

**AUDIT COMMITTEE**  
**11 SEPTEMBER 2019**

Minutes of the meeting of the Audit Committee of Flintshire County Council held in the Clwyd Committee Room, County Hall, Mold on Wednesday, 11 September 2019

**PRESENT: Councillor Chris Dolphin (Chairman)**

Councillors: Geoff Collett, Patrick Heesom, Andrew Holgate, Paul Johnson and Arnold Woolley

Co-opted member: Sally Ellis

**SUBSTITUTE:** Councillor: Ian Dunbar (for Andy Dunbobbin)

**ALSO PRESENT:** Councillors: Ian Roberts, Leader of the Council and Cabinet Member for Education; Glyn Banks, Cabinet Member for Finance; David Evans; and Ted Palmer were present as observers. Allan Rainford was also present as an observer.

**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

Senior Auditor; Senior Manager - School Improvement Systems; and Head Teacher of Argoed High School (for minute number 26)

Finance Manager - Technical Accountancy (for minute number 27)

**22. SUBSTITUTION**

In accordance with Constitutional requirements, the Committee agreed to allow Councillor Dunbar (who had undertaken the requisite training) to substitute for Councillor Dunbobbin.

**RESOLVED:**

That Councillor Dunbar be permitted as a substitute for the meeting.

**23. DECLARATIONS OF INTEREST**

None.

**24. MINUTES**

The minutes of the meeting held on 10 July 2019 were received.

Minute number 16: Draft Statement of Accounts 2018/19 - as noted in the Action Tracking report, the concerns about the outstanding debt owed to the Council had been raised with the Local Health Board at senior level. The situation would continue to be monitored with further representations to be raised at forthcoming meetings and at regional level. The Corporate Finance Manager advised that the amount owed by the Local Health Board had not significantly changed since last communicated to the Committee.

**RESOLVED:**

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

**25. VARIATION IN ORDER OF BUSINESS**

The Chairman indicated that there would be a slight change in the order of business to bring forward agenda item 7 (Internal Audit Progress Report) due to a third party representative being in attendance to speak on the item. The remainder of the items would be considered in the order shown on the agenda.

**26. INTERNAL AUDIT PROGRESS REPORT**

The Internal Audit Manager presented the update on progress of the Internal Audit department. On reports issued since the last meeting, there was one report with red (limited assurance) for school funds at Argoed High School which was amongst a sample of audits undertaken at four schools.

The Senior Auditor for the review (Rafaela Rice) provided background to the audit which had focussed on risks around the operation, management and regulatory requirements of school funds. The weaknesses identified had been discussed with the Headteacher and newly-appointed Business Manager to agree a number of changes for improving controls and strengthening procedures.

In response to the audit findings, the Headteacher of Argoed High School (Mr. Paul Smith) confirmed that procedures had been reviewed and an agreed action plan shared with key individuals. In addition to the newly-appointed experienced Business Manager, the appointments of a Vice-Chair of Finance and co-opted governor with relevant experience would build resilience into the oversight of the School's financial management. Other actions involved training sessions and visits to other schools identified as good practice. The Headteacher also advised that a task group of school governors would monitor progress on the audit recommendations, some of which were underway. He gave assurance that all actions would be implemented by the Spring term.

The Senior Manager - School Improvement Systems confirmed that the findings had been escalated to the Chief Officer who would be kept informed of progress on actions. To raise awareness across all schools, the issues were being discussed with the School Budget Forum and Primary Heads' Federation, with relevant training planned for schools.

In thanking the Headteacher for his attendance, the Chief Executive said that he was satisfied with the urgency and intent of the School's response and the shared learning amongst schools.

In response to questions from Sally Ellis, the Internal Audit Manager explained that actions would require evidencing before closing down and that a follow-up review was undertaken for all red assurance audits.

On the three amber/red (some assurance) reports issued during the period, Sally Ellis was concerned about the lack of progress on the Alltami Stores follow-up and proposed that this be referred to the Environment Overview & Scrutiny Committee for further monitoring. The Internal Audit Manager agreed to raise this at the next meeting of the liaison group with Overview & Scrutiny Chairs.

The Chief Executive spoke in support of this and said that an initial review meeting would be held with the Chief Officer.

Following comments from Councillor Johnson on school funds across primary and secondary sectors, the Internal Audit Manager said that similar issues had been identified at some of the other schools which had been audited. There was a lack of oversight on school funds in general, hence the issue had been highlighted across all schools.

The Internal Audit Manager summarised the key points from other sections of the progress report, including progressing overdue actions with Chief Officers.

In response to concerns, Councillor Dunbar was informed that audit work on Housing Rent and Arrears was scheduled for Quarter 4 which commenced in January 2020.

Councillor Johnson's concerns about overdue actions on Planning Enforcement were shared by the Internal Audit Manager who said that Chief Officers and Service Managers were responsible for providing updates on progress. The Chief Executive said that a review meeting would be held with the Chief Officer and Internal Audit so that an update could be provided to the Committee as soon as possible. This was welcomed by the Chairman.

**RESOLVED:**

That the report is accepted.

**27. STATEMENT OF ACCOUNTS 2018/19**

The Corporate Finance Manager presented the final version of the Statement of Accounts 2018/19 incorporating changes agreed with the Wales Audit Office (WAO) during the course of the audit. Following receipt of the draft accounts in July, the Committee was asked to recommend the final version to County Council to meet the deadline, which was two weeks earlier than previous years. A full written response to questions raised at the draft stage had been shared with all Council Members with no further queries raised since.

The Corporate Finance Manager expressed his gratitude to WAO colleagues for the manner in which the audit had been undertaken and welcomed the unqualified opinion which had been issued. He said it was reassuring to know that the statements had been produced to a good standard and thanked the Finance Manager - Technical Accountancy and her team for their work. The Committee's attention was drawn to planned actions to address an issue relating to the process for valuing fixed assets which did not lead to any material misstatement. The potential impact of the 'McCloud' Judgement on all UK local authority pension schemes would take time to resolve fully and any financial impact for the Clwyd Pension Fund would need to be considered as part of the Actuarial Review cycle. The audit on the Clwyd Pension Fund accounts was currently ongoing with approval scheduled for 7 October in advance of the statutory deadline.

Mike Whiteley of WAO presented the main findings from the ISA 260 report in a presentation covering:

- Overall findings
- Auditor General's responsibilities
- Audit position
- Issues arising from the audit
- Independence
- Looking ahead

He said that this was again a positive audit with good co-operation from the officers, resulting in an unqualified ('clean') opinion by the Auditor General for Wales. He welcomed actions being put in place on asset valuations which may have been impacted by resource issues and said that such issues would need to be resolved prior to the introduction of earlier statutory deadlines. On the material amendment arising from the 'McCloud' judgement, the WAO was satisfied that the potential financial liability was a reasonable estimate at this stage.

On the latter point, the Chief Executive said it was disappointing that local press coverage did not reflect this as a nationwide issue on potential liabilities. Following detailed discussions, the estimated £12m liability was a reasonable assumption at this stage for Flintshire as one of the contributors to the Clwyd Pension Fund. Any impact would be over the longer term and affect annual employer contributions spread over many years.

On the future timetable for the annual accounts, the Chief Executive said it was important to recognise the impact of any delays in presenting and concluding queries which might occur in the audit process. As agreed with Group Leaders, a recommendation would be sought from the Constitution & Democratic Services Committee to County Council to delegate future approval of the group accounts to the Audit Committee. If agreed, this would not prohibit Member involvement on the accounts process.

The Chairman asked whether resource issues were evident in other teams, for example, Planning Enforcement. The Chief Executive said that teams were sized according to the minimum capacity to meet statutory duties and tasks, and that work was underway on vacancy management in specific areas. A previous report to the Committee had acknowledged changes made to the Planning Enforcement structure and time required to clear the backlog of work.

Richard Harries said that resourcing was a challenge to other organisations including the WAO. On the change to delegating approval of the accounts, he advised that other councils had adopted similar arrangements to help meet the new statutory deadline.

In response to comments from Councillor Johnson, Richard Harries provided background to the concept of materiality adopted by WAO.

When asked by Councillor Woolley about the number of non-material misstatements, Mike Whiteley replied that there were no concerns about the level of errors which had not changed significantly from the previous year. WAO and Council officers spoke about future consideration of the level of reporting and greater reliance on estimates.

**RESOLVED:**

- (a) That the final version of the Statement of Accounts 2018/19 be recommended for approval by County Council;
- (b) That the Wales Audit Office ISA 260 presentation be noted; and
- (c) That the Letter of Representation be recommended for approval by County Council.

**28. ANNUAL IMPROVEMENT REPORT 2018/19 OF THE AUDITOR GENERAL FOR WALES**

The Chief Executive presented the Annual Improvement Report by the Wales Audit Office (WAO) which summarised the audit and regulatory work undertaken at the Council since the last report published in November 2018. The report, which made no formal recommendations, concluded positively that 'the Council was meeting its statutory requirements in relation to continuous improvement but, as with all councils in Wales, it faces challenges going forward'.

He had no concerns about the voluntary proposals for improvement from national and local reports which were accompanied by a draft response setting out low-level actions. Any comments raised by the Committee would be reported to Cabinet.

Whilst highlighting the WAO Annual Audit Letter summarising work in 2017-18, Richard Harries advised that the letter for 2018-19 would report on all work in that period including the accounts for the current year.

**RESOLVED:**

That the Committee is assured by the Auditor General for Wales' Annual Improvement Report for 2018/19.

**29. STRATEGIC RISK MANAGEMENT UPDATE**

The Chief Executive introduced a report which provided a high-level overview of the strategic approach to risk management.

The four box model within the report was used for the identification and escalation of emerging risks at the correct stage. Examples of risks from the current Council Plan were also set out. A full report on the updated Risk Management Strategy would be scheduled for the next meeting.

Councillor Dunbar referred to the example on the Homelessness Strategy to which the Chief Executive gave a brief update on a range of initiatives including supported housing solutions.

**RESOLVED:**

- (a) That the Committee is assured by the Council's strategic approach to the management of risk; and
- (b) That the Committee receives a revised version of the Risk Management Strategy at the next meeting.

**30. APPOINTMENT OF A LAY MEMBER TO THE AUDIT COMMITTEE**

The Chief Officer (Governance) presented a report on the appointment of an additional lay member to the Audit Committee, as previously agreed by County Council on the recommendation of the Committee. The report set out the selection and interview process leading to the panel recommending the appointment of Allan Rainford, who was present in the public gallery.

The recommendation was moved by Councillor Woolley and seconded by Councillor Johnson. This was welcomed by the Chairman.

**RESOLVED:**

That the Committee recommends to full Council that Allan Rainford be appointed to the Audit Committee until the end of December 2023.

**31. AUDIT COMMITTEE ANNUAL REPORT**

The Chairman introduced the Audit Committee Annual Report 2018/19 for endorsement prior to its submission for approval at County Council in October. The arrangement to report annually on the Committee's activities and achievements met with best practice and had been reflected in the updated Terms

of Reference. The Chairman thanked the Internal Audit Manager for her work on the report.

**RESOLVED:**

That the Committee endorses the annual report for 2018/19 prior to its submission to Council for approval on 22 October 2019.

**32. ACTION TRACKING**

The Internal Audit Manager presented the update report on actions arising from previous meetings.

**RESOLVED:**

That the report is accepted.

**33. FORWARD WORK PROGRAMME**

The Internal Audit Manager presented the current Forward Work Programme for consideration, including a summary of the changes.

**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.

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

There was one member of the public in attendance.

The meeting commenced at 10am and finished at 11.15am

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**Chairman**