

**AUDIT COMMITTEE**  
**10 DECEMBER 2014**

Minutes of the meeting of the Audit Committee of Flintshire County Council held in the Clwyd Committee Room, County Hall, Mold on Wednesday, 10 December 2014

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

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

**LAY MEMBER:** Mr. Paul Williams

**IN ATTENDANCE:**

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

Ms. Amanda Hughes of Wales Audit Office

Finance Manager - Technical Accountancy (for minute number 39)

Policy & Performance Manager (for minute numbers 40 and 41)

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

There were no declarations of interest.

**38. MINUTES**

The minutes of the meeting of the Committee held on 24 September 2014 were submitted.

**RESOLVED:**

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

**39. TREASURY MANAGEMENT - MID YEAR REPORT 2014/15**

The Finance Manager - Technical Accountancy introduced an update on matters relating to the Council's Treasury Management Policy, Strategy and Practices 2014/15 to the end of September 2014. In summarising the key points, she stated that no new borrowing had taken place during the year and this was likely to be the case for the remainder of 2014/15. She referred to the impact of both the Housing Revenue Account (HRA) subsidy reform (reported to Cabinet in November 2014) and the 'bail-in' provisions resulting from the EU Bank Recovery and Resolution Directive, both of which would be covered as part of the Treasury Management training session in January 2015. In line with the usual practice, all Members had been invited to attend the training and suggestions for other topics to be included in the session were welcomed.

In response to a question from Councillor Haydn Bateman, the Finance Manager explained that investments with Money Market Funds were pooled.

Investments made with banks and building societies were normally for periods up to 12 months in line with the advice received, however there was potential to invest over a longer term to achieve a better rate, depending on the security of the counterparty.

Councillor Glyn Banks asked for clarification on the settlement payment to be paid by all stock-retaining councils to the Welsh Government (WG) to abolish the HRA Subsidy system. The Finance Manager advised that the final amount for Flintshire (yet to be confirmed) would need to be borrowed from the Public Works Loans Board and that exiting the system would benefit the Council through the receipt of additional revenue each year to re-invest in stock.

The Chief Executive said that there would be no new risks to the HRA as a result of this action, which would benefit the Council, and that further detail would be shared with Members at the training session.

Following a question on investments made within smaller periods, the Finance Manager explained that decision-making on investments involved taking a measured view within the context of the Council's changing cashflow requirements.

#### **RESOLVED:**

That the draft Treasury Management Mid-Year Report 2014/15 be noted.

#### **40. RISK MANAGEMENT UPDATE**

The Chief Executive presented an overview of key risks to the achievement of the Council's Improvement Priorities together with work to further improve the approach to risk management as part of business planning arrangements. He provided information on the work undertaken by the Internal Audit Manager and his team to verify improvements from the new approach to managing risks, which had been reflected in the Wales Audit Office (WAO) Corporate Assessment to be made available in the New Year.

In presenting a summary of risks for the Improvement Priorities at September 2014, the Policy & Performance Manager highlighted ten from across the Authority showing an increase since June 2014. Many of these were due to external factors outside the Council's control, for example, dependency on Welsh Government (WG) funding, which demonstrated that most internal risks were being managed well. Whilst acknowledging the improved approach to risk management, the work undertaken by Internal Audit and WAO had identified the need to address some areas of inconsistency. In response to this, the revised approach being taken by the Chief Officer Team would be reported to a future meeting of the Committee.

Mr. Paul Williams sought clarification on the 'red' target score allocated to three 'red' risk areas under the Financial Strategy sub-priority. The Chief Executive provided explanation on the timing of factors such as ongoing work on the strategy to close the Council's financial gap, confirmation awaited on the local government final settlement and uncertainty around specific grants. Although consultation on the draft strategy for the 2015/16 budget was due to take place

with Overview & Scrutiny Committees in January 2015, this would need to be viewed as a democratic risk as the acceptability of the budget proposals were yet to be fully tested.

**RESOLVED:**

- (a) That the summary of strategic risks related to the Improvement Priorities of the Council be noted; and
- (b) That the intent to refresh the Council's approach to risk management as part of streamlining and integrating the business planning arrangements be endorsed.

**41. ANNUAL PERFORMANCE REPORT 2013-14 AUDIT - CERTIFICATE OF COMPLIANCE**

Ms. Amanda Hughes of Wales Audit Office (WAO) introduced the positive Certificate of Compliance from the Auditor General for Wales in respect of the audit of the 2013-14 Annual Performance Report. She explained the requirement under the Local Government (Wales) Measure 2009 (the Measure) for the Council to publish its assessment of performance before 31 October in the financial year.

Information was provided on background to the issuing of Certificates, which replaced the previous practice, to confirm that the Council had complied with its duties under Section 15 of the Measure.

In response to a query from Councillor Haydn Bateman, Ms. Hughes explained that the current period of austerity had brought about a change in emphasis to enable audit work to offer insight and add value for improvement, as opposed to merely compliance 'tick box' checking.

**RESOLVED:**

That the positive Certificate of Compliance from the Auditor General for Wales in respect of the audit of the 2013-14 Annual Performance Report be noted.

**42. INTERNAL AUDIT PROGRESS REPORT**

The Internal Audit Manager presented the update report on progress of the Internal Audit department. No major issues were reported on the Audit Plan, which included some lower priority audits for possible movement if necessary. Members were advised of reasons for changes made to the Plan since last reported and progress on the gradual switch to using integrated audit software due to be implemented from January 2015.

During an update on finalised reports, more detail was given on the findings of those with high level recommendations. On recommendation tracking, whilst eight recommendations had been implemented, 16 remained outstanding, however 11 of these related to work on the Capital Programme and Capital Strategy which was currently in development. On performance indicators, it was envisaged that the downward trend on 'days taken for departments to return draft

reports' may continue into Quarter 3. The Internal Audit Manager provided explanation on the reasons for this which identified one particular area of concern, however it was felt that the new audit software would help to improve the process. The report also included benchmarking data for 2013/14 compiled by the Wales Chief Auditors' Group, where Flintshire's performance amongst the 15 Councils taking part was mainly above the Welsh average. The one indicator where this was not the case would show improvement as a result of the changes introduced to the audit process.

As mentioned at the previous meeting, attention had been drawn to the new Whistleblowing Policy by highlighting on employees' payslips in October 2014, although no new referrals had been received to date. The contact details of the Internal Audit Manager had been provided should employees prefer not to raise any issues directly with their supervising officer. Following a request from Councillor Alison Halford, the Internal Audit Manager agreed to notify the Committee of the number of issues referred through the Whistleblowing Policy, which was also available in the Internal Audit Annual Report.

In response to a question from Councillor Halford on the investigation in waste services, the Chief Executive replied that four employees had been subject to the disciplinary procedures, two of whom had been dismissed and one demoted with one outcome awaited. The Internal Audit Manager said that in line with the request previously made by the Committee, a report would be shared following completion of the disciplinary process.

The Chief Executive made reference to the investigation into potential fraud on concessionary travel by a bus operator. The vigilance of employees supporting the service and services elsewhere in North Wales had helped to identify this issue, which was now being followed up at a national level by Welsh Government (WG) as the funder of all schemes across Wales.

The Internal Audit Manager agreed to action the request by Councillor Haydn Bateman to view the final reports on 'Repairs & Maintenance Procurement' and 'Voluntary Redundancy & Early Voluntary Retirement'.

On Section 106 Agreements, Councillor Halford raised queries on the progress of audit work, the review being undertaken by the Planning section and papers which may have been issued to Town/Community Councils. The Internal Audit Manager said that the Chief Officer (Planning & Environment) had attended a meeting of the Committee to respond to issues raised on S106 Agreements. He agreed to provide a response to the Committee on any follow-up issues and the queries raised by Councillor Halford.

In welcoming the benchmarking results, Councillor Glyn Banks asked if it could be made compulsory for all 22 Welsh Councils to report their results to achieve a more complete picture. The Internal Audit Manager explained that this was an initiative by the group rather than by WG, and that individual Councils chose whether or not to participate.

Members were reminded by Ms. Amanda Hughes of Wales Audit Office that all Internal Audit sections within Councils were required to set and manage

their own performance measures as part of compliance with the Public Internal Audit Standards.

In recognition of the benefits of all Welsh Councils taking part in the benchmarking exercise, the Chief Executive suggested that the Internal Audit Manager report the concerns to the Wales Chief Auditors' Group and make representations for the remaining seven Councils to take part.

**RESOLVED:**

- (a) That the report be noted; and
- (b) That the Internal Audit Manager make representations to the Wales Chief Auditors' Group, on behalf of the Committee, for all Welsh Councils to participate in the benchmarking exercise.

**43. CORPORATE GOVERNANCE**

The Democracy & Governance Manager presented a report to agree the annual update of the Code of Corporate Governance and the preparation process for the Annual Governance Statement (AGS) 2014/15.

Following a number of agreed changes made to the Code of Corporate Governance last year, only a small number of amendments were suggested as an update. Members' views were sought on the process for preparing the AGS including the questionnaire for Overview & Scrutiny Chairs which reflected changes agreed at an informal meeting of the Committee in response to a suggestion by Ms. Amanda Hughes of Wales Audit Office at the June 2014 meeting. The improvements to the process agreed and adopted last year would continue.

Following a question by Mr. Paul Williams, Ms. Hughes felt that the approach taken by the Council was reasonable and welcomed the opportunities created for greater Member involvement.

The Chief Executive said that the process had been strengthened through the approach for a greater level of officer and Member challenge. The Democracy & Governance Manager reported on the actions taken by the Working Group to scrutinise the questionnaires returned by Chief Officers to ensure that the self-assessments were justified by appropriate evidence.

**RESOLVED:**

- (a) That the updated Code of Corporate Governance shown in Appendix 2 to the report be agreed;
- (b) That the process for preparation of the Annual Governance Statement as shown in Appendix 3 to the report be endorsed; and
- (c) That the questionnaire to be sent to Overview & Scrutiny Chairs shown in Appendix 4 to the report be agreed.

**44. 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 due for completion had been finalised.

**RESOLVED:**

That the report be accepted.

**45. FORWARD WORK PROGRAMME**

The Internal Audit Manager presented the report to consider the Forward Work Programme for the next year. He agreed to report back to the next meeting on a Good Governance seminar to which he and Mr. Paul Williams were due to attend.

**RESOLVED:**

That the Forward Work Programme be noted.

**46. 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 10.54 am)

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**Chairman**