

Audit Committee

Minutes of a Meeting of the Audit Committee held in the Council Chamber, Civic Centre, Tannery Lane, Ashford on the **15th March 2016**.

Present:

Cllr. Link (Chairman);
Cllr. Waters (Vice-Chairman);
Cllrs. Buchanan, Smith, White

Apologies:

Cllrs. Chilton, Powell.

Also Present:

Deputy Chief Executive, Head of Audit Partnership, Head of Legal & Democratic Services, Head of Finance, Head of Communications & Technology, Head of Personnel & Development, Audit Manager, Principal Accountant, Policy & Performance Officer, Senior Member Services & Scrutiny Support Officer.

Emily Hill, Lisa Robertson - Grant Thornton UK.

369 Minutes

Resolved:

That the Minutes of the Meeting of this Committee held on the 1st December 2015 be approved and confirmed as a correct record.

370 Data Protection Audit Report

The Deputy Chief Executive advised that pages 15-18 of the hard copy agenda had become mixed up in printing and advised of the correct order.

The Head of Audit Partnership introduced the report which set out the findings and the brief of the recent audit into controls designed and operated by the Council to ensure it met its data protection obligations. The audit had received a 'weak' assurance rating. The findings and recommendations of the audit report had been accepted by Officers and a management action plan had been completed wherein plans for improvements to the service had been set out. Given that the majority of the implementation dates in the plan referred to June/July 2016, it was expected that there would be a report back on progress later in the year.

In terms of the management response specifically, the Head of Legal & Democratic Services advised that Management Team had been disappointed and concerned with the 'weak' assurance rating and it was fair to say that they had taken collective

responsibility for the shortcomings identified. Under the Council's new emerging structure he had worked with a small number of senior colleagues in order to develop the management response. A key principle of this had been that whilst data protection was the responsibility of each member of staff, in such a large organisation it was corporate leadership that would be needed to drive forward the necessary improvements and keep it on the corporate radar. In terms of future arrangements, he said he did not think Data Protection should be considered in isolation from other data management issues such as Freedom of Information and data security and therefore it would take some time to design a full solution. However he considered there were a number of interim steps that could be taken in the shorter term to improve the situation. The Head of Legal & Democratic Services advised that the Action Plan included reference to the introduction of a Management Team Champion for Data Protection, that Management Team would receive regular reports from the Data Protection Officer, the commencement of a rolling programme of training and awareness and the creation of a Subject Access Request log. These could all be implemented in the short-term. In the longer term the plan also proposed a review of policies and procedures, a review of roles and responsibilities (including resources), the introduction of a key worker regime and better use of the intranet to offer support and advice to staff.

The following responses were given to Members questions/comments on the Management Action Plan: -

- Management Team had accepted collective responsibility for the 'weak' assurance rating. Looking at the situation objectively there had been a number of contributing factors. The number of data protection issues the Council dealt with (Subject Access Requests and the number of potential breaches to be identified) was traditionally very low and as a result it had slipped off the corporate radar somewhat in terms of importance. Combined with staff turnover it was fair to say that staff were not dealing with the situation very often and it had led to a loss of some corporate history and intelligence. Data Protection had traditionally sat within the IT Service and it had no dedicated resource as a function. The outcome of the audit was recognised as disappointing but it was considered that the Management Action Plan would address the issues, especially in terms of awareness and keeping the issue at the forefront of everyone's minds. The training programme that had been lacking for the last three or four years would also help greatly.
- Recommendations 1 and 2 had been rated as Priority 3 – Medium and it was accepted that this was a matter of judgment that could have been viewed differently by someone else. Internal Audit had taken account of the extent of the mitigating controls that were in place and higher emphasis had been placed on the recommendations such as 5 and 6 where such mitigation was lacking. It was however important to point out that the Council had accepted all of the recommendations and Internal Audit would follow them up regardless of priority and continue to follow them up until they were implemented.

- Many Councillors were not registered with the Information Commissioner as data controllers for the purpose of the Data Protection Act, despite it being a requirement of the Council's Members Allowances IT Scheme. It was considered there needed to be better guidance on this for Councillors, in terms of exactly what needed to be done and which email addresses needed to be registered. The Head of Legal & Democratic Services advised he was pursuing a block registration of all Members.
- An update report on this audit was expected to be submitted to the September meeting of this Committee.

Resolved:

That the findings of the Data Protection audit be noted and the Management Action Plan be endorsed.

371 Presentation of Financial Statements

The Principal Accountant introduced the report which advised that the Council was required to follow statutory guidance for the publication of its accounts. Each year the guidance was reviewed and updated and this report looked at the impact of those updates on the Council's accounts for 2015/16. In addition the report reviewed the lessons learnt from the accounts process in 2014/15. She also advised that the Council had completed a review of its accounting policies that would be used for the publication of the statement of accounts and these were presented at Appendix A to the report.

The Committee was reminded that following the new Accounts and Audit Regulations the Council had agreed to close early this year to aid the transition to earlier closing. This would result in the annual Statement of Accounts for the financial year ending 31st March 2016 being produced by the end of May. The Accounts would then be audited by Grant Thornton during June with an opinion issued by the end of July.

In response to a question the Principal Accountant advised that some of the web links throughout the larger statement document had been displayed in the printed version which may have caused some confusion, but there was no missing information.

Resolved:

That (i) the report be received and noted.

(ii) the accounting policies for the 2015/16 Accounts, contained at Appendix A to the report, be approved.

372 Internal Audit Charter 2016/17

The Head of Audit Partnership introduced the report which set out the Internal Audit Charter covering the work undertaken by Mid Kent Audit at Ashford Borough Council. The Charter, and its annual review, was a requirement of Public Sector Internal Audit Standards. Aside from minor updates, for 2016/17 the most significant change was the expansion of the potential scope of audit's work as outlined by guidance issued by the Institute of Internal Audit. He re-iterated that these were only safeguards against a potential position at this stage though as the additional work was not in the current plan.

A Member referred to the 'three lines of defence' model and emphasised the importance of Senior Management Team playing their part in picking up some of the more obvious weaknesses.

Resolved:

- That (i) the Internal Audit Charter 2016/17 be approved.**
- (ii) the Head of Audit Partnership's view that the Partnership is operating with sufficient independence and freedom from managerial interference to fulfil its responsibilities in line with Public Sector Internal Audit Standards, and will continue to do so, be noted.**

373 Internal Audit Plan 2016/17

The Head of Audit Partnership introduced Alison Blake, the Partnership's Audit Manager for Ashford, and she presented the report which set out the detail of the proposed plan for Mid Kent Audit's work at Ashford Borough Council during 2016/17, along with an outline plan for further years up to 2018/19. The plan was a development of the four year plan approved by this Committee in March 2015, updated following continuing risk assessment, discussions with Officers and feedback from Members. She advised that as a result of the Partnership's re-shuffle they had been able to increase capacity and the total audit allocation for Ashford had increased from 370 days in 2015/16 to 395 days in 2016/17.

With reference to the audit of the new Appraisal system, a Member advised that the Committee had previously aired some concerns about this and requested a report back. The Head of Personnel & Development advised that they did now have the data to prepare a meaningful report back and she proposed that this happen at the next meeting of this Committee in June.

A Member referred to page 82, paragraph 19 of the report which stated that Senior Managers 'may be invited to provide further explanation to Members at the Audit Committee' when failings were identified. He reminded Officers that this Committee had previously said it was a requirement for Heads of Service to attend in these circumstances and that remained the position going forward.

Resolved:

- That (i) the Internal Audit Plan 2016/17 be approved.**
- (ii) the longer term plan to 2018/19 and the Head of Audit Partnership's view that the Service is sufficiently resourced to deliver the plan be noted.**

374 Strategic Risk Management

The Policy and Performance Officer introduced the report and directed Members' attention to a tabled paper which contained an updated summary Strategic Risk Register. He advised that since the September 2015 meeting of this Committee where a new and refreshed risk management process had been agreed, Officers had been working to review the Council's Risk Register, particularly in light of the adoption of a new Corporate Plan. This report presented a refreshed Corporate Risk Register which was designed to collate the headline strategic risks identified by Management as potentially affecting achievement of the Council's corporate aims, in one place and on a common structure. The register clearly represented a view at a particular point in time, but it would be dynamic with content changing over time. The initial work had produced seven thematic risks which were outlined in the summary register and for each risk included: - a description; examples of risk elements in scope; a risk owner; key existing controls and a risk rating. Although a number of different risks had been identified and discussed in Officers' work, the paper summarised those regarded as most likely to present the greatest threat to the Authority being able to achieve its corporate objectives.

The item was then opened up to the Committee and the following responses were given to questions/comments: -

- The rating system was based on the traditional risk matrix system of likelihood multiplied by impact. At present all of the risks fell within the 'amber' or 'medium' section of the matrix, but this was always based on a moment in time and it was important to note that the risk scores could change and there was always an element of objectivity involved.
- The Committee would continue to receive a six monthly update on risk, but Officers would be assessing these on a weekly if not daily basis and Management Team would also receive quarterly update reports. The Committee should be assured that the Council was doing everything it could to manage risk.
- The Risk Owners for Risks 1 and 6 had changed since the earlier publication of the Register, largely due to recent changes in the Council's management structure. For Risk 1- Workforce, Skills & Capacity – Terry Mortimer would be the Corporate Director responsible for this area so would give a wider view. With regard to Risk 6 – Community Capacity – it had been agreed that Christina Fuller, as Head of Cultural Services, would be a better fit as Risk Owner, than Tracey Kerly as Chief Executive because she would be in a

better position to liaise with those integral to the risk and be able to challenge and be in touch with the risks and issues on a day to day basis.

Resolved:

That the Strategic Risk Register be endorsed and the Committee receive a review of the Register in six months.

375 External Auditor Reports

Three reports had been submitted by the Council's External Auditor Grant Thornton UK.

(a) 2014/2015 Grant Certification Letter

Emily Hill presented the certification letter following completion of the audit of the housing benefit grant claim. The grant claim was significant (£36.7m) and following further sample testing, the auditors made no amendment or qualification to the claim. This was regarded as a particularly good performance by the Council.

(b) 2015/16 Audit Plan Update

Lisa Robertson introduced the report which updated the Committee on the External Auditor's work and plans for the current year's financial audit. It highlighted some key areas of focus for the auditor and the assurance testing to be applied and of approaches to materiality, risk identification and the value for money assessment. The report also summarised the auditor's interim findings where no matters of concern had been identified for reporting.

In response to a question, Lisa Robertson explained that the External Auditors wanted to be clear in understanding the management restructure at the Council and to keep an eye on developments.

A Member asked about payroll payments and if there were any bonus payments linked to the appraisal system which had been mentioned before as in need of review. It was confirmed that the Council did not have performance related cash bonuses.

(c) 2015/16 Audit Committee Update

Lisa Robertson introduced the latest in the usual series of general updates on recent developments and topical issues. She advised that she had brought copies of Grant Thornton's latest publication entitled 'Reforging Local Government' and they would be issued to Committee Members.

A Member asked if the National Audit Office had given Grant Thornton any guidance on examining Councils' financing plans in the coming years in the face of the loss of Revenue Support Grant. Emily Hill advised there was no specific guidance and she considered this would be a local issue for each individual Local Authority to

determine their own strategies in the face of their own circumstances. There may be a role for the National Audit Office to share best practice, but from Grant Thornton's point of view as an External Auditor, their focus would be on making sure Councils were following standard accounting practices whatever route they decided to take. The Member said this whole area was interesting as Local Authorities were inevitably going to have to be more commercial and he considered there would need to be a focus on corporate governance from both External and Internal Audit.

The Deputy Chief Executive drew attention to mention of Audit Panels in the report in the context of the requirement for Local Authorities to appoint their own External Auditors. It had originally been intended to report on this issue at this meeting, however this would now happen at one of the meetings in the summer.

Resolved:

That the three reports from Grant Thornton UK be received and noted.

376 Report Tracker and Future Meetings

The Senior Member Services & Scrutiny Support Officer advised of two additional Audit Committee meeting dates that had been arranged to ensure the new deadlines for the Statement of Accounts work were met. The dates for Committee meetings for 2016/17 were therefore as follows (all at 7pm in the Council Chamber): -

Thursday 16th June 2016
Thursday 30th June 2016
Thursday 28th July 2016
Thursday 29th September 2016
Tuesday 6th December 2016
Tuesday 21st March 2017

Resolved:

That subject to the additions to the Tracker mentioned at this meeting, the report be received and noted.