

## **Audit Committee**

Minutes of a Meeting of the Audit Committee held in the Council Chamber, Civic Centre, Tannery Lane, Ashford on the **28<sup>th</sup> July 2016**.

### **Present:**

Cllr. Waters (Chairman);  
Cllrs. Farrell, Link, Shorter, Smith.

### **Apologies:**

Cllr. Buchanan

### **Also Present:**

Head of Finance; Accountancy Manager; Accountant (MH); Accountant (LF); Head of Audit Partnership;

Elizabeth Olive - Grant Thornton UK.

## **105 Minutes**

### **Resolved:**

**That the Minutes of the Meeting of this Committee held on the 30<sup>th</sup> June 2016 be approved and confirmed as a correct record.**

## **106 Statement of Accounts 2015/16 and the External Auditor's Audit Findings Report**

The Accountancy Manager introduced this item. The report presented the 2015/16 Statement of Accounts for approval. The largest movement was in paragraph 12, in relation to a misstatement between the bank and creditors, and the team had made adjustments to ensure that this would not happen again next year. The report also included the Letter of Representation to give the auditors comfort that the accounts had been closed off correctly. The team had closed the accounts early this year and submitted them to the auditors by 31<sup>st</sup> May. The Accountancy Manager thanked the auditors for their timely work. She drew Members' attention to the five Recommendations at the end of her report.

Mrs Olive introduced the audit findings report from Grant Thornton which outlined the key issues arising from their audit. She congratulated the Council for achieving an early closure of accounts substantially ahead of the statutory deadline and said Ashford was amongst the first Councils in Kent to sign off their accounts, which was an impressive achievement. She said the auditors would be issuing an unqualified opinion on the accounts. There had been a small number of disclosure amendments and one adjustment to the balance sheet, which was explained in the covering

report. There was also one unadjusted error of £90,000 but this was a relatively minor amendment and the Council's reasoning for not adjusting the error had been accepted. There was one internal control deficiency around the review of journals but this was not a significant weakness which would affect the outcome of the audit findings, although it should be noted by those in charge of Governance. All risks presented in the Audit Plan earlier in the year had been closed off.

The Chairman opened up the report for discussion and the following points were raised:

- A Member congratulated the Accountancy Team on the outcome of the audit, particularly in view of the speed and accuracy of the closure of accounts. He considered that the Officers could take great pride in the work they had done to achieve this result. He also noted that Grant Thornton had responded in a timely manner and thanked them for their efforts. Next year it would be necessary to undertake a smarter, faster set of audits and this year had been a successful preparation for that.
- A Member pointed out that, although the representation letter was contained within the agenda papers, it was not referenced with any tag, and was not easy to locate.
- A Member drew attention to the third recommendation in the Auditor's Action Plan, regarding commercial development. Following the significant changes at senior level, there had been a loss of skills, experience and knowledge. He was concerned that this point should be noted by the Committee and monitored. Members considered that it would be useful to have an update on progress at the next meeting of the Committee. The Head of Audit Partnership drew Members' attention to the fact that in the Committee work programme a paper would be submitted to the September meeting on strategic risk management. One of the risks that had been previously identified was the skills and capacity of staff, so he suggested this might be a suitable vehicle to explore Members' concerns about managing and monitoring this particular risk. Members agreed with this suggestion.
- A Member asked whether the minor errors noted in the report had been caused by the efforts to meet an earlier deadline. The Accountancy Manager responded that this might be the case, although the auditors had reported back that in their view the quality of the statements was not affected by the early deadline.
- The Chairman drew attention to page 84 of the agenda. He noted the difference between years in the figures for the fund for future expenditure. He considered that for next year's report, it would be helpful to have more details, particularly in instances such as this where there was a marked difference in the figures from one year to the next. The Accountancy Manager said she would send around a breakdown of the Council's reserves. The major change in the future expenditure was caused by an NNDR which was not detailed in the report. She said that next year she would ensure that more information was provided.

- The Chairman drew attention to page 89 of the agenda and questioned the revaluation mechanism, as the two windmills had been valued at a lower figure this year. The Accountancy Manager responded that heritage assets were treated a little differently from other assets such as land and buildings. They were valued using insurance valuations. The most recent valuations totalled £2.4m. However, the previous valuations were based on figures from 2009/10 which assumed a higher value.
- The Chairman drew attention to page 94 of the agenda. He questioned the different profile this year for the overdue debt amount. The Accountancy Manager agreed that more information would be useful. She said it would be possible to do some analysis in future years to explain the cause of the movement.
- The Chairman drew attention to page 95 of the agenda. He noted a large increase on the first table under local taxpayers/ratepayers. The Accountancy Manager said she believed this change was due to timings, but she would need to check this detail. She said that a comment on this could be included within the text in future years.
- There was some discussion about the comment on page 53 of the agenda that the EU Referendum decision may have an 'adverse' effect on asset valuations etc. Members considered that the text reflected the context of the time in which it was drafted, when the signs were that the decision to exit the European Union was likely to have an adverse impact. For this reason Members decided to leave the text unaltered. The Portfolio Holder for Finance, Budget and Resource Management assured Members that the effects on the markets were being tracked and monitored very closely and counter-measures would be taken if appropriate.

**Resolved:**

**That the Audit Committee:**

- (i) considered the Appointed Auditor's Audit Findings;**
- (ii) agreed the basis upon which the accounts had been prepared;**
- (iii) approved the audited 2015/16 Statement of Accounts;**
- (iv) approved that the Chairman of this Committee signs and dates the accounts as required by Section 10(3) of the Accounts and Audit Regulations 2015 as approval by the Council;**
- (v) approved the Chief Financial Officer's Letter of Representation to the Appointed Auditor.**

## **107 Report Tracker and Future Meetings**

It was agreed that the Accountancy Manager should report back to the next meeting on areas highlighted at this evening's meeting.

The Head of Audit Partnership advised that the Committee had previously received a paper on the future of external audit procurement which included the notion of a sector-led body approach. At that time this was a theoretical proposition as no such body existed. However, Public Sector Appointments Ltd had now been established, authorised by the Department of Communities and Local Government, and was currently consulting with authorities and setting out the likely terms of its offer with a view to approaching authorities in the autumn. By the time of the meeting of this Committee in September there may be more information available on the offer, and an update report to that meeting might be timely.

The Head of Finance suggested that the Committee might want to reconsider the process for taking the accounts to completion next year. The early June and July agendas were very light, with three Committee meetings within two months, so it might be worth reviewing the agendas for those three Committees with a view to condensing the meetings into two. The Head of Audit Partnership said he had no issues against this suggestion.

### **Resolved:**

**That the report be received and noted.**

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## Audit Committee

Minutes of a Meeting of the Audit Committee held in the Council Chamber, Civic Centre, Tannery Lane, Ashford on the **29<sup>th</sup> September 2016**.

### Present:

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

### Also Present:

Deputy Chief Executive, Corporate Director (Law and Governance), Head of Audit Partnership, Head of Finance, Audit Manager, Policy and Performance Manager, Senior Policy Performance and Scrutiny Officer, Senior Member Services Officer.

Lisa Robertson - Grant Thornton UK.

## 149 Minutes

### Resolved:

**That the Minutes of the Meeting of this Committee held on the 28<sup>th</sup> July 2016 be approved and confirmed as a correct record.**

## 150 Data Protection Audit Update

The Head of Audit Partnership introduced the report which set out progress since the Committee had received the 'weak' assurance review of Data Protection in March 2016. An addendum paper had also been tabled containing the correct paragraphs 8 and 9 to the report. In accordance with the agreed procedure, an action plan with recommendations had been agreed by Management Team and this Committee and dates set for implementation and a follow up. The follow up audit had been undertaken during the past month and the report noted that the assurance level remained 'weak' owing to limited progress on implementing recommendations, including some high priority matters which had an agreed target date of June 2016. Although some interim measures were in place, many of the recommendations still required a long term solution.

The Corporate Director (Law and Governance) accepted that progress had been disappointing and slower than expected and considered that the implementation dates in the original action plan had proved over optimistic. The plan had been put together in March 2016, before his Service had taken over the Data Protection function. It had been put together in good faith and acknowledging the importance of the issue, but inevitably without full knowledge of the situation. However, he did not want to make excuses and considered it would be preferable to outline the progress that had been made and the steps the Council was taking to improve the situation. He had informed the Audit Committee in March that there would be no 'quick fix' but

he considered it was important to note that whilst the assurance level remained 'weak', some significant progress had been made and that was reflected in the papers. There had been a staff awareness campaign, staff training (with more imminent), new Data Protection policies adopted by the Cabinet in July 2016 and a range of interim measures to mitigate the key risks such as breach handling and subject access logs. In addition, a key piece of work had begun corporately around revised arrangements for data storage and retention and this would take much of 2017 to complete. All Councillors were also now, for the first time, registered as Data Controllers with the Information Commission which was a significant improvement on the previous situation. The Corporate Director (Law and Governance) concluded by saying that whilst progress against the action plan was therefore disappointing, the direction of travel since March 2016 was positive. Furthermore, Management Team recognised that whilst it was an important element, simply awaiting the appointment of a Data Protection Officer was not a sustainable option. There had been discussions with colleagues at other Local Authorities about their experiences and responses to similar recommendations and Officers were also in discussion with a specialist consultant regarding support in making more rapid short term progress.

The Chairman said he had been extremely disappointed when reading the report. Of the six recommendations, only one had been fully implemented which was the lowest priority one. He asked if any consideration had been given to coming back to this Committee earlier when it became clear that they were not going to meet the timescales. The Committee may have been able to help and he considered they had been ignored. He was also quite concerned that the dates in the agreed action plan had proved so unrealistic and could not understand why that had been allowed to happen. He asked if the Committee could have any confidence that the action plan would be completed in an acceptable timescale. The Corporate Director (Law and Governance) said he considered that the Committee could take comfort in the progress so far as outlined in the report and that the future addition of some more capacity and expertise would further develop that. In terms of timing, he said his initial thought had been to discuss the matter with Internal Audit and the Chief Executive. He had considered that whilst it was clear they would not be able to reach the full plan, he had been hopeful that they could move closer towards a 'sound' rating by September. In hindsight he accepted an interim report back to Members should have been made and this was a learning point.

The report was then opened up to the Committee for discussion and the following points were raised: -

- Were the interim measures considered adequate and was the Council currently compliant? Clearly a new timeframe for delivery had to be drawn up quite promptly, but the deadlines had to be realistic. The Corporate Director (Law and Governance) said he did have confidence that the interim measures would act as mitigation, but they were not long term solutions. The point about prompt and realistic timescales was very important.
- There appeared to be inconsistencies between the decision to make the previous Data Protection Officer (DPO) redundant in early 2016, when many of the recommendations in the action plan now appeared to rest on the appointment of a new DPO. It also appeared likely that an appointment would

not now be in post until early 2017 and it was disappointing that this position was likely to drag on for nearly an entire year, with the Council seemingly not having the knowledge and skillset to fulfil the role. The Corporate Director (Law and Governance) advised that the post made redundant had a much wider role than purely Data Protection. There had been no intention to remove the role of DPO from the organisation, but no decision had been taken at that time whether this should be added to an existing post or if a new post should be created. Subsequently, the new European Directive including more stringent Data Protection requirements from May 2018 had been announced and it was now clear that a specialist DPO was the correct solution. A person specification and job description had been developed, and whilst this had taken too long, it had been important to properly decide how far information security should be part of the role and how senior the post should be. The Chairman said that in his view the appointment should be expedited as a matter of urgency. Many of the remedies to the problems in the report hinged on the appointment of a dedicated DPO and that Management Team should make that an urgent priority in the next couple of weeks.

- The Corporate Director (Law and Governance) reiterated that whilst they would continue to progress the appointment of a permanent DPO, it was also just as important to pursue the possibility of consultancy support in the short term to pick up the issue and begin to work on solutions in the interim.
- The reason why the lowest priority rating was the one that had been completed was largely because it had been the most straight-forward and it made sense to deal with it quickly and with minimum resource impact. They had however been working on the others at the same time, although they were inevitably more involved and complex to complete. There had been no decision to prioritise a 'low' priority over others.
- There was a wider learning point for Management Team in that when posts were made redundant, all roles and responsibilities therein were either properly re-allocated or truly redundant, before that individual left employment.

The Chairman said he hoped the strength of feeling of the Committee had been made clear. The Committee was disappointed and frustrated by the inability to meet the original deadlines in the action plan and what it viewed as minimal progress. The Committee agreed that a revised timetable for the action plan should be drawn up promptly and reported back to the next meeting in December and that Management Team should meet urgently to discuss progression of the appointment of a permanent DPO and inform the Chairman of the position in the next two weeks.

**Resolved:**

**That (i) the efforts made towards attempting to implement recommendations raised in the Data Protection Audit Report brought to this Committee in March 2016 be acknowledged.**

- (ii) the Committee receive a further update at its December meeting including a revised action plan and timetable for implementation.**
- (iii) the recruitment of a permanent Data Protection Officer be expedited and the Chairman be provided with an update in the next two weeks, with a further update to be included in the report to the December Audit Committee.**

## **151 Annual Governance Statement – Progress on Remediating Exceptions**

The report updated on the progress made towards the areas of review highlighted by the 2015/16 Annual Governance Statement. The Senior Policy, Performance and Scrutiny Officer introduced the report and gave a detailed demonstration of the Council's new Performance Dashboard as referred to in the report. The dashboard was the culmination of a significant amount of work and would inform the work of both Officers and Members on a 'live' ongoing basis as well as through the quarterly performance reports to both Cabinet and Overview and Scrutiny. He also referred to the work ongoing to revise the Council's strategic risk management procedures and how that dovetailed with the report to be discussed later at the meeting.

The Chairman thanked the Officer for the presentation and said that the Performance Dashboard was impressive. The Portfolio Holder said he was extremely pleased with the system and he hoped that Portfolio Holders would take ownership of their own data.

### **Resolved:**

**That the progress made towards the areas of review highlighted by the Annual Governance Statement as detailed in the report be noted.**

## **152 Good Governance Framework Audit**

The Senior Policy, Performance and Scrutiny Officer introduced the report which presented the Committee with the results of Internal Audit's recent four-Council review of preparedness for the revised CIPFA/SOLACE Good Governance Framework. This was considered and endorsed by the Committee in June as the Council's new 'Local Code of Corporate Governance, Delivering Good Governance in Local Government 2016'. It was a different piece of work to those normally undertaken by Internal Audit and it was heartening that all four of the Mid Kent Authorities including Ashford were judged as well placed to meet the principles. Areas for improvement for each Authority had been highlighted in the report and there were two areas for Ashford of which Officers were well aware and were already working on (corporate level benchmarking and risk management).

The Chairman thanked Officers for undertaking the review and said that the results appeared pleasing for Ashford. In terms of succession planning, he considered the Council structure was quite lean at senior level, so whilst they had scored quite high in this category, he did urge caution in this regard. The Head of Audit Partnership



said this finding was based on the plans in place at a senior level and for Officer development, which were both strong. The Portfolio Holder said that it was true that the Council was 'lean' at the top, but the cohort and leadership programmes it was undertaking had ensured that succession management plans at a senior level were generally very well planned.

**Resolved:**

- That (i) the final audit report as presented at Appendix 1 to the report be noted.**
- (ii) Officers investigate the opportunities presented by the LG Inform platform in more detail, with a view to incorporating more benchmarking information where possible.**

## **153 Strategic Risk Management**

The Policy and Performance Manager introduced the report which was the first review and update of strategic risk following the Committee's approval of a new approach to identifying and managing risk for the Council in September 2015. The report also included the first update of the Strategic Risk Register since March 2016 when it was endorsed by the Committee. She explained that an original 'long list' of 13 possible themes coming out of the Council's new Corporate Plan had been amalgamated into seven main themes. Each of the seven had its own risk owner and the themes and owners were outlined in the report. She ran through each of the risks and their current gradings, giving the reasons for each.

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

- Along with the Big 8 Projects, the Programme Manager kept a larger register of all projects under the Council's watch. A large part of her work was to assess those projects and ensure that the Council had the ability to finance and resource them and it would only proceed with the projects that could be delivered. An update report on the Corporate Delivery Plan would be submitted to the October Cabinet meeting and this would include a full list of all of the projects. Project Management now sat in the Policy and Performance Manager's team so she advised that there should now be a more co-ordinated approach to project risk.
- The theme of reputational risk was more about external factors which by their very nature were often outside the Council's control. It was a risk that would probably never be graded as a 'green' as there were so many potential smaller risks involved that could change swiftly. From the Council's point of view it was about ensuring resilience.
- The new risk management process was working its way throughout the organisation. Relevant staff had received training and further training would be rolled out shortly.

**Resolved:**

- That** (i) the updates and mitigation proposals be noted.
- (ii) a further six month review period be agreed.

## **154 External Audit Update Report**

Lisa Robertson introduced the report which included a summary of ongoing audit work at Ashford and some other general points of interest.

**Resolved:**

**That the report be received and noted.**

## **155 Report Tracker and Future Meetings**

The Chairman said that he had been advised of an audit to be carried out by the Homes and Community Agency (HCA) over the next month about funding received through the Department of Health's Care and Support Specialised Housing Fund. This funding had been used by the Council at Farrow Court and he would provide feedback on this audit to Committee Members.

**Resolved:**

**That subject to the additions made at the meeting the report be received and noted.**

DS