

AUDIT COMMITTEE

Minutes of the meeting held on 11 December, 2013

- PRESENT:** Councillor R.Llewelyn Jones (Chair)
- Councillors Jim Evans, John Griffith, Richard Owain Jones, Dafydd Rhys Thomas
- Lay Members: Mrs Sharon Warnes, Mr Richard Barker
- IN ATTENDANCE:** Chief Executive
Deputy Chief Executive
Head of Function (Resources) & Section 151 Officer
Corporate Director Sustainability (for item 5)
Head of Function (Council Business) (for item 3)
Head of Service (Housing Services) (for item 4)
Head of Service (EWT) (for item 8)
Audit Manager (JF)
Project Manager (EC) (for item 5)
Committee Officer (ATH)
- APOLOGIES:** Councillor Trefor Lloyd Hughes
- ALSO PRESENT:** Mr Patrick Green (RSM Tenon), Mr Andy Bruce (WAO), Mr Ian Davies (PwC)
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1 DECLARATION OF INTEREST

Mr Richard Barker and Mrs Sharon Warnes declared an interest in respect of item 10 on the agenda as the Lay Members on the Audit Committee and were not present when the matter was discussed.

2 MINUTES

The minutes of the previous meeting of the Audit Committee held on 24th September, 2013 were submitted and confirmed as correct.

3 INFORMATION GOVERNANCE

An update report by the Head of Function (Council Business) summarising progress to date in taking forward the Information Governance Project was presented for the Committee's consideration.

The Head of Function (Council Business) and SIRO reported on the context and background to the establishment of the Information Governance Project along with the requirements of the Data Protection legislation which underpins the project in relation to the lawful processing of personal data. The Officer brought the following matters to Members' attention -

- The DPA Action Plan for Improvement incorporates all previous regulatory activity with regard to Information Governance and Management.
- The Information Governance Project Board as part of the Council's Business Transformation programme is the vehicle for delivering the Action Plan and began work in November, 2013. The target completion date is August, 2014 when it will be replaced by a group of officers to ensure ongoing compliance

- The audit of the Council's compliance with the Data Protection Act by the Information Commissioner's Officer in July 2103 will be repeated in the near future and failure to implement change could result in enforcement action being taken against the Council.
- The implementation of the ICO's recommendations from its July 2013 audit will mitigate against the risks of a serious breach of the Act. These have been distilled into five key themes.
- Capacity has been awarded to the management of the project for ICT, HR and DP/Legal Support.
- The absence of the Lead Operational Officer and designated Project Manager has hampered progress. Interim arrangements have been made to ensure movement on the Action Plan with particular focus on actions timed for November and December.
- Four core policies have been prepared and endorsed by the Senior Leadership Team – Data Breach Policy, Privacy Impact Assessment Policy, Personal Data Classification Policy and Information Risk.
- A review of outstanding recommendations from previous regulatory reports has been completed and those have either been assimilated into the Information Governance Project or will be added to it before its closure.
- A review of the Authority's standard contractual templates in relation to third parties who undertake work for the Authority is being undertaken following the completion of which the services will be required to review and renegotiate their existing contracts to ensure they include data protection provisions and terms.
- Certain actions remain outstanding or have not commenced. These relate to ICT and Property and are connected with access and security, and with storage arrangements. The latter has resource implications.
- Assurance can be given that appropriate arrangements have been put in place through the project and that progress has been made against targets in the Action Plan. At this point in time there remains some concern in respect of some timelines in relation to certain aspects of work not yet commenced.
- The project's timeframe provides some flexibility to enable slippage to be overcome. However, the Project is designed to be incremental meaning any additional slippage in the form of elements not completed to time will impact on other subsequent elements of the work.
- The Information Governance Project Board will next meet on 9th January. A status report will be presented to the Business Transformation Board.

Members of the Audit Committee considered the information and they made the following points –

- Whether tasks identified in the Action Plan have designated owners to facilitate and ensure their delivery. It was noted that actions and the responsibility for them become more dissipated as they are extended outwards to the services.
- Whether the Audit Committee is able to make an input to ensure key actions are brought back in line with the timescale.
- Whether the project is being adequately resourced to ensure that matters identified as requiring action are remediated expeditiously and fully.
- Concerns regarding the extent to which the situation has been allowed to escalate over time.
- Whether breaches that have occurred are due to lack of training on the requirements of data protection or due to carelessness and disregard.
- The imperative need for Heads of Service to take responsibility for data protection.
- That addressing data protection issues and putting safeguards in place are a matter of priority.
- The possibility of taking disciplinary action in response to and/or as a deterrent against future breaches.
- That the Executive be apprised of the Audit Committee's concerns regarding the situation and its views on the need to prioritise data protection issues in terms of time and resources; to consider disciplinary action as an option to responding to any future data protection breaches; to provide training to all staff on the range of data protection policies; to remind Heads of Service of their responsibilities with regard to data protection.

The Head of Function (Council Business) responded to the points made by expanding on the current and planned actions and their expected outputs and explaining the nature of those tasks not commenced and the risks attached to them.

The Chief Executive stated that historically capacity issues have been a factor in addressing data protection compliance. The Executive has responded positively to the requirements in terms of strengthening capacity to ensure the shortcomings identified are addressed. In general terms there needs to be a change of mindset within the Authority corporately so that compliance with data protection requirements becomes an integral part of the work of the Authority across all services.

It was resolved –

- **To note the report and the update provided.**
- **To refer the Audit Committee's concerns with regard to Data Protection compliance within the Authority to the Executive with the request that it considers and provides assurance to the Audit Committee on the following matters –**
 - **That an appropriate level of resources is allocated to ensure that shortcomings in data protection compliance are remedied fully and properly.**
 - **That disciplinary action be considered as an option in responding to any future data protection breaches.**
 - **That the Authority's staff are provided with training on all data protection policies.**
 - **That all Heads of Services are reminded of their data protection responsibilities within their respective services and the importance thereof.**

ACTION ARISING: Audit Committee concerns to be reported to the Executive with a request for a response.

4 HOUSING BUILDING MAINTENANCE UNIT

The report of the Head of Service (Housing Services) outlining progress made to date on transforming the services delivered by the Housing Services' Building Maintenance Unit (BMU) since the previous report to Committee in May, 2012 was presented for the Committee's consideration.

The Head of Service (Housing Services) reminded Members of the Committee of the key recommendations from two previous service reviews the one an advisory review by the Wales Audit Office and the other a value for money review by a specialist company. The Officer referred to a third review of the service which was undertaken by Internal Audit and which focussed on the BMU's procurement arrangements. She said that as a result of these three critical reviews, a comprehensive action plan was put in place and she explained the progress to date on delivering the action plan. An options appraisal and an independent evaluation of progress will be carried out in February, 2014 and reported to the Executive. Progress in terms of implementing the chosen option will be reported to the Service Transformation Board and a formal project management approach will be adopted.

Members asked the Head of Services (Housing) whether she was satisfied that the transformation is being delivered to timescale to which she replied in the affirmative with the caveat that there remain certain risks in relation to procurement and contracts. The Audit Committee requested that it be provided with a further update in February to cover options, timeframes and any attendant financial risks.

It was resolved to accept the report and to note its contents.

ACTION ARISING: Head of Service (Housing) to provide the Committee with a further update at its February, 2014 meeting.

5 ANGLESEY THREE TOWNS CAPITAL PROJECT

A report by the Director of Sustainability in relation to the Anglesey Three Towns Capital project was presented for the information of the Audit Committee. The report made reference to the project's governance arrangements and framework, the funding elements along with achieved and projected outputs.

The Director of Sustainability explained to the Committee's Members that during the life of the project the Welsh Government has reprofiled its £37m scheme and consequently Anglesey Council has been given a number of opportunities to also reprofile and extend which has allowed the actions described in the report. The Officer said that what has been perceived as slippage is in fact a planned reprofile in order to maximise benefits.

Members of the Committee asked a number of questions on the operation of the project in relation to the compass of the grant scheme, expenditure, jobs created and tendering arrangements which the Project Manager further clarified. It was suggested that it would be helpful if more information about the project and the elements completed was publicly available. Members also requested a further update on the scheme's progression. The Director of Sustainability said that there is a list of schemes that is publicly available. A project closure report will be issued in June, 2014 which will be subject to audit as required by EU law and which will be made available to the Audit Committee.

It was resolved to accept the report and to note its contents.

ACTION ARISING: Audit Manager to co-ordinate the submission of the end of project report to the Audit Committee at the appropriate time.

6 EXTERNAL AUDIT – PERFORMANCE WORK PROGRAMME

An update by External Audit on the current status of scheduled and ongoing pieces of performance work was presented and noted by the Committee.

7 EXTERNAL AUDIT – ANNUAL AUDIT LETTER

The Annual Audit Letter summarising the key messages arising from the Appointed Auditor's statutory responsibilities under the Public Audit (Wales) Act 2004 and reporting responsibilities under the Code of Audit Practice was presented for the Committee's consideration.

Mr Ian Davies PwC said that the Letter formally summarises the output from the audit of accounts process which was reported more fully to the September, 2013 meeting of the Committee. The Letter, whilst confirming that an unqualified audit opinion was issued on the accounting statements, draws attention to the need for arrangements to be put in place to ensure that the Finance Service has adequate and appropriately skilled resources going forwards.

The Head of Function (Resources) and Section 151 Officer informed Members that a structure is being implemented within the Finance Service. She confirmed that plans are already in place for the start of the closure of accounts process 2013/14 and she outlined to the Committee the substance of those plans.

It was resolved to accept the Annual Audit Letter and to note its contents.

NO FURTHER ACTION ARISING

8 GOVERNANCE AND ASSURANCE ARRANGEMENTS

The report of the Deputy Chief Executive setting out progress against the Governance and Assurance Action Plan arising from the review of the Council's Governance Framework and the Annual Governance Statement 2012/13 was presented for the Committee's consideration. The updated Governance and Assurance Action Plan was provided at Appendix B to the report.

Members considered the Action Plan and sought clarification of certain points regarding the reporting arrangements for the Transformation Boards and the status of the consultation on the Commissioning and Procurement Policy and Strategy. The absence of a specified target date for planning and delivering the savings required of the Council was highlighted and given the centrality of this work to the Council's business going forwards, questions were asked regarding the position in terms of the progress made to date.

The Head of Function (Resources) and Section 151 Officer said that linking into strategies across the Council is part of the work of developing the MTFP e.g. twenty-First Century Schools Strategy, IT Strategy. Some strategies are more advanced than others. The MTFP will include investments and will highlight the savings gap over the next four years which will be met by the Efficiency Strategy. Plans will now have to be developed for the 2015/16 financial year based on forward

thinking rather than on a salami slicing approach. The work that needs to be done in the immediate future is to work with the transformation boards and service reviews to bridge the savings gap.

The Deputy Chief Executive said that the Transformation Plan has been developed, restructuring has taken place and additional capacity allocated, and the first step is the identification of the case for change the revenue consequences of which will then feed into the longer term efficiency strategy. Work to date has been of a post intervention nature with time and capacity to forward plan only now becoming available. The Corporate Plan has been agreed and that will drive matters forward. In terms of areas where savings can be identified e.g. smarter working, school modernisation etc. the point has now been reached where the Authority can focus on driving these and other initiatives forward which will then be reflected in the MTFP and Efficiency Strategy. The transformation programme is seeking to marry improvement in services with better use of resources. The Officer elaborated on work to be done in the period between now and the end of the financial year along with actions being taken and she confirmed that the agenda is moving.

Members noted that progress is being made but not in as expeditious a manner as they would have liked and consequently they requested that they be kept informed of developments.

It was resolved to accept the report and to note its contents.

ACTION ARISING: Deputy Chief Executive to brief the Audit Committee at its next meeting on the Transformation programme framework and structure with a view to providing assurance that the process is able to deliver to targets.

9 RISK MANAGEMENT FRAMEWORK AND CORPORATE RISK REGISTER

The Deputy Chief Executive provided the Committee with a verbal update on matters relating to risk management.

The Deputy Chief Executive reported to Members on the importance of embedding risk management within the Authority as an organisation. Progress has been made in terms of identifying the risks in relation to the Transformation agenda but more needs to be done in embedding risk management within the services and it has been agreed with Heads of Services that risk management should now take place effectively within their services. The Officer said that more work needs to be done to ensure that the management of risk across the Authority occurs systematically.

Members of the Committee noted that the issue of risk management is a longstanding concern of the Audit Committee and they pointed out the length of time it has taken to implement an effective system of risk management within the Authority.

The Audit Manager said that the objective should be for Heads of Service to focus on what is happening in their services in terms of risk management, how to embed the process therein and how that is then reported upwards to the Corporate Risk register so that the SLT as the risk owners and the Audit Committee as the forum with oversight responsibility are provided with assurance that the risks are being managed. The reporting and assurance process up and down the organisation needs to be clear. The Deputy Chief Executive said that Heads of Service need to be aware of the expectations on them with regard to managing risks within their services and that those expectations need to be articulated clearly via for example, development sessions.

It was resolved to note the information.

ACTION ARISING: Deputy Chief Executive to report back to the Audit Committee in June, 2014 on the extent to which risk management has been effectively implemented within the Authority along with the arrangements to provide assurance that that is the case.

10 REVIEW OF INDEPENDENT MEMBER APPOINTMENTS

A report by the Head of Function (Resources) incorporating options for the appointment of Independent Members to the Audit Committee to serve from July, 2014 in line with the requirements of the Local Government Measure was presented for the Committee's consideration.

Having declared an interest in this matter, Mr Richard Barker and Mrs Sharon Warnes withdrew from the meeting during the discussion thereon.

It was resolved to extend the current arrangements with the existing Independent Members from July, 2014 for a further two years.

NO FURTHER ACTION ARISING

11 PROGRESS REPORT ON INTERNAL AUDIT

A report by the Audit Manager documenting the activities of the Internal Audit Section during the period from April to November, 2013 was presented for the Committee's consideration.

The Audit Manager made particular reference to the following matters –

- Output in the form of reports issued since the previous update
- Audit reviews carrying a Red or Red/Amber opinion - Creditors and the Civica Accounting System respectively
- Performance in relation to implementing internal audit recommendations
- Current audit concerns and related actions
- Unimplemented High Category recommendations and the review areas to which they relate.

Members raised the following points on the information presented –

- Clarification of the issues arising from the review of the Civica main accounting system and whether they are attributable to the Civica application itself or to the use of it.
- With regard to the advisory review on agency payments, clarification of the Authority's deployment of agency staff as regards the extent of the practice in terms of the numbers involved, the costs and the practice's financial viability.
- Whether the actions with regard to unimplemented high category recommendations are considered adequate to remedy the situation.

The Head of Function (Resources) elaborated on the issues that had arisen in the lead up period to the implementation of the Civica system and which had impacted thereon along with the actions taken thereafter. The Deputy Chief Executive informed Members that the Human Resources section is carrying out a piece of work on agency staff.

It was resolved to accept the report and to note its contents.

ACTIONS ARISING:

- **Head of Function (Resources) to provide the Audit Committee in due course with feedback from a post implementation review of the Civica Accounting System**
- **Audit Manager to liaise with Head of Profession (Human Resources) regarding the provision to the Audit Committee of a report regarding Agency staff.**

12 TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY

The report of the Head of Function (Resources) outlining the Treasury Management position and related matters as at the mid-point of the 2013/14 financial year was presented for the Committee's consideration.

It was resolved to accept the report and to note its contents.

NO FURTHER ACTION ARISING

**Councillor R.Llewelyn Jones
Chair**