted.

**34. 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.

The Democracy & Governance Manager explained that the action to develop value for money reporting had been addressed at the informal meeting between the Committee and Overview & Scrutiny Chairs and Vice-Chairs on 9 September 2014.

Members thanked the Chief Officer (Governance) for circulating information on the work of the Independent Reviewing Officers, in response to a query raised at the previous meeting under discussion on the supplementary financial information to the Statement of Accounts 2013/14.

**RESOLVED:**

That the report be accepted.

**35. FORWARD WORK PROGRAMME**

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

Councillor Alison Halford suggested that a future item be considered on waste including costs of landfill and contractors.

The Internal Audit Manager pointed out that an audit on waste was to be undertaken in this year's Plan. The Chief Executive said that a mechanism was in place for matters relating to the North Wales Residual Waste Treatment Project to be submitted to the Environment Overview & Scrutiny Committee. To avoid the risk of duplication of work, the Democracy & Governance Manager said



that operational matters on waste should remain under the remit of Overview & Scrutiny whereas the findings of the forthcoming audit would provide the Audit Committee with assurance levels on controls or give the opportunity to raise any concerns. No further comments were made.

**RESOLVED:**

That the Forward Work Programme be approved.

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

There was one member of the press in attendance at the start of the meeting.

(The meeting started at 10.00 am and ended at 11.55 am)

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**Chairman**