

Audit Committee

Minutes of a Meeting of the Audit Committee held in Committee Room No. 2, Civic Centre, Tannery Lane, Ashford on the **28th September 2017**.

Present:

Cllr. Waters (Chairman);
Cllr. Barrett (Vice-Chairman);
Cllrs. Buchanan, Burgess, Shorter, Smith.

Also Present:

Cllrs. Bradford, Clokie, Mrs Dyer.

Director of Law and Governance, Director of Place and Space, Director of Finance and Economy, Head of Culture, Head of Health, Parking and Community Safety, Head of Audit Partnership, Health, Parking and Community Safety Manager, Policy and Performance Manager, Programme Manager, Resilience Team Leader, Senior Auditor, Senior Policy Performance and Scrutiny Officer, Funding and Partnerships Officer, Senior Member Services Officer.

Elizabeth Jackson - Grant Thornton UK.

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In accordance with Procedure Rule 9.3 Mr Relf, a local resident, said he wanted to speak on Minute No. 83 – Corporate Enforcement Support and Investigations Team Annual Report 2016/17. The Minute stated that areas such as general enforcement, fly tipping, Council Tax and Business Rate fraud and social housing/tenancy fraud would all be areas of focus going forward. He asked how that commendable objective was going to translate in to effective action and if he could be assured that something would actually happen? He said that in the past the Council had been made aware of Business Rate avoidance at a particular address but no action was taken.

The Portfolio Holder for Finance and IT responded that this Council placed a high value on counter fraud and investigation work and it had repeatedly voiced its commitment to the Investigation Teams work. The Council had maintained its investigative resources at a time when nationally these resources had been transferred to the Single Fraud Investigation Service. Some Councils elected not to retain any counter fraud capability, but not Ashford. Not only had the Council maintained its investigators, but they had tasked them with branching out and investigating fraud in new areas beyond their traditional areas of focus. They were members of the Kent Intelligence Network (KIN), that had developed a data hub which allowed Councils to data match to identify potential frauds for further investigation. The Council would continue to use data matching, whether provided by the KIN or its own in house capability to identify potential examples of fraud. They were about to commence a pilot data matching exercise which would further seek to identify businesses who were not paying the correct amount of tax. The Council would continue to investigate all instances of fly tipping. The Environment and Land Management team were working with the Fraud and Investigations team in

investigating waste disposals with a view to taking formal action. To date they had made two prosecutions and were investigating others.

In addition, Ashford Borough Council worked collaboratively with all other Local Authorities in Kent and Kent County Council on matters such as litter and fly tipping through the Kent Resource Partnership. Each year, project funding had been used on various campaigns such as metal matters and plastic recycling. At the most recent Board meeting it was agreed that for the next two years they would fund an intelligence officer post that would be housed at KCC, to be dedicated to collecting and sharing intelligence on environmental crime, most specifically fly tipping, to ensure that waste criminals could be tracked. This was further evidence of their proactive approach to growing resources for enforcement. The success of this had been demonstrated in the annual reports that this Committee had received, which had contained details of the team's activity and they were a matter of public record.

He also said that in the first five months of this year the team had identified, and taken action against fraud to a value of £256,000 - covering a wide range of areas including Council Tax, Business Rates, Housing Benefit and Housing Tenancies. He was therefore pleased to give Mr Relf the assurance he asked for that something would happen, because it was happening now. With reference to the specific site mentioned by Mr Relf, he advised that the Council had investigated the address and passed its findings on to the Valuation Office which was the agency with the statutory responsibility for maintaining the business rates list and they had the duty to decide what action to take with the Council's findings.

Resolved:

That the Minutes of the Meeting of this Committee held on the 11th July 2017 be approved and confirmed as a correct record.

173 Business Continuity Planning Audit Report

The Head of Audit Partnership introduced the report which provided the Committee with a copy of the Business Continuity Planning audit report, issued in August 2017. The conclusion was that the controls offered only 'weak' assurance and needed further support to work consistently at an effective level. Consistent with the approach agreed by this Committee, any audit report receiving a 'weak' or 'poor' rating was reported to the next available meeting of the Audit Committee. He was pleased to advise that findings and recommendations of the audit report had been accepted by Officers and responded to quickly, with a management action plan being completed wherein plans for improvements to the service had been set out. The response so far was therefore commendable and he looked forward to working through the action plan with Officers.

The Head of Health Parking and Community Safety said that first and foremost she would like to apologise on behalf of Management Team for the weak audit rating. They fully accepted the rating and the findings of the report. There was a commitment to putting this right as soon as possible and she hoped the action plan that had been produced demonstrated Management Team's commitment. There had been a lot of good work undertaken on Emergency Planning in the last twelve months and perhaps that focus had seen them lose sight of Business Continuity to

some extent. The recommendations in the action plan reflected what needed to be done to achieve best practice, so whilst the function could certainly “raise its game”, it was also fair to say that it was not significantly failing. She advised that the significant findings in the report were: - Services had not updated their own Business Continuity Plans and these needed more detail; not enough testing of the plans had taken place; and Business Continuity as a whole did not appear to be embedded across the organisation. In terms of moving forward, there was a clear focus on what needed to be done and some important steps had already been undertaken. The aim was to get a high rating in the future and for the Council to be a leader in this issue. In terms of the dates in the action plan, the Head of Health, Parking and Community Safety advised that they would like to push some of the dates back to December 2017 which would allow her small team to properly analyse the Business Continuity plans submitted by Services and for the next meeting of this Committee to look at them ahead of a Management Team signoff in December.

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

- The Council's overarching Business Continuity Plan was not currently governed by a policy. One had been drafted and this would be coming to Cabinet/Council for adoption in October. This would set out the responsibilities of everyone at the Council, including Members.
- The identification of an alternative site as a back-up facility for the Council to provide its key services from in the event of an emergency had been rated as a Priority 2 recommendation. Alternative sites had been identified but they would need to find something that suited the needs of the various teams within the Council. The Council's IT back-up arrangements had also recently been reviewed and assessed as 'good', so that had moved on over the last three years.
- The Committee was pleased to agree the extended timescale of December. They wanted the implementation dates to be realistic and they would clearly now fit in to a wider framework.
- Internal Audit expected the Council to act on all recommendations, regardless of rating level, but they had to prioritise each in terms of actions needed and immediacy. A recommendation which was a 'low' priority would still need to be dealt with, but there may be multiple ways to address the issue and timescales may not be quite so critical.
- A Business Continuity Steering Group would be re-established. The terms of reference were currently being updated and membership reviewed. The first meeting would be held in November and Steering Group members would be drawn from Management Team. Emergency Planning and Business Continuity would also be on Management Team agendas on a three monthly cycle.
- In response to a question about resources and whether the team had sufficient staff and budget to deal with the additional workload, the Health, Parking and Community Safety Manager said that they did want to take some time to review this matter. Over the next six months they planned to review

the whole process with a view to understanding exactly what resources would be needed going forward.

The Chairman said that the outcome of the audit was disappointing. Business Continuity Planning had received a similar rating back in 2014. It was therefore particularly disappointing that the corrective action taken then appeared to have been allowed to 'fall off' the agenda and this did not reflect well on Management Team, particularly as some of the same Management Team members remained. He thought the generator failure in 2015 should have been the trigger to spark a closer look at arrangements. In his view there needed to be more of a buy in from senior management to the importance of business continuity and a cultural change across the organisation. The results of the questionnaire undertaken as part of the audit showed that the majority of respondents did not know who their Lead Officer for business continuity was and that was concerning. He proposed that Internal Audit should use some of their contingency days to review Management Team agendas to assess why this had dropped off and if it was likely to be a problem going forward.

In terms of the specific individuals referred to in the report who had gone above and beyond to minimise the impact to the Council during the generator failure, the Chairman said he wanted to acknowledge them and thank them for their efforts.

The Chairman asked that going forward reports include the job titles as well as names for responsible Officers for ease of reference.

The Director of Law and Governance said that on behalf of Management Team, there was an acceptance from the top down that Business Continuity had not received the attention or priority that it deserved. Management Team now had a very different style and way of working, with much more structured agendas and a forward planning process, and topics such as Emergency Planning, Business Continuity and other corporate governance matters were reviewed routinely. He would be happy for Internal Audit to review this, but he was confident they would find a vastly improved position.

Resolved:

- That**
- (i) the Business Continuity Planning report and the planned actions by Officers to address its findings be noted.**
 - (ii) the request for extended implementation dates to December 2017 be supported and Committee Members receive a copy of the updated Action Plan.**
 - (iii) Internal Audit add a review of Management Team Agendas to their forward work programme to provide assurance over the issue of Business Continuity going forward.**

174 Presentations from Strategic Risk Owners

The Chairman explained that these would be the next in a series of regular updates from Risk Owners that would form part of the training and interaction process for this Committee.

The Head of Culture and the Funding and Partnerships Officer gave a presentation on the risk theme – Community Capacity, focusing on the Voluntary Sector. The presentation covered: - voluntary sector capacity; risk and consequence; controls in place; challenges; and further action.

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

- The chief concern was to make sure that current volunteers were supported in their role, but there was also clearly a risk that new volunteers could not be found.
- The Council did publish details of the Member grants it paid, but they did not publish percentage uptake levels. The Chairman considered it may be a useful exercise to advise Members who had any grant remaining of their balance each January, and the need to spend it before year end.
- There was some discussion on the application of the Ward Member fund and whether it needed to be spent directly in a Member's Ward. The Funding and Partnerships Officer advised that the wording was "for projects that benefit constituents in your Ward" and she did try to apply that criteria as inclusively as she could. Some Members said perhaps the criteria should be reviewed to include anyone in the Borough, particularly in the spirit of the Localism Act.
- At times, the application process for the various grants was quite demanding with all of the paperwork and administration involved, particularly for some of the smaller voluntary groups. The Funding and Partnerships Officer said she would always assist where she could and it was worth putting the time in to help some of these groups unlock funding pots. She could assist with template policies, constitutions, guidance or simply general advice.

The Director of Place and Space gave a presentation on the risk theme – Housing and Infrastructure, focusing on the risk that the pace of Infrastructure did not keep up with the pace of Housing delivery. The presentation covered: - the issues at hand; strategic infrastructure; partner agencies; local infrastructure; and a summing up of future goals (including the implementation of Community Infrastructure Levy (CIL), working with other organisations, exploring other sources of funding and more partnership working with Kent County Council and other strategic partners through the Ashford Strategic Delivery Board).

The Chairman thanked Officers for both presentations which the Committee had found extremely useful.

Resolved:

That the presentations be received and noted.

175 Annual Governance Statement – Progress on Remedying Exceptions

The report updated on the progress made towards the three areas of review highlighted by the 2016/17 Annual Governance Statement. The Senior Policy, Performance and Scrutiny Officer introduced the report and gave an update on delivery dates for the three areas.

The Chairman said that once all of the elements of the Transparency Code had been signed off as fully compliant, he would appreciate a spreadsheet which showed the full picture.

Resolved:

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

176 Strategic Risk Management – Update Report

The Policy and Performance Manager introduced the report which asked the Committee to consider the Council's Strategic Risks, to note the updated assessments and to agree the adequacy of key controls and the mechanisms for monitoring and mitigation. She advised that since agreement and adoption of the current risk approach in 2015, monitoring and assessment of Strategic Risk had been an evolving process. Therefore some of the risk titles and descriptors had been amended to better reflect the risk factors. A more major review of the risk framework had now been proposed and therefore this would be the last time risk would be presented in this form to the Committee. A new framework was currently being developed by the Internal Audit Partnership in tandem with Officers at the Council and was scheduled to be presented to the Audit Committee at its meeting in March 2018. There would also be a presentation on this as part of the next Agenda item. She said that one issue worth drawing attention to was the proposal to include Emergency Planning and Business Continuity as a further Strategic Risk.

The Chairman said he was pleased to note the successful recruitment of four new senior members of staff, including three individuals from outside the Council. With a pay and reward project planned for later in the year, he considered this demonstrated that this Council was not too far off with what it was offering. The Portfolio Holder for Finance and IT said that whilst he would generally agree with that statement, there were more specialist roles where the Council did often find it difficult to recruit to. The Chairman asked to be supplied with an updated Council organogram once the new recruits were in post.

Resolved:

That (i) the assessments of the updated risk factors, adequacy of the key controls and the mechanisms for monitoring and mitigation be agreed.

- (ii) **the proposal to include a further Strategic Risk on Emergency Planning and Business Continuity be noted.**

- (iii) **it be noted that a new risk framework was being developed to improve risk management arrangements and would be presented to the Audit Committee in March 2018.**

177 Strategic Risk Management Training

Following the previous agenda item, the Committee received a presentation from the Head of Audit Partnership and Programme Manager. This would form part of the ongoing training and interaction process for this Committee.

The Head of Audit Partnership ran through the Risk Management process from the Council's perspective, monitoring and reporting and the next steps in terms of reviewing and updating the process. He stressed the multiple benefits to the Council of strong Risk Management arrangements, explained the principles of the existing Risk Management framework adopted in July 2015 including the recently renamed 'Pentana' system (previously Covalent) and outlined the Risk Management process step by step.

The Programme Manager focused on continuous improvement and the refresh of the current Risk Management system. She explained that work was ongoing and by the end of October they wanted to begin to put forward a system that better reflected the current Service Plans of the Council and to better define the areas that the Council wanted to monitor. It was hoped that this would allow the Council to keep a closer eye on things corporately and potentially become aware of issues prior to receiving weak audit reports. This was planned to be trialled through this year's budget scrutiny process. They were also aiming to update all Risk Registers by December 2017 and themes and Strategic Risks during early 2018. A key element of this would be a better and more accurate reporting mechanism for risk information inspired by best practice from the *John Lewis* model. She hoped to bring all of this together in an update for this Committee at its March 2018 meeting.

The Chairman then opened the item up to the Committee and the following points were raised: -

- Ultimately Risk Management was about projection, assumptions and even some guess work. It was a process that should be kept constantly under review and whilst risk owners were ultimately responsible for this, a good Risk Management framework meant that there was always more than 'one set of eyes' on an issue. If risks were tightly defined from the outset it should avoid a situation where application of the framework could be influenced or 'watered down'.

- Risk appetite was an important consideration. There may be certain risks that the Council was happy to accept and tolerate, even in red areas of a matrix, particularly as the Council became more commercial and entrepreneurial.

- There had been some suggestion that Reputational Risk could be dropped as a Strategic Risk area. The Portfolio Holder for Finance and IT said that he would challenge this suggestion because as the Council became more

entrepreneurial in its approach, working with partners and in joint ventures, the Council's reputation would be all important and fundamental to its success.

- Multiple layers of checking or sign off in a process did not necessarily make it more secure. It often meant that no one person took ultimate responsibility and one person being in charge was the best way to ensure you were covered.

Resolved:

That the presentation be received and noted.

178 External Audit Progress Report

Elizabeth Jackson introduced the report which included a summary of ongoing audit work at Ashford and some other general points of interest. She advised that this was her last meeting before a period of Maternity Leave and a new Engagement Manager for Ashford and her own replacement as Engagement Lead would be introduced to the Council during October.

The Director of Finance and Economy said that following the recent procurement exercise he was delighted to announce that Grant Thornton had been re-appointed as the Council's External Auditor for 2018/19. The Council would be seeking a quote for the 2018/19 Housing Benefit (Subsidy) Assurance audit in the coming weeks, and that would be shared with the Chairman.

The Chairman said that as part of his desire for reports for this Committee to be more interactive and easier to read, he would ask Grant Thornton to make future Progress Reports more user friendly, including bullet points where possible and perhaps some of the detail behind the web links referred to. Audit Committee Members were a diverse group of people, with varying backgrounds and skillsets, and he considered that the reports had to be targeted as such.

Resolved:

That the progress report be received and noted.

179 Report Tracker and Future Meetings

Resolved:

That the report be received and noted.

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Queries concerning these Minutes? Please contact Danny Sheppard:
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