

**AUDIT COMMITTEE**  
**21 MARCH 2018**

Minutes of the meeting of the Audit Committee of Flintshire County Council held in the Clwyd Committee Room, County Hall, Mold on Wednesday, 21 March 2018

**PRESENT: Councillor Helen Brown (Chair)**

Councillors: Chris Dolphin, Andy Dunbobbin, Paul Johnson and Arnold Woolley

Co-opted member: Sally Ellis

**APOLOGY:** Councillor Jean Davies

**ALSO PRESENT:** Councillors Geoff Collett, Patrick Heesom and Billy Mullin attended as observers

**IN ATTENDANCE:**

Chief Executive; Chief Officer (Governance); Corporate Finance Manager; Principal Auditors; and Democratic Services Officer

Paul Goodlad, Richard Harries and Mike Whiteley of Wales Audit Office

Finance Manager (Technical & Capital) - for minute number 56

Finance Manager (Strategy Accounting & Systems) - minute number 58

Corporate Business & Communications Executive Officer - minute number 59

**54. DECLARATIONS OF INTEREST**

None were received.

**55. MINUTES**

The minutes of the meeting held on 24 January 2018 were submitted.

**RESOLVED:**

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

**56. TREASURY MANAGEMENT QUARTERLY UPDATE 2017/18**

The Finance Manager (Technical & Capital) presented the quarterly update on matters relating to the Council's Treasury Management Policy, Strategy and Practices 2017/18 to the end of February 2018.

The update reflected the current strategy to maximise short-term borrowing whilst monitoring interest rates; an approach which was supported by the treasury management advisors Arlingclose Ltd. As requested previously, a list was provided of the regulated financial institutions which had approved the Council's application to opt up to 'professional' client status under the Markets in Financial Instruments

Directive (MiFID II). The Finance Manager agreed to follow up Councillor Johnson's query on whether two of the companies were the same.

In response to questions from Councillor Dolphin on the long-term borrowing analysis, it was explained that a number of new loans had been taken out around the same time due to debt restructuring. Explanation was also given on the Public Works Loans Board used by most councils to access long-term borrowing.

Sally Ellis asked if the Wales Audit Office (WAO) representatives had any concerns about risk arising from the change to the Council's policy on Minimum Revenue Provision. Mr. Richard Harries welcomed the Council's engagement with WAO colleagues on the matter and spoke in support of the Council's decision and the level of information which had been shared. He said that the guidance from Welsh Government was awaited and that the WAO sought to work with councils to ensure that their chosen method was prudent.

The Chief Executive provided background to the review of the policy leading to the recommended change which had been formally agreed by full Council earlier in the month. Following advice from the treasury management advisors and WAO colleagues, the change had been recommended on the basis that it was considered to be no less prudent than the previous method (and in the opinion of the Chartered Institute of Public Finance & Accountancy, was suggested to be more prudent).

**RESOLVED:**

That the Treasury Management 2017/18 quarterly update be noted.

**57. WALES AUDIT OFFICE (WAO) PLAN 2018**

Mr. Richard Harris presented the Wales Audit Office (WAO) Audit Plan 2018 which set out the arrangements and responsibilities for proposed audit work for the Council and the Clwyd Pension Fund.

In summarising the key points of the Council's Plan, he referred to positive engagement between Council officers and the WAO on the accounts process, including preparations to meet earlier statutory deadlines. The key financial audit risks identified at the planning stage of the audit were mainly generic with only a few specific risks for the Council. Performance audit work incorporated a balance between national work across Wales and local performance work. A slight reduction in the estimated fee for the accounts audit work reflected the level of improvements which had been made to the process. A reduction in the fee for grant certification work was due to streamlined arrangements introduced by Welsh Government which would result in a significant reduction in grant claims to be certified in the traditional way.

The Chief Executive welcomed positive feedback on the financial audit of the accounts for 2016/17 and in particular, recognition of the role of the Accounts Governance Group. He said that changes to the accounting treatment of the North Wales Residual Waste Treatment Project once it became operational in 2019 may result in additional work for an interim period. Whilst the audit opinion on the

robustness of systems had been acknowledged, the sustainability of the budget position was a different matter. Possible changes to the Local Government (Wales) Measure 2009 would require mutual agreement on making best use of any released WAO resources.

On the Plan for the Clwyd Pension Fund, Mr. Harries said that a number of the financial audit risks were not specific to Flintshire, including regulatory changes which meant that Clwyd Pension Fund accounts would no longer be included as part of the Council's Statement of Accounts.

The Chief Executive explained that discussions were underway to agree on the role of the Clwyd Pension Fund Committee in approving its accounts. Whilst the Audit Committee could still have oversight, it would retain responsibility to approve the core accounts.

**RESOLVED:**

That the Wales Audit Office reports be noted.

**58. CERTIFICATION OF GRANTS AND RETURNS 2016/17**

The Finance Manager (Corporate Accounting & Systems) presented the Wales Audit Office (WAO) annual report on grant claim certification for the year ending 31 March 2017.

The report had recognised improvements in various areas, particularly in the number of grants submitted within the deadline, noting there was scope for further improvement. The £3,120 net adjustment to claims was a small proportion of the overall grants total of £137m with no financial loss to the Council, and the one significant adjustment of £250,000 on the Local Transport Fund had been due to a timing issue. Work was underway to address the recommendations from WAO and officers involved in the process were being reminded of their specific responsibilities.

In summarising the key points, Mr. Mike Whiteley of WAO spoke about the impact of qualification issues reported in previous financial years and was pleased to note that arrangements put in place by officers should assist the grants process for 2017/18. He provided clarification on the single adjustment of £250,000 which had resulted in an increase of £3,120 in funds payable to the Council, and the reason for the increase in the overall fee for the grants work, as set out in the report. In recognition of current pressures, WAO colleagues were to engage with Council officers on a quarterly basis to help identify further improvements to processes.

The Chief Executive commented on additional work on the certification of the Bus Services Support Grant following the collapse of GHA Coaches. On the adjustment for the Local Transport Fund, he said that the Council's ability to plan was affected by late notification of additional funding and encouraged WAO colleagues to take this up with Welsh Government as a financial planning practice.

**RESOLVED:**

That the content of the Grant Claim Certification for 2016/17 be noted.

**59. RISK MANAGEMENT STRATEGY**

The Corporate Business & Communications Executive Officer presented a report on the refresh of the Risk Management Strategy in response to the findings of the recent Internal Audit of risk management of operational risks. Information was also shared on a number of actions being taken to address the areas identified for further improvement.

In order to expand on Section 7 of the Strategy on 'Accountability for Risk', an addendum was circulated setting out the responsibilities of statutory officers to be included as paragraph 7.2 followed by the responsibilities of the Chief Officer Team. The Chief Executive suggested that the section could be further expanded by clarifying the responsibilities of Cabinet Members.

Councillor Woolley raised concerns about references to the 'CAMMS' system within the Internal Audit report. The Executive Officer explained that the system was used where appropriate on strategic/corporate issues and that there were additional mechanisms outside the system to manage risks. The Chief Executive spoke about adopting a shift in culture to escalate risks that were developing within portfolios at an earlier stage.

**RESOLVED:**

That the refresh of the Risk Management Policy and Strategy for 2018 be endorsed, with the addition of responsibilities of Statutory Officers and Cabinet Members in Section 7 on Accountability for Risk.

**60. INTERNAL AUDIT STRATEGIC PLAN 2018/21**

The Principal Auditor presented the three year Internal Audit Strategic Plan for 2018/19 to 2020/21. The Plan was subject to variation and review with Chief Officers, with high priority audits and reviews addressing high risk areas given priority in 2018/19.

The Chief Executive welcomed the higher degree of ownership and activities by the Internal Audit team to provide support in consulting work such as on budget modelling and calculations.

Sally Ellis referred to the Committee's role in contributing to risk management and asked how members could seek assurance on management of the Council's strategic risks, for example residential care bed availability. The Principal Auditor explained that this was managed outside the audit process but that areas of risk that were highlighted were incorporated in the Plan. The Chief Executive gave examples where Internal Audit could be involved on corporate issues such as ensuring rigour on forecasting trends and assessing the financial sustainability of the key provider market. The Chief Officer said that the Audit Committee should be assured that

Overview & Scrutiny was fulfilling its role in reporting how risks were being addressed. The Chief Executive suggested that officers consider how best to reflect how this was demonstrated through the work programmes of Overview & Scrutiny to give assurance to the Audit Committee.

The Chief Executive said he believed that Internal Audit resources were sufficient and whilst there were no plans for change, there would be more challenging debate on corporate areas in the new financial year.

The Principal Auditor said that the service was encountering areas where resource limitations were impacting on controls within the Council.

**RESOLVED:**

- (a) That the Flintshire Internal Audit Strategic Plan 2018-2021 be approved; and
- (b) That officers discuss how strategic risks are managed through the Overview & Scrutiny process to give assurance to the Audit Committee.

**61. PUBLIC SECTOR INTERNAL AUDIT STANDARDS (PSIAS)**

The Principal Auditor presented the results of the annual assessment of conformance with the Public Sector Internal Audit Standards. The outcome of the internal self-assessment for 2017/18 and external assessment for 2016/17 indicated general conformance. The only non-conformance was on the need to undertake an assurance mapping exercise, which was scheduled for completion by March 2019. Other actions to address areas of partial conformance were set out in the action plan, including a review of the Anti-Fraud and Corruption Strategy which would be brought to a future meeting of the Committee.

The Chief Officer (Governance) referred to the Committee's self-assessment which was currently being completed. Given the new membership of the Committee, he suggested that a half-day facilitated workshop could help members to complete the questionnaire and also provide an opportunity to review the Forward Work Programme. This was supported by the Committee.

**RESOLVED:**

That the report be noted.

**62. INTERNAL AUDIT PROGRESS REPORT**

The Principal Auditor presented the update on progress of the Internal Audit department. Attention was drawn to action tracking where there were several actions with a revised due date six months beyond the original due date which were being addressed.

The Chief Officer (Governance) provided an update on the Payment Card Industry Data Security Standard (PCIDSS) where ICT solutions were being investigated to identify a system to meet requirements. He gave assurance that

progress was being reported to the senior officer team and that risks were being managed.

In response to comments by Councillor Dolphin on Greenfield Valley, the Chief Executive provided a brief update on the conclusion of the review of governance arrangements where all actions had been completed. He agreed to speak with Councillor Dolphin outside the meeting regarding issues outside the remit of the Committee. The Principal Auditor reported that a follow-up audit would be undertaken in the following year to give assurance on actions taken. Councillor Johnson asked that any information provided to Councillor Dolphin also be shared with all local Members for Holywell.

As requested previously, the Chief Officer drew attention to the overview of final reports issued with an amber/red assurance opinion and sought views on how the Committee wished to receive the information. Sally Ellis said it would be helpful to give an indication of associated actions with implementation timescales. She also referred to items deferred from the Plan and questioned how such decisions were made. The Principal Auditor explained that high-risk audits were prioritised and that new requests were discussed with the relevant Chief Officer to establish the level of risk involved.

**RESOLVED:**

That the report be accepted.

**63. ACTION TRACKING**

The Principal Auditor presented the progress update report on actions arising from previous meetings. On the action from 15 March 2017 on investigations, it was noted that the Police were not pursuing the matter and that a report on the effectiveness of internal controls would be brought to a future meeting.

**RESOLVED:**

That the report be accepted.

**64. FORWARD WORK PROGRAMME**

The Principal Auditor presented the Forward Work Programme for consideration and agreed that the relevant reports would be changed to reflect that Paul Vaughan was the lead officer, in the absence of Liz Thomas.

Sally Ellis requested a future item on delivery of the budget 2018/19 to give assurance on the systems that were in place. The Chief Executive spoke about the collective responsibility of all Council Members in setting the budget following a series of workshops on which Sally was able to attend in future. The Chief Officer (Governance) said that a report to the Council meeting in February would give assurance on the budget processes and management of risks.

**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.

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

There were no members of the press or public in attendance.

The meeting commenced at 10am and finished at 11.30am

.....  
**Chair**