

**AUDIT COMMITTEE**  
**27 MARCH 2019**

Minutes of the meeting of the Audit Committee of Flintshire County Council held in the Clwyd Committee Room, County Hall, Mold on Wednesday, 27 March 2019

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

Councillors: Janet Axworthy, Geoff Collett, Chris Dolphin, Andy Dunbobbin, Paul Johnson and Arnold Woolley  
Co-opted member: Sally Ellis

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

**IN ATTENDANCE:**

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

Interim Finance Manager (Technical Accountancy) - for minute numbers 58 and 59

Corporate Business & Communications Executive Officer - for minute number 61

Wales Audit Office representatives  
Mike Whiteley and Gwilym Bury

**55. MEMBERSHIP**

The Chief Officer advised that Councillor Axworthy was currently replacing Councillor Holgate on the Committee and that she had undertaken the necessary training.

**56. DECLARATIONS OF INTEREST**

None.

**57. MINUTES**

The minutes of the meeting held on 15 February 2018 were received.

**RESOLVED:**

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

**58. TREASURY MANAGEMENT QUARTERLY UPDATE 2018/19**

The Interim Finance Manager (Technical Accountancy) presented the quarterly update on matters relating to the Council's Treasury Management Policy, Strategy and Practices 2018/19 to the end of February 2019.

The update reflected the current strategy on borrowing which was under continued review as interest rates were predicted to rise later in the year. Potential changes to the credit ratings of UK banks were being monitored in accordance with guidance from the Treasury Management advisors. Detailed information was also provided on preparations for the Brexit process involving an action plan to manage three key risk areas in the event of 'no deal'.

Sally Ellis asked about the impact of further delays to Brexit. The Interim Manager detailed the main risk around security and liquidity of investments, and that the Council was maintaining its current position until there was more clarity on the completion of Brexit. Having received professional advice, the Clwyd Pension Fund Committee recognised the potential risks to the market which formed part of their broader risk management activities and was satisfied that the regulatory position would be maintained until the conclusion of post-Brexit negotiations.

The Chief Executive spoke about the difference between market performance as opposed to security of investments on which no national advice had been issued to date. Both risks would remain irrespective of further delays.

In response to questions from Councillor Johnson, the Chief Executive said that in the absence of national advice to public sector organisations, the Council could only plan within its remit to manage risks as best it could. This involved reviewing business continuity plans for services that could potentially be impacted by Brexit, separating long and short-term risks, noting that no significant change was expected to financial markets.

The Chief Officer advised that these reviews had identified a small number of specific and common risks, mainly relating to suppliers.

In referring to a recent Welsh Government (WG) seminar, Councillor Johnson expressed his gratitude to all those working to prepare for Brexit.

In response to questions from Councillor Dunbobbin, the Chief Executive said that the focus of Brexit was on the impact on communities, businesses and workforce, and that the economic impact would need to be resolved at Government level. Whilst the WG was open to discussions, there were too many unknown factors at this stage of the process.

#### **RESOLVED:**

That the Treasury Management 2018/19 quarterly update be noted.

#### **59. WALES AUDIT OFFICE (WAO) AUDIT PLAN 2019**

Mr. Mike Whiteley presented the Wales Audit Office (WAO) Audit Plan 2019 which set out the arrangements and responsibilities for proposed audit work for the Council.

In summarising the main points, he highlighted the key financial audit risks on the management override of controls as a generic risk, significant estimates

which were complex in nature and subject to judgements and the introduction of new accounting standards where there was open dialogue with Council officers on preparations. There was no proposed change to the audit fees which included work on the North Wales Residual Waste Joint Committee. As in previous years, the Audit Plan set out the controls in place to mitigate the potential independent threat set out in paragraph 30. Appreciation was given to Finance officers for assisting WAO colleagues to deliver the work in accordance with the proposed timetable.

During an overview of the performance audit programme, Mr. Gwilym Bury highlighted common areas such as financial sustainability across all Welsh councils and specific work on reducing rent arrears following welfare reform changes which was a particular issue for Flintshire. An update was also given on the status of ongoing performance audit work from the previous year's audit outline.

On the performance audit programme, the Chief Executive spoke about a shift in focus on localised issues and the proposed removal of council obligations under the Local Government (Wales) Measure 2009. The audit work on rent arrears was particularly welcomed in potentially highlighting contributing factors and the project on Household Recycling Centres would provide independent feedback on access quality. The Council's internal protocol (as set out in a later agenda item) provided a mechanism for reporting outcomes of regulatory reports.

On the financial audit programme, the Corporate Finance Manager said that earlier statutory deadline requirements would be met following preparations put in place last year. On a risks previously identified, he gave an update on transitional arrangements within the team prior to the return of the Finance Manager. The contributions of the Interim Finance Manager during the period were recognised by the Chief Executive and Committee Members who welcomed his appointment working on the Clwyd Pension Fund accounts.

Councillor Dunbobbin remarked on the duties placed upon the Council by the Well-being of Future Generations Act (Wales) 2015 at a time of financial austerity. The Chief Executive said that the national work on financial sustainability would highlight the responsibilities on Welsh Government which itself was subject to the obligations of the same legislation.

Councillor Dolphin questioned whether the audit fee represented value for money since the WAO opinions could not give absolute assurance. Mr. Whiteley explained that the approach to assess risk on sample work was standard practice for external auditors and that absolute assurance could not be given without assessing each individual transaction.

The Chief Officer noted that the audit fee was favourable in comparison to some other North Wales councils, which could be attributed to the quality of work undertaken by the Finance and Internal Audit teams. The Chief Executive said that audit fees provided value for money and had remained static for some time, and that there was a positive working partnership between the Council and WAO.

Sally Ellis asked about the approach to maximise outcomes from work by Internal Audit and WAO on rent arrears and the Digital Strategy. The Internal Audit

Manager advised that the scope of both reviews would be agreed in advance to avoid any duplication of work and deliver value for those services. In welcoming the work, the Chief Officer said that the digital project would focus on deliverables due to the complexities involved.

The Internal Audit Manager agreed to schedule the outcomes of regulatory reports into the Forward Work Programme when finalised.

**RESOLVED:**

That the Wales Audit Office report be noted.

**60. CERTIFICATION OF GRANTS AND RETURNS 2017/18**

The Corporate Finance Manager presented the Wales Audit Office (WAO) annual report on grant claim certification for the year ending 31 March 2018.

Whilst the findings did not present a major risk to performance, they did not reflect the standards expected and officers were continuing to work closely with WAO to improve the quality of claims. Work was underway on the detailed action plan and the report would be shared with the Accounts Governance Group and Chief Officers to ensure ownership and action. In providing context, the Corporate Finance Manager advised that the £11,151 net adjustment to claims was a small proportion of the overall grants total of £129m with no financial loss to the Council.

In summarising the key points, Mr. Mike Whiteley of WAO commented on the slight deterioration in performance where half of the audited claims were qualified and he recognised there was scope for improvement. The reduction in the number of grant claims for the period was due to the introduction of the Welsh Government (WG) Single Summary of Grants on which a number of errors had been made (in addition to WG issues with the guidance and template). Mr. Whiteley said that this was disappointing as the Council's processes and performance were generally sound, and suggested that the new arrangement may have caused confusion. He circulated a revised summary of certification work outcomes due to formatting issues on the published report. The recommendations had been accepted by management and teams were working with WAO to implement the actions.

In thanking WAO colleagues for the report, the Chief Executive said that whilst the individual issues were not significant, collectively they gave rise to concerns. Work had started on the agreed actions and would be monitored.

The Internal Audit Manager confirmed that a review of Corporate Grants had been included in the Audit Plan for 2019/20.

**RESOLVED:**

That the content of the Grant Claim Certification report for 2017/18 be noted.

## **61. EXTERNAL REGULATION ASSURANCE**

The Corporate Business & Communications Executive Officer presented the summary report to give assurance that reports from external regulators and inspectors in 2017/18 had been considered by the relevant committees and actions taken in response to recommendations. This was in accordance with the agreed internal reporting protocol which was also shared.

Apart from one local report with no recommendations, the remainder were national reports showing the Council's response alongside any generic recommendations.

The Chief Executive spoke about the Council's positive practice of using national reports to add value. Mr. Gwilym Bury said that similar arrangements were in place in North Wales although not necessarily across Wales.

Sally Ellis referred to the reports on homelessness and Disabled Facilities Grants and asked whether progress on the recommendations was achieving outcomes for Flintshire residents. The Chief Executive asked that Sally be provided with recent reports showing good performance in both areas.

### **RESOLVED:**

That the Committee notes how reports by external auditors, other regulators and inspectors have been dealt with during 2017/18.

## **62. INTERNAL AUDIT STRATEGIC PLAN**

The Internal Audit Manager presented the three year Internal Audit Strategic Plan for 2019/20 to 2021/22. The approach to developing the Plan was detailed, involving an assurance mapping exercise and consultation with Chief Officers. The Plan was subject to variation and review, with high priority audits and reviews prioritised for 2019/20.

### **RESOLVED:**

That the Flintshire Internal Audit Strategic Plan 2019-2022 be approved.

## **63. PUBLIC SECTOR INTERNAL AUDIT STANDARDS COMPLIANCE 2018/19**

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 2018/19 and external assessment for 2016/17 (through a peer review) indicated general conformance. The programme for external assessment for the next five years was in development.

### **RESOLVED:**

That the report be noted.

## **64. INTERNAL AUDIT PROGRESS REPORT**

The Internal Audit Manager presented the update on progress of the Internal Audit department including changes to the audit plan, action tracking and investigations.

No limited (red) assurance reports had been issued since the last meeting. As requested at the Chair's briefing, the reviews with Red and Amber/Red assurances would be indicated on the overall summary of opinions (Appendix C) on future reports. The concerns about delayed responses to action tracking had been raised with Chief Officers and had impacted positively on the figures; this would continue to be monitored.

On resources, the Committee was informed of the impending retirement of a Principal Auditor within Internal Audit.

The Chief Executive spoke about the value of advisory work undertaken by the team in addition to the core work, for example providing independent verification on the accuracy of method statements and assumptions which helped to provide additional assurance on complex matters.

Sally Ellis thanked the officer for raising the importance of Chief Officers providing updates on action tracking. She referred to the challenges of recruiting senior auditors and asked about capacity within the team. The Internal Audit Manager provided explanation on the recruitment process to date and the options available. The vacancy had been accommodated within the Audit Plan until July and the situation would be closely monitored with any concerns reported back to the Committee.

The Chief Executive said recruitment challenges across the professional sector in general meant that succession planning was an increasing risk.

In response to questions from Councillor Johnson, the Internal Audit Manager advised that Pensions administration formed part of audit work which provided further assurance to the Clwyd Pension Fund Committee. The Chief Executive spoke about the increased resources in the Pensions team to respond to complex changes and new statutory requirements.

On procurement, the Chief Officer referred to measures introduced on the contract register to provide controls and compliance, and the follow-up audit on contract management to ensure that the system was being used effectively.

Councillor Dolphin raised concerns about some of the reasons given for delayed actions and highlighted the importance of setting realistic deadlines, for example in Planning Enforcement where he felt additional resources were needed to meet workload. In acknowledging the various reasons for deferring actions, the Chief Executive said that those in Planning Enforcement were in progress and required a longer term resolution whilst Greenfield Valley involved an issue outside the Council's control.

## **RESOLVED:**

That the report be accepted.

### **65. COMPOSITION OF AUDIT COMMITTEE**

The Internal Audit Manager presented a report to consider the composition of the Audit Committee following discussion at a meeting of the Constitution & Democratic Services Committee. The report reflected the current membership arrangements and valuable contributions made by the current and previous lay members serving on the Committee. Any decision to change the size of the membership and/or increase the number of lay members would need to be through a recommendation to County Council to be determined at the Annual General Meeting.

The Chief Officer advised that the size of the Committee would need to be proportionate to the work undertaken and the nature of questioning at the meetings, which he recommended was better achieved by retaining a smaller sized membership. Whilst the Committee would need to be politically balanced, any change to represent all political groups would necessitate an increase to eleven (or possibly ten) councillors. On the resource implications, it was clarified that the pay entitlement for lay members was £99 per meeting rather than £128 which applied to a lay member chairing a meeting.

Councillor Dolphin spoke about the positive impact from the current lay member and suggested that an additional lay member would also be beneficial. In the interests of fairness, he said that all political groups should be represented and suggested that this could be done by way of the smallest group's seat (currently his own) being offered to the New Independent group.

Councillor Johnson said that the Committee was already fairly balanced between the ruling and opposition groups. He said that a smaller membership generally allowed an opportunity for all those present to contribute, and spoke in support of an additional lay member if any changes were to be made.

Councillor Dunbobbin was in agreement with Councillor Johnson, as the meetings were open for other Members to observe if they wished. He did not feel that increasing the number of councillors would add value to the Committee.

Following his earlier comments, Councillor Dolphin proposed that the group currently not represented on the Committee be appointed to replace the smallest group, with an additional lay member if agreed.

On this basis, the Chief Executive suggested that the proposal for recommendation to Council was for the number of councillors to remain the same and for the membership to be rotated to allow all political groups to participate, with the appointment of a second lay member. The rotation arrangements would be agreed with Group Leaders.

This was formally proposed by Councillor Johnson and seconded by Councillor Dunbobbin. On being put to the vote, it was carried.

**RESOLVED:**

That the Committee wishes to recommend to Council, via the Council's Annual Meeting, that the number of councillors on the Audit Committee be retained and the membership rotated to allow all political groups to participate. Also that an additional lay member be recruited.

**66. ACTION TRACKING**

The Internal Audit Manager presented the update report on actions arising from previous meetings, most of which were completed or in progress.

**RESOLVED:**

That the report be accepted.

**67. FORWARD WORK PROGRAMME**

In presenting the current Forward Work Programme for consideration, the Internal Audit Manager advised that no changes had been made since the previous meeting. The items on Corporate Grants and Wales Audit Office reports discussed during the meeting would be scheduled.

**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.

**68. 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 11.35am

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**Chair**