

AUDIT COMMITTEE
12 SEPTEMBER 2018

Minutes of the meeting of the Audit Committee of Flintshire County Council held in the Clwyd Committee Room, County Hall, Mold on Wednesday, 12 September 2018

PRESENT: Councillor Helen Brown (Chair)

Councillors: Geoff Collett, Chris Dolphin, Andrew Holgate, Paul Johnson and Arnold Woolley

APOLOGY: Sally Ellis (co-opted member)

ALSO PRESENT: Councillors Haydn Bateman, Dave Healey, Patrick Heesom, Billy Mullin and Ian Roberts attended as observers

IN ATTENDANCE:

Chief Executive; Chief Officer (Governance); Internal Audit Manager; Corporate Finance Manager; and Democratic Services Officer

Richard Harries and Mike Whiteley of Wales Audit Office

Interim Finance Manager (Technical Accountancy) and Technical Accountant - for minute number 22

Chief Officer (Education & Youth) and Finance Manager (People & Resources) - for minute number 23

20. DECLARATIONS OF INTEREST

None.

21. MINUTES

The minutes of the meeting held on 11 July 2018 were submitted.

RESOLVED:

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

22. STATEMENT OF ACCOUNTS 2017/18

The Corporate Finance Manager presented the final version of the Statement of Accounts 2017/18 with the Wales Audit Office (WAO) reports in connection with the audit of the financial statements and Letter of Representation for Flintshire County Council. A full written response had been provided to questions raised at the draft stage with no further queries raised by Members since. It was confirmed that all material misstatements were presentational only and had been included in the final version. As part of the Council's response to the audit findings, attention was drawn to the need to update the accounting policy for accruals of income and

expenditure. It was reassuring to note comments by WAO recognising that the accounts had been prepared to a good standard and supported by detailed and timely working papers.

A copy of the Clwyd Pension Fund Statement of Accounts, for which approval had been delegated to the Clwyd Pension Fund Committee, were also shared for information and completeness. These had been formally approved on 5 September 2018.

As a change to the usual practice, Richard Harries of WAO presented the ISA 260 report by way of a presentation covering:

- Overall conclusion
- Auditor General's responsibilities
- Audit position and issues arising from the audit
- 2018-19 and future years

He commented on the high quality of the accounts which would be given an unqualified ('clean') audit opinion by the Auditor General for Wales. He said that there had been positive engagement between Council officers and WAO throughout the process and that the findings had been discussed with management to help identify further improvements. He explained the concept of materiality adopted for auditing the financial statements and commended the Council's achievements in completing the work at an earlier stage in advance of changes to statutory deadlines which would be a challenge for all involved. To facilitate this, discussions were planned to consider how to work together to improve the process to help the Council further develop its early closure arrangements.

The Corporate Finance Manager and Interim Finance Manager were thanked by the Chief Executive and WAO colleagues for their work on the accounts during the audit process. The Pensions Finance Manager was also thanked for her work on the Clwyd Pension Fund accounts which had been well received.

The Chief Executive welcomed the team effort on the audit and the high level of assurance given by WAO. He spoke positively about corporate ownership of the accounts and the effective role of the Accounts Governance Group in overseeing the accounts, which would continue. He said that the retention of sufficient capacity within the Finance function to meet future compressed statutory deadlines should be recognised during forthcoming discussions on budget options for 2019/20.

Following comments on the presentation used to convey the audit findings, Richard Harries said that a considered view would be taken by WAO on the best approach to be used at future meetings.

RESOLVED:

- (a) That the final version of the Statement of Accounts 2017/18 be recommended for approval by County Council;
- (b) That the WAO ISA 260 presentation be noted; and

- (c) That the Letter of Representation be recommended for acceptance by County Council.

23. SCHOOL RESERVE BALANCES YEAR ENDING 31 MARCH 2018

The Chief Officer (Education & Youth) and Finance Manager (People & Resources) presented a report on the reserves held by Flintshire schools as at 31 March 2018. In comparison with March 2017, a total decrease of 11% was reported.

The summary position showed that a 47% increase in the net deficit of reserves held by secondary schools was offset by a 15% increase in primary reserves. Although the school maintenance grant allocated by Welsh Government (WG) had improved the outturn position of school reserve balances, the level held by secondary schools with positive balances was less than 2% of budget. The impact of continuing austerity measures was amongst a number of contributing factors which resulted in schools having to absorb the cost of inflationary increases. Future changes in demographics would result in a redistribution of funding between primary and secondary sectors.

The Chief Officer spoke about the complexities in managing school budgets during the continuing period of austerity and the position was being monitored. Ongoing support from colleagues in Human Resources and Finance to help Head Teachers to develop robust strategies had been welcomed by schools. Clarification was given on the approach to dealing with deficit balances and work was being undertaken to identify schools at risk of moving into this position so that support could be targeted. Secondary schools had access to the national schools benchmarking tool developed by WG, which was now being adapted for the primary sector.

The Chief Executive said that the level of school reserves was a concern and reflected a similar position in schools across the UK in the context of significant budget constraints. All schools were required to adopt effective business planning, however this was only sustainable with an increase in national funding on which representations had been made. He said that a deteriorating deficit overall position on school balances in Flintshire was a corporate risk to the Council and asked that this be recorded as a live ongoing risk in the Medium Term Financial Strategy.

Councillor Dolphin sought clarification on the efficiency metric as part of the benchmarking tool. The Finance Manager explained that a range of school data was assessed, which enabled comparison of costs between schools of a similar profile to help identify improved ways of working.

In response to a question from Councillor Johnson, the Chief Officer explained work with the Admissions team to model current statistics within the system to generate broad assumptions on future admission levels. The same approach was used for faith-based and Welsh medium schools.

The Chair gave a reminder that applications for school places could be made through the Admissions department.

RESOLVED:

That the school reserves balances as at 31 March 2018 be noted.

24. ANNUAL REVIEW OF STRATEGIC RISKS

The Chief Executive presented the annual position statement on the strategic risks contained within the Council's 2017/18 Council Plan. This was to assure the Committee that the risk levels that were under the Council's control were moving in a positive direction and being successfully managed.

It was reported that the 48 strategic risks within the Council Plan had been successfully managed, with the majority assessed as minor/insignificant or moderate, which was an improved position from the initial risk assessment. The risk profile was largely unchanged over the period with 12 major (red) risks remaining, many of which were reliant on external factors. During a summary of the red risks, good progress was reported on work being undertaken to improve the timeliness of Disabled Facility Grants. On residential and nursing home care bed availability, it was hoped that the expansion of Marleyfield would impact positively on the risk status. The matching of school places with changing demographics would need to be informed by the Local Development Plan (LDP) process. To meet the scale of the financial challenge, budget workshops had been scheduled to consider a range of options to balance the budget for 2019/20, however this was dependent on a positive financial settlement from Welsh Government.

RESOLVED:

That the Committee notes the status for the 2017/18 end of year summary of the strategic risks of the Council priorities; endorsing the successful management of risks, where these are in control by the Council.

25. ACTION TRACKING

The Internal Audit Manager presented the progress update report on actions arising from previous meetings. On the management of strategic risks arising from the March 2018 meeting, she reported that an initial meeting had been arranged for 1 October for Chairs and Vice-Chairs to agree on Terms of Reference.

The Chief Officer (Governance) said that the meeting would address the question previously raised by Sally Ellis on the respective roles of the Audit Committee and Overview & Scrutiny committees.

The Chief Executive advised that the action tracking reporting mechanism - which was an effective tool for the Audit Committee - was to be piloted with all Overview & Scrutiny committees, starting with Corporate Resources.

Councillor Dolphin expressed his disappointment with the written update on progress with Greenfield Valley Heritage Park provided after the last meeting. He declined the offer of a further update.

RESOLVED:

That the report be accepted.

26. FORWARD WORK PROGRAMME

The Forward Work Programme was received for consideration and detailed the movements since last reported.

RESOLVED:

- (a) That the Forward Work Programme be accepted; and
- (b) That the Internal Audit Manager, in consultation with the Chair and Vice-Chair of the Committee, be authorised to vary the Forward Work Programme between meetings, as the need arises.

27. ATTENDANCE BY MEMBERS OF THE PRESS AND PUBLIC

There was one member of the press in attendance.

The meeting commenced at 10am and finished at 10.55am

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Chair