

**AUDIT COMMITTEE**  
**9 SEPTEMBER 2020**

Minutes of the meeting of the Audit Committee of Flintshire County Council held as a remote attendance meeting on Wednesday, 9 September 2020

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

Councillors: Janet Axworthy, Andy Dunbobbin, Councillor Heesom, Paul Johnson and Arnold Woolley

Co-opted members: Sally Ellis and Allan Rainford

**SUBSTITUTE:** Councillor Joe Johnson (for Geoff Collett)

**IN ATTENDANCE:**

Councillor Glyn Banks (Cabinet Member for Finance), Billy Mullin (Cabinet Member for Corporate Management and Assets), Chief Executive, Chief Officer (Governance), Corporate Finance Manager, Internal Audit Manager, Interim Finance Manager (Technical Accounting), Principal Accountant, Overview & Scrutiny Facilitator and Democratic Services Officer

Gwilym Bury and Mike Whiteley of Audit Wales (formerly Wales Audit Office)

**68. SUBSTITUTION**

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

**RESOLVED:**

That Councillor Joe Johnson be permitted as a substitute for the meeting.

**69. DECLARATIONS OF INTEREST**

As a Board member of NEW Homes, Councillor Axworthy declared a personal interest on the Statement of Accounts (agenda item 4).

**70. MINUTES**

The minutes of the meeting held on 23 July 2020 were approved, as moved by Councillor Dunbobbin and seconded by Allan Rainford.

Minute 64: Councillor Heesom endorsed the comments on plans to increase Member engagement on the Annual Governance Statement for 2020/21. A report on this process would be received at the next meeting.

**RESOLVED:**

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

## **71. VARIATION IN ORDER OF BUSINESS**

The Chairman indicated that there would be a slight change in the order of business to consider agenda item 5 (Audit Plan 2020) before item 4 (Statement of Accounts). The remainder of the items would be considered in the order shown on the agenda.

## **72. WALES AUDIT OFFICE (WAO) AUDIT PLAN 2020**

The Corporate Finance Manager introduced the Wales Audit Office Audit Plan for 2020 which set out the arrangements and responsibilities for proposed audit work for the Council during the year. Although the report had been issued in March, it had not been possible to present it to the Committee due to the emergency situation.

Mike Whiteley of Audit Wales (AW) advised that since issuing the report, a number of risks had been updated and communicated to the Council, a copy of which could be shared upon request. Those on the financial audit related to the increased use of accounting estimates and greater focus on Council procedures for closure of the accounts, however no such issues had arisen. Despite a delay to the planned date for the audit opinion on the accounts, it was confirmed that the statutory deadline would be met and that no issues had arisen from the audit that could compromise that. The introduction of the new standard on IFRS16 Leases was no longer a risk as implementation had been deferred. Work undertaken prior to that stage found that the Council had made good progress in presenting its findings.

In presenting the performance audit programme, Gwilym Bury said that the Auditor General had set out the approach to audit work during the emergency situation. He described the Council's engagement with AW during the period as 'exemplar' and praised the approach taken to dealing with the pandemic. AW had recently issued a letter to the Council summarising the work undertaken during the period and its intention to progress other areas of audit work in the Plan as normal operations resumed.

In response to a question from Allan Rainford, Gwilym Bury advised that the aim was to complete all audit work in the Plan by April 2021 where possible, and that was no impact on fees. He commended the Council for its engagement with AW and proactive approach during the year.

The Chief Executive thanked AW colleagues for their positive comments.

### **RESOLVED:**

That the Wales Audit Office report be noted.

### **73. STATEMENT OF ACCOUNTS 2019/20**

The Corporate Finance Manager presented the final version of the Statement of Accounts 2019/20 incorporating changes agreed with Audit Wales (AW) during the course of the audit. Having received the draft accounts for information in July, the Committee was asked to approve the final version incorporating updated information on emergency grant funding following confirmation by Welsh Government (WG) as follows:

- COVID-19 Income loss funding of £78m - since clarified for the period April to June 2020.
- An additional £264m to support councils in Wales - details to be confirmed.
- A revised figure of £31.3m of business support grant payments made by the Council with applied rate relief of £16.2m.

On the findings of the AW report, the Corporate Finance Manager said it was reassuring that note that the statements had been produced to a good standard within the timescale, despite the challenges arising from the emergency situation. In addition, he was pleased to report that the Council was on track to publish the accounts within the statutory deadline. He expressed his thanks to Paul Vaughan, John Richards, Liz Thomas and the team for their work in reaching this position and reminded the Committee that the Clwyd Pension Fund accounts were subject to a separate approval process. He went on to comment on the significant challenges of an earlier timetable for the 2020/21 accounts on which work had already commenced.

In highlighting key areas of the report, Mike Whiteley of AW praised the Finance team for their responsiveness during the audit and the manner in which they had collated the accounts to the usual high standard under significantly challenging circumstances. The report reflected the impact of the pandemic on the audit which required adapting to a different way of working and acknowledged the positive working relationship with Council officers to resolve queries promptly throughout the process. The inclusion of an 'Emphasis of Matter' drew attention to uncertainties arising from the emergency situation on two areas, which did not alter the unqualified (clean) opinion to be given on the group accounts.

Allan Rainford expressed his gratitude to the Finance team for their work on the accounts. He referred to the correction on Note 10 on assets held for sale and said that this could be referred to as a presentational issue as there was no impact on the balance sheet. Mike Whiteley provided clarification on the lack of review of asset lives of Council buildings during the valuation process, confirming that whilst this did not lead to a material misstatement, arrangements were being made to resolve the matter for 2020/21.

Following a question by the Chairman, the Chief Executive provided clarification on the integrated community equipment service located at Hawarden.

When asked by Sally Ellis about the impact of remote working, Mike Whiteley gave examples of alternative methods used during the audit process and confirmed that there were no restrictions on the level of assurance from the items tested.

Councillor Banks took the opportunity to thank the Council's officers and AW colleagues for all their work on the audit. In response to a comment on involvement by the Committee on the Annual Governance Statement, the Chief Officer (Governance) confirmed that a report on the process for next year would be received at the next meeting.

The recommendations in the report, subject to the changes outlined by the Corporate Finance Manager, were supported by the Committee.

**RESOLVED:**

- (a) That the final version of the Statement of Accounts 201/20 be approved, incorporating the updated position on emergency grant funding;
- (b) That the Audit Wales report 'Audit of the Financial Statements - Flintshire County Council' be noted; and
- (c) That the Letter of Representation be approved.

**74. CERTIFICATION OF GRANTS AND RETURNS 2018/19**

The Corporate Finance Manager presented the Wales Audit Office annual report on grant claim certification for the year ending 31 March 2019. The report had been deferred from the March meeting due to the emergency situation.

Of the overall grants total of £148m, the £44,320 net adjustment to claims was a relatively small proportion and did not result in any financial loss. Whilst the findings did not present a major risk to performance, improvements had been identified within some services and an action plan had been put in place. It was reported that all actions had now been completed and that officers were working with Audit Wales (AW) colleagues to further improve the quality of claims and ensure the adequacy of processes to support the 2019/20 audit.

In welcoming the implementation of actions, Mike Whiteley said that AW would continue to engage with the officers preparing the claims. A refresh of external audit priorities by Welsh Government (WG) meant that AW would be auditing only three grant claims for 2019/20 on housing benefit, non-domestic rates and teachers' pension returns.

Allan Rainford sought clarification on the five certified claims which had been submitted late by AW. Mike Whiteley explained that these were not significant delays and were due to various factors, mainly the complexity of queries and change of officers within the Council's services. He was pleased to report that post-learning engagement with the Council had resulted in improvements being made to prevent further delays.

The recommendation in the report was supported by the Committee.

**RESOLVED:**

That the content of the Grant Claim Certification report for 2018/19 be noted.

**75. EXTERNAL REGULATION ASSURANCE**

The Chief Executive presented the summary report to give assurance that reports from external regulators and inspectors in 2018/19 had been considered in accordance with the agreed internal reporting protocol and that actions had been taken in response to recommendations. The report had been deferred from the start of the emergency situation.

Information on reports submitted by Audit Wales (formerly Wales Audit Office) during the period showed that actions were either green (on track/completed) or amber (on track but within acceptable limits, mainly long-term) with no significant issues or risks identified.

Sally Ellis asked about monitoring progress of actions in response to recommendations specifically on the Local Government use of data local report. The Chief Executive said that these formed part of business planning, such as the development of the Recovery Strategy. The Chief Officer (Governance) gave examples on data management relating to the Information Management Strategy, General Data Protection Regulation (GDPR) and Digital Strategy. Further examples were given on the use of data to improve services for individuals who were 'shielding' during the pandemic and to target younger people who were eligible to vote in the forthcoming Elections.

The recommendation in the report was supported by the Committee.

**RESOLVED:**

That the Committee is assured over the Council's response to pieces of external regulation work.

**76. PUBLIC SECTOR INTERNAL AUDIT STANDARDS**

Prior to the item, the Chief Executive took the opportunity to formally thank the Internal Audit Manager for her valued work on the Test, Trace & Protect programme.

The Internal Audit Manager presented the results of the annual assessment of conformance with the Public Sector Internal Audit Standards (PSIAS). The outcome of the internal self-assessment for 2019/20 and the external assessment undertaken for 2016/17 indicated that the service conformed with the standards in all significant areas and operated independently and objectively. Actions on the previous assessment had been completed apart from two (partly complete) and two (ongoing); one of which was a requirement of the Standards and the

remainder put in place as additional actions to improve the operation of the service.

In response to a question from Sally Ellis, the Internal Audit Manager confirmed that actions on the area of non-conformance as part of the external assessment had been completed and implemented.

Allan Rainford sought clarification on the process for appraisals and training within the Internal Audit team. The Internal Audit Manager provided information on various elements of the training programme, including competencies and targeting areas for enhanced learning. Whilst a benchmarking exercise with other councils in Wales had not been possible this year, the results of future findings would be included in the annual update to the Committee.

Councillor Paul Johnson referred to the suggestion in the standards for the Chair of the Audit Committee to feed into the performance appraisal of the Internal Audit Manager. Officers explained that the reporting structure in place achieved partial compliance as it was considered appropriate and allowed flexibility to enable the Chair to feedback more regularly on the Internal Audit function.

Councillor Axworthy proposed that the Committee record its thanks to officers and Audit Wales colleagues for their extraordinary work over the emergency period.

The recommendation in the report was moved and seconded by Councillors Paul Johnson and Andy Dunbobbin.

**RESOLVED:**

- (a) That the report be noted; and
- (b) That the Committee formally thanks officers and Audit Wales colleagues for their extraordinary work over the emergency period.

**77. INTERNAL AUDIT STRATEGIC PLAN**

The Internal Audit Manager presented the three year Internal Audit Strategic Plan for 2020-2023. The usual approach to developing the Plan was detailed, including an assurance mapping exercise, changes in legislation and consultation with Chief Officers.

Earlier in the year, the Plan had been put on hold to enable the Council to manage its response to the emergency situation which included the deployment of some Internal Audit resources to support that work. In the recovery stage, the Plan had been reviewed to re-prioritise audits and take account of the emergency management assurance and response to the recovery of risk registers as well as the impact on resources. The review identified some audits based on new risks arising from the emergency situation and also reflected upon work carried out by the Internal Audit team during that period.

Sally Ellis raised queries on the effectiveness of undertaking audit work remotely and the impact of reduced resources. She also commented on the risk management framework that was due to be shared before the pandemic. The Internal Audit Manager reported that alternative ways of working to engage with teams and capture data on risk registers and method statements were working well and would help inform the internal control environment. She confirmed that the revised Plan for the remainder of 2020/21 was based on available resources and that the appointment of a Principal Auditor had strengthened capacity. She gave assurance that her independence was not compromised by her role in the regional Test, Trace and Protect programme which would be externally audited.

Allan Rainford and Councillor Paul Johnson both raised concerns on capacity to deliver the Audit Plan within timescale. The Internal Audit Manager was confident that current resources were sufficient and would be kept under review to deliver the Plan for this year. She gave assurance that audits deferred to next year would be subject to review.

The Chief Executive reiterated the commitment that Internal Audit resources would not be reduced at any time in the future without first consulting the Audit Committee. He spoke about the need to focus on priorities and said that contributions on advisory meetings and tactical groups throughout the emergency period had been valued.

The recommendations in the report were moved and seconded by Councillors Andy Dunbobbins and Paul Johnson.

#### **RESOLVED:**

That the Flintshire Internal Audit Strategic Plan 2020-2023 be approved.

### **78. INTERNAL AUDIT ANNUAL REPORT**

The Internal Audit Manager presented the report which summarised the outcome of audit work undertaken during 2019/20, compliance with standards and the results of the quality assurance and improvement programme. Based on the work undertaken, the audit opinion was that the Council had an adequate and effective framework of governance, risk management and internal control.

In reaching her opinion, the Internal Audit Manager had taken into consideration a number of factors including the yearly reduction of limited (red) assurance reports with only one such report issued during the year. Prior to the emergency situation, 55% of opinions issued during the year were either green or amber/green assurance. Amongst the key areas highlighted were the level of audit coverage during the year and overall position of assurance opinions and actions raised across portfolios.

The recommendation in the report was moved and seconded by Councillors Paul Johnson and Janet Axworthy.

## **RESOLVED:**

That the report and Internal Audit annual opinion be noted.

### **79. QUARTERLY UPDATE ON THE RESPONSE TO THE PANDEMIC**

The Chief Executive presented the quarterly update on the Council's continued management of the emergency response caused by the Covid-19 pandemic to give assurance to the Committee, as previously requested. An interim assurance letter from Audit Wales was also shared in support of the Council's approach to recovery.

An overview was given on progress under the headings of risk management, service resumption, the control environment and restoration of democratic governance. In response to Sally Ellis' earlier comment on risk management, detailed risk registers with mitigation tables shared with the Committee were being regularly updated and would be considered by Overview & Scrutiny committees later in the month. The Chief Executive commended the degree of escalation on this approach. He outlined reporting arrangements for the Recovery Strategy, which had been developed through the Member Recovery Board, and said that presentation slides from the forthcoming Cabinet meeting and updated risk registers would be shared with the Audit Committee when available. Overview & Scrutiny committees would receive a verbal update on the recovery phase and associated risks throughout the winter period.

Sally Ellis thanked officers for the comprehensive risk registers and mitigating action plans. She sought assurance that robust arrangements were in place to scrutinise and monitor progress on risks once all committees had resumed later in the month. The Chief Executive said that he would attend initial Overview & Scrutiny committees on risk management, along with the relevant Chief Officers and Cabinet Members who regularly attended. He spoke about the quality of risk registers and the transparent reporting mechanism which fed into Cabinet and Overview & Scrutiny. On skills, he spoke about the risk management experience of Overview & Scrutiny Committees in their respective portfolios.

Councillor Heesom highlighted the importance of elected Member involvement, particularly those without seats on committees.

The Chief Executive agreed and said that restoration of democratic governance and all-Member briefings held in advance of Council meetings would help to promote that.

The recommendation in the report was moved by Councillors Patrick Heesom and Joe Johnson.

## **RESOLVED:**

That the Committee is assured by the arrangements in place for the emergency response and recovery phases.

**80. ACTION TRACKING**

The Internal Audit Manager presented an update on progress with actions arising from previous meetings. Most had been completed apart from plans to increase Member involvement on which a report would be received at the next meeting.

Councillor Heesom's proposal that the report be supported, rather than accepted, was seconded by Councillor Paul Johnson.

**RESOLVED:**

That the report be supported.

**81. FORWARD WORK PROGRAMME**

In presenting the current Forward Work Programme for consideration, the Internal Audit Manager detailed the changes which had been made as a result of the cancellation of the March meeting at the start of the emergency period.

The recommendations in the report were moved and seconded by Councillor Dunbobbin and Allan Rainford.

**RESOLVED:**

- (a) That the Forward Work Programme, as amended, 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.

**82. ATTENDANCE BY MEMBERS OF THE PRESS**

There were no members of the press in attendance.

The meeting commenced at 10.05am and finished at 11.55am

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**Chairman**