

AUDIT COMMITTEE

30 JUNE 2014

Present: Councillor I Brown (Chair)
Councillor P Taylor (Vice-Chair)
Councillors I Brandon, A Khan and T Williams

Also present: Councillor Mark Watkin (Portfolio Holder for Democracy and Governance and Shared Services)
Richard Lawson (Grant Thornton)

Officers: Director of Finance
Head of Democracy and Governance
Head of Assurance, Shared Internal Audit Service
Fraud Manager
Business Manager, ICT
Committee and Scrutiny Officer

1 APOLOGIES FOR ABSENCE/COMMITTEE MEMBERSHIP

There were no apologies for absence.

2 DISCLOSURE OF INTERESTS (IF ANY)

There were no disclosures of interest.

3 MINUTES

The minutes of the meeting held on 12 March 2014 were submitted and signed.

4 REQUESTS MADE UNDER THE FREEDOM OF INFORMATION ACT 2000

The Committee received a report of the Head of Democracy and Governance setting out details of requests made under the Freedom of Information Act 2000 from 1 October 2013 to 31 March 2014.

The Head of Democracy and Governance informed the Committee that in paragraph 3.8 that the year at the end of the paragraph should have read '2008' and not '2005'.

The Head of Democracy and Governance referred the Committee to Appendix 2 which set out some statistics for Freedom of Information (FOI) requests. There had been a yearly increase in the number of requests received by the Council.

The percentage of responses completed within 20 days had fallen and this was partly due to the delays in the responses completed by Revenues and Benefits. The service had been concentrating on improving the performance of its time to complete benefit application requests. A dedicated officer had now been appointed to respond to FOI requests.

The Director of Finance added that there had been an increase in the number of officers in that service who would manage FOI requests, complaints and appeals.

The Head of Democracy and Governance stated that no complaints had been submitted to the Information Commissioner.

In response to a question from Councillor Brown about public health funerals, the Head of Democracy and Governance advised that the Council received regular FOI requests for this information. She would contact Customer Services and forward details of the response to the request received in March 2014. She informed the Committee that Environmental Health tried to find relatives of the deceased person, but when this was not possible the Council paid for the funeral.

Following a question from Councillor Taylor about the procedure if a complaint was made to the Information Commissioner, the Head of Democracy and Governance explained that the Council's response times could be monitored and checked for improvement. It was possible that a notice could be issued or as a final resort a fine could be imposed on the authority.

Councillor Williams commented that it had been interesting to see the yearly statistics but would prefer benchmarking information with other authorities.

The Head of Democracy and Governance advised that the benchmarking data was being co-ordinated by St Albans District Council. Officers from Watford Borough Council would press for the information.

Councillor Brandon said that he had been advised of an instance where no information had been provided but it had not been clear if the information had been held by the Council. He asked whether this could be clarified.

The Head of Democracy and Governance informed the Committee that the responses were recorded by the relevant service on to the Council's software. The information for the quarterly report was drawn out of the programme by Customer Services staff. She was unsure whether it would be possible to expand on the information provided.

The Head of Democracy and Governance stated that if Members had any questions about individual requests they should contact her and she would respond.

RESOLVED –

1. that the contents of the report be noted.
2. that the requested information be circulated to the Committee.

5 EXTERNAL AUDIT PLAN

The Committee received a report of the Head of Finance Shared Services which included the External Audit Plan prepared by Grant Thornton UK LLP, the Council's appointed external auditors.

Richard Lawson highlighted the sections within the report and the significant risks which had been identified. In response to a question from Councillor Williams, he confirmed that the significant risks were likely to have been identified for any local authority.

Following a question from Councillor Brandon, Mr Lawson confirmed that the external auditor would be carrying out further audit work on welfare expenditure.

RESOLVED –

that the content of the External Audit Plan be noted.

6 EXTERNAL AUDIT RECOMMENDATIONS

The Committee received a report of the Head of Finance Shared Services incorporating details of the progress made in implementing the external auditor's recommendations.

The Director of Finance reported that there were two recommendations which needed to be completed. Information was included in Appendix 1 to the report.

RESOLVED –

that progress in implementing the external auditor's recommendations be noted.

7 INTERNAL AUDIT PROGRESS REPORT

The Committee received a report of the Head of Finance Shared Services which included the Shared Internal Audit Service's progress report.

The Head of Assurance highlighted sections within the report.

Councillor Khan referred to Appendix 3 and the internal audit recommendation related to users gaining remote access to the Council's networks. He stated that he received the majority of his casework by email. Due to the problems he had

with the remote access to the network he had had to have his emails filtered to his personal account. He understood that due to the new security arrangements that needed to be put in place, in the future he would not be able to receive his emails in this way. He had contacted the IT Helpdesk to try to get access, but it had not been done. He said that there would be a significant impact to his casework if his current arrangement was stopped.

The Director of Finance agreed that there were difficulties in remote access to the servers. She had also experienced problems. The delay in implementing the Public Service Network standards was due to the remote access problems. She reported that officers would be presenting a report to Cabinet and Council setting out the IT roadmap and investment programme. It was important that actions were implemented in the right order. The Government had extended the deadline for non-managed devices, for example mobile phones.

RESOLVED –

1. that the Internal Audit Progress Report against the 2014/15 Audit Plan be noted.
2. that amendments to the Audit Plan as at 2 June 2014 be approved.
3. that the removal of the implemented recommendations be agreed.
4. that the changes to the implementation date for 8 recommendations, as set out in paragraph 2.6 of the report for the reasons set out in Appendix 3, be agreed.

8

INTERNAL AUDIT ANNUAL REPORT 2013-14

The Committee received a report of the Head of Finance Shared Services which included the Shared Internal Audit Service's Internal Audit Annual Report and the 2013/14 Annual Assurance Statement.

The Head of Assurance highlighted the Annual Assurance Statement and other sections within the report.

Following a question about comparisons with other authorities, the Head of Assurance advised that it was possible to compare local authorities, but said that it was necessary to be cautious as some parts of the plan were very different to other authorities. She believed that Watford compared well with the other authorities managed by the Shared Internal Audit Service. The service was able to identify areas for learning opportunities across the partnership.

In response to an enquiry from Councillor Khan, the Head of Assurance advised that the final audit reports were given to the relevant people, depending on the matter being audited. The Managing Director and Director of Finance would be provided with a copy. The original scope of the audit would clarify the recipients of the final report.

The Director of Finance stated that she would share the reports with Councillors as requested.

The ICT Client Manager responded to a question from Councillor Williams about the deferral of the audit of the IT contract management audit. She explained that there had been changes within the team and for some time had been the sole IT Client Manager. Audits took up a considerable amount of resource and it was agreed with the Head of Service to delay this particular audit. Other audits had continued, for example Cyber-Security, IT Vulnerabilities follow up and Change, external audit.

The Head of Assurance informed the Committee that managers informed the Internal Audit service when actions had been completed, which were accepted by the service. The information was reported in the progress report.

RESOLVED –

1. that the contents of the Annual Assurance Statement and the Internal Audit Annual Report be noted.
2. that the Committee acknowledges the assurance from management that there have been no inappropriate limitations on the scope of internal audit during 2013/14.
3. that the results of the self-assessment, as required by both the Public Sector Internal Audit Standards and the Quality Assurance and Improvement Programme, be noted.
4. that SIAS Audit Charter be accepted.

9

FRAUD ANNUAL REPORT 2013/2014

The Committee received a report of the Fraud Manager informing Members of the work of the Fraud Section for the financial year 2013/14.

The Fraud Manager informed the Committee that an additional property, which had been occupied illegally, had been recovered. This brought the total number of recovered properties to 13. The properties were returned to the housing providers who owned the properties. The owners included Watford Community Housing Trust.

Following a question from the Chair, the Fraud Manager explained that the digitally recorded interviews were retained in accordance with the service's retention policy. If it was agreed that no further action was required against the interviewee, the recording was retained for one year and then destroyed. If, however, a case proceeded further then the recording was retained for six years.

The Fraud Manager informed the Committee the Council did not work with a named officer within the Police. Interviews held at the Police Station were carried out by Council officers; the Fraud Team used the facilities at the Police Station. He added that search teams carried out the searches at properties with the Council officers identifying the information they needed to seize.

In response to a question from Councillor Williams about the Single Fraud Investigation Service, the Fraud Manager responded that there was concern across the country about the introduction of this new service and its effectiveness. He explained that originally the service had been proposed to be aligned to Universal Credit. If this had occurred it may have worked, however Universal Credit had been delayed. Several pilot schemes were due to start on 1 July and it was hoped that lessons could be learnt from these initial schemes.

RESOLVED –

that the contents of the report be noted.

10 **ANNUAL GOVERNANCE STATEMENT 2013/14**

The Committee received a report of the Head of Finance Shared Services which included a draft of the Annual Governance Statement that would be included in the Draft Statement of Accounts.

Councillor Brandon noted the reference to risk management and outsourced services in the Statement. He asked for further clarification on this subject.

The Director of Finance stated that the service provider would have identified their risks and the Council would identify its own risks which would relate to how the service was being delivered by the provider. Any identified risks would be included on the Council's risk register. It was noted that Audit Committee would review the risk register later in the year.

RESOLVED –

1. that the Annual Governance Statement attached as Appendix 1 to the report be approved.
2. that, subject to any changes required prior to their signing, the Annual Governance Statement be included in the Statement of Accounts for 2013/14.

11 **TREASURY MANAGEMENT**

The Committee received a report of the Finance Manager which included the Annual Treasury Management Report and Prudential Indicators for 2013/14.

The Director of Finance highlighted some of the key points in the report. In response to a question from Councillor Brandon, the Director of Finance advised that the majority of investments were for a period of three months or less. She assured members that the Council would be able to act promptly if the interest rates were increased and favourable investment rates were available.

RESOLVED –

that the report be noted.

12

DRAFT STATEMENT OF ACCOUNTS FOR 2013/14

The Committee received a report of the Head of Finance Shared Services. The draft Statements of Accounts for Watford Borough Council and Shared Services were circulated separately.

The Committee was informed that the Statement of Accounts would not be approved by Members until it had been audited. The final report would be presented to Audit Committee for approval at the September meeting.

The Director of Finance apologised that the Statements had been circulated late. Officers had been trying to extract information from the Revenues and Benefits software. The Shared Services' Statement was being presented to the Committee for the first time due to the change to a Lead Authority model for the shared services. The Director of Finance highlighted some of the key elements of the report.

The Chair suggested that Members should contact the Director of Finance if they had any questions about the Statements.

Councillor Brandon asked for clarification on the additional expenditure that had been incurred for the Revenues and Benefits and ICT services.

The Director of Finance informed Members that the overspend for Revenues and Benefits had been due to the use of agency staff to carry out the assessment work. It had previously been considered that it would be better to use agency staff rather than employing permanent staff due to the introduction of Universal Credit. The management team had now decided to employ permanent staff instead. The 2014/15 budget was higher than the original budget for 2013/14 but was less than the final cost of the service for last year. She added that as efficiency improved the costs may be reduced further.

The Director of Finance advised that officers would be submitting a report to Cabinet and Council requesting additional funding to support the ICT roadmap, which in turn should help to improve the performance of this service.

RESOLVED –

1. that the Committee will seek any clarification it needs concerning the Draft Statements of Accounts for 2013/14.
2. that the Committee confirms that it is satisfied that the accounting policies adopted are the most appropriate.

13

COMMITTEE WORK PROGRAMME

The Committee received a report of the Head of Finance Shared Services asking Members to review the work programme and consider which topics it would like included at future meetings.

The Director of Finance advised that it would be necessary to move the January meeting back to December in order to allow the Committee to complete its work at the appropriate time. The committee calendar would be reviewed and a new date circulated to the Committee once agreed.

The Committee agreed that it wanted to include the following discussion topics in future agendas –

- Statement of Accounts for Audit Committees (High priority)
- Treasury Management
- The role of the Audit Committee with the work of external audit

It was noted that the review of the Risk Register needed to be added to the work programme.

RESOLVED –

1. that the work programme be amended to include the discussion topics requested by the Committee.
2. that the January meeting be moved to December.

Chair

The Meeting started at 7.00 pm
and finished at 8.55 pm