

**AUDIT COMMITTEE**  
**27 JANUARY 2021**

Minutes of the meeting of the Audit Committee of Flintshire County Council held as a remote attendance meeting on Wednesday, 27 January 2021

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

Councillors: Janet Axworthy, Geoff Collett, Andy Dunbobbin, Patrick Heesom, Paul Johnson and Arnold Woolley

Co-opted members: Sally Ellis and Allan Rainford

**IN ATTENDANCE:**

Councillor Ian Roberts (Leader of the Council and Cabinet Member for Education), Councillor Glyn Banks (Cabinet Member for Finance), Councillor Billy Mullin (Cabinet Member for Corporate Management and Assets), Chief Executive, Chief Officer (Governance), Corporate Finance Manager, Internal Audit Manager, Strategic Performance Advisor, Civic & Member Services Officer and Democratic Services Officer

Interim Finance Manager (Technical Accounting) and Principal Accountant - for minute number 19

Gwilym Bury and Matthew Edwards of Audit Wales

**16. DECLARATIONS OF INTEREST**

None.

**17. MINUTES**

The minutes of the meeting held on 18 November 2020 were approved, as moved and seconded by Councillors Dunbobbin and Johnson.

**RESOLVED:**

That the minutes be approved as a correct record.

**18. VARIATION IN ORDER OF AGENDA**

The Chair advised that there would be a slight change in the order of business to enable Audit Wales colleagues to participate on agenda item 4.

**19. TREASURY MANAGEMENT STRATEGY 2021/22 AND TREASURY MANAGEMENT QUARTER 3 UPDATE 2020/21**

The Interim Finance Manager (Technical Accounting) presented the draft Treasury Management Strategy 2021/22 for review and recommendation to Cabinet, along with the quarterly update on Treasury Management activities for 2020/21 for information.

A number of minor changes had been made to the Strategy, mainly arising from the impact from the national emergency situation. The prudent approaches to borrowing and investing continued and work was ongoing to meet additional requirements following changes to Welsh Government guidance on investments. On the quarterly update for 2020/21, the Interim Finance Manager explained the basis for investment decisions made in the context of transitional Brexit arrangements, and the position on borrowing from the Public Works Loans Board (PWLB) due to changes to lending terms.

In response to questions from Allan Rainford, explanation was given on investment decisions made during the quarter and the option to explore forward starting loans as a future consideration.

Sally Ellis asked about the borrowing strategy and was informed that continued borrowing from the PWLB remained the most flexible and affordable option.

The Interim Finance Manager noted the request by Councillor Johnson for a future briefing session with Members on the Municipal Bonds Agency.

The recommendations were moved by Councillor Johnson and seconded by Sally Ellis.

**RESOLVED:**

- (a) That having reviewed the draft Treasury Management Strategy 2021/22, the Committee has no specific issues to be reported to Cabinet on 16 February 2021; and
- (b) That the Treasury Management 2020/21 quarterly update be noted.

**20. CODE OF CORPORATE GOVERNANCE**

The Chief Executive introduced a report on the annual review of the Code of Corporate Governance prior to consideration by the Constitution & Democratic Services Committee in March. No substantial changes had been made to the previous version for 2020/21.

The Internal Audit Manager drew attention to Section 2 of the document detailing governance arrangements during the emergency situation.

The Chief Executive noted Councillor Johnson's suggestion for this section to form part of an appendix to future versions of the Code to retain learning from the national emergency.

In response to Councillor Heesom's comments on Member involvement with the 2020/21 Annual Governance Statement, arrangements were in hand to plan the workshop with the six nominated individuals as agreed at the previous meeting.

Sally Ellis spoke about the potential to expand on principle E (developing the Council's capacity) to reflect on learning from the national emergency. The Chief Executive said that capacity and resilience could be more clearly referenced in the next version of the Code.

Officers responded to a number of points raised by Allan Rainford on the procurement of additional technology used during the emergency situation and the review of non-essential spend to help mitigate the overall projected overspend. On the work of the Internal Audit team, the officers gave examples of advisory work and 'real-time' audit work undertaken to give assurance on decision-making during that period. The Chief Executive commented that this advisory work had been invaluable.

The recommendation was moved by Councillor Johnson and seconded by Allan Rainford.

**RESOLVED:**

That the updated Code of Corporate Governance be endorsed for adoption as part of the Council's Constitution.

**21. ANNUAL AUDIT SUMMARY FOR FLINTSHIRE COUNTY COUNCIL 2019/20**

The Chief Executive presented the Annual Audit Summary for 2019/20 (formerly the Annual Improvement Report and Annual Audit Letter) which summarised the findings of audit and regulatory work previously undertaken at the Council by Audit Wales (AW). Overall this was a positive report with no formal recommendations made during the year. There were new proposals for improvement and proposals for development arising from three of the reviews.

Matt Edwards and Gwilym Bury from AW provided explanation on the new format and thanked officers and Members for their positive feedback.

Sally Ellis and Allan Rainford raised questions about reference to the Council's 'high risk' financial strategy within the findings of the AW report on financial sustainability across Wales. The Chief Executive agreed that the wording of AW was fair and reasonable. He said that the strategy had been successful in balancing the budget and protecting the resilience of services, despite the additional spend and lost income from the emergency situation. Given that the Council had demonstrated modernisation with no efficiencies of scale remaining, the expectation was to share risks with Welsh Government and seek adequate funding to meet requirements. The recommended approach for 2021/22 would be to balance the budget without use of reserves, with a small supplement allocated to reinstate reserves used during the emergency situation.

As Leader of the Council, Councillor Roberts outlined the key principles in setting the Council's budget without compromising reserves or spend on services.

On the findings of the AW report on financial sustainability, Councillor Johnson raised concerns about consistency across all Welsh councils. The Chief Executive said that officers worked with AW colleagues on the content of draft reports and that the wording used for Flintshire reflected its low funded position in Wales and its commitment to protect the resilience of services. Services would have been at risk if the Council had not followed the path of this high-risk strategy.

This was acknowledged by Matt Edwards who said that the report recognised the different approach adopted by the Council and the challenging position in balancing the budget whilst maintaining the quality of services. In noting the comments, he and Gwilym Bury gave assurance on a consistent method of preparing reports for all councils in Wales.

Councillor Banks spoke in support of the terminology which acknowledged that the Council would not compromise services in the context of its low funded position.

The recommendation was moved and seconded by Councillors Axworthy and Dunbobbin.

**RESOLVED:**

That the Committee is assured by the Auditor General for Wales' Annual Audit Summary report for 2019/20.

**22. LOCAL GOVERNMENT & ELECTIONS (WALES) BILL**

The Chief Officer (Governance) presented a report on the Local Government (Wales) Bill to reform local government elections, democracy, performance and governance. Since publication of the report, the Bill had become an Act, having recently been given Royal Assent.

The Chief Officer summarised the changes directly affecting the Audit Committee; namely the revised terms of reference which would come into effect this year and changes to the membership to be implemented from 2022. The proposals had been approved by the Council on 26 January.

The Chief Executive said that the Council's offer to take part in the pilot self-assessment with the Welsh Local Government Association (WLGA) reflected its strong performance evidenced on regulatory reports.

In response to Sally Ellis highlighting the importance of training to enable the Committee to undertake its new responsibilities, the Chief Officer gave assurance of engagement with the Committee throughout the introduction of the changes.

Councillor Johnson raised concerns about elected Member representation on the new Governance & Audit Committee. His concerns were shared by Councillor Roberts and also by Councillor Dunbobbin who proposed that a letter be sent to Welsh Government to express concerns about the requirement for the

new Governance & Audit Committee to appoint lay members as both its Chair and Vice-Chair. This was seconded by Councillor Heesom.

During the debate, the Chairman and Members recognised the valuable contributions of current lay members on the Committee but expressed concerns about the role of elected Members. The Chief Officer advised that whilst the Committee could make representations, the Act would remain unchanged and that the resolution reflected the legal requirement to comply with the new regulations despite any concerns (as resolved when the item was considered at County Council).

On that basis, the revised recommendations were moved and seconded by Councillors Dunbobbin and Johnson.

**RESOLVED:**

- (a) That the briefing report be received;
- (b) That the Committee notes the constitutional and other implications of the Act, and supports internal plans for their implementation as necessary; and
- (c) *That officers liaise with the Chairman to write to Welsh Government to express the Committee's concerns on the requirement to appoint lay members as both Chair and Vice-Chair of the Governance & Audit Committee.*

NB After the meeting the Chief Officer (Governance) confirmed that the Vice-Chair of the Committee could be an elected member. The Committee therefore agreed that resolution (c) did not need to be actioned.

**23. RECRUITMENT OF A LAY MEMBER TO THE AUDIT COMMITTEE**

The Chief Officer (Governance) presented a report on the recruitment process of an additional lay member to the Audit Committee as required by the Local Government & Elections (Wales) Act.

Although Welsh Government had recently confirmed that the change would not take effect until May 2022, the report was shared at this stage to allow time for the recruitment process to commence later in the year. The recommendations in the report had been approved by County Council on 26 January.

The second recommendation was amended to clarify that two other Audit Committee members would form part of the recruitment panel, as reflected in the Executive Summary. On that basis, the recommendations were moved and seconded by Councillors Johnson and Axworthy.

**RESOLVED:**

- (a) That one additional lay member be recruited to the Audit Committee in place of an elected member with effect from May 2022; and

- (b) That the recruitment panel consisting of the Chair of the Council, Chair of the Audit Committee plus the Cabinet Member for Finance and two other Audit Committee members makes a recommendation to Council for appointment.

## **24. INTERNAL AUDIT CHARTER**

The Internal Audit Manager presented a report to consider the outcome of the latest review of the Charter in order to meet legal and regulatory requirements. The changes also reflected arrangements to ensure the independence and objectivity of the Internal Audit team and arrangements to limits of impairment should the Internal Audit Manager undertake other operational responsibilities within the Council.

In response to a question from Sally Ellis, the Internal Audit Manager provided information on her current responsibilities on the Test, Trace & Protect (TTP) service and shared examples of operational duties undertaken by her team to support the Council during the emergency situation.

The Chief Executive gave assurance that use of corporate capacity during the emergency did not compromise the integrity of Internal Audit. He and Councillor Roberts both paid tribute to the Internal Audit Manager and her team for their work during the emergency situation, in particular her lead role for the TTP service.

Allan Rainford welcomed the clarity on arrangements on the independence of Internal Audit and was reassured by explanations on the work being undertaken by the team in response to the emergency situation.

In response to a question from Councillor Johnson, the Internal Audit Manager provided information on the training programme which was an important element of the Internal Audit service.

The recommendation was moved by Councillor Johnson and seconded by Sally Ellis.

### **RESOLVED:**

That the updated Internal Audit Charter be approved.

## **25. INTERNAL AUDIT PROGRESS REPORT**

The Internal Audit Manager presented the regular report showing progress against the Plan, final reports issued, action tracking, performance indicators and current investigations.

Since the last report, there were no Red (limited assurance) reports and only one Amber Red (some assurance) report relating to the Use of Self-Service Collaborative Planning System. An update was also given on movements within the Internal Audit team as set out in the report.

Allan Rainford raised concerns about the number of overdue actions. He accepted the officers' explanations about the impact from the emergency situation and reassurances that the position was being closely monitored and would be escalated if required.

The Chief Executive responded to wider issues on Planning raised by Councillor Heesom and said that the forthcoming Overview & Scrutiny report on Planning Enforcement would be circulated to the Committee.

Sally Ellis sought clarification on the current position with school funds on which the Internal Audit Manager agreed to share an update once assessments had been completed.

On school balances, the Chief Executive spoke about the recommendation for the 2021/22 budget to provide a significant uplift to secondary school budgets to help improve the school deficits position.

In highlighting the importance of maintaining the curriculum, Councillor Roberts spoke about the factors affecting school balances and gave assurance that Education colleagues worked closely with schools on deficit balances.

The recommendation was moved by Councillor Johnson and seconded by Allan Rainford.

**RESOLVED:**

That the report be accepted.

**26. ACTION TRACKING**

The Internal Audit Manager presented an update on actions arising from previous meetings. She confirmed that arrangements would be made for the workshop on the Annual Governance Statement and also to start the Committee's self-assessment.

The recommendation was moved and seconded by Councillors Axworthy and Johnson.

**RESOLVED:**

That the report be accepted.

**27. FORWARD WORK PROGRAMME**

The Internal Audit Manager presented the current Forward Work Programme for consideration, including movements since the last report.

The recommendations in the report were moved by Councillor Johnson and seconded by Sally Ellis.

**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.

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

There were no members of the press in attendance.

The meeting commenced at 10am and finished at 12.30pm

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**Chairman**