

AUDIT COMMITTEE

29 SEPTEMBER 2014

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

Also present: Councillor Mark Watkin (Portfolio Holder for Finance) and
Richard Lawson (Grant Thornton)

Officers: Shared Director of Finance
Head of Democracy and Governance
Audit Manager
Senior Accountant
Committee and Scrutiny Officer

14 APOLOGIES FOR ABSENCE/COMMITTEE MEMBERSHIP

Apologies for absence were received from Councillor Brandon.

15 DISCLOSURE OF INTERESTS (IF ANY)

There were no disclosures of interest.

16 MINUTES

The minutes of the meeting held on 30 June 2014 were submitted and signed.

17 OMBUDSMAN'S ANNUAL LETTER 2014

The Committee received a report of the Head of Democracy and Governance including the annual letter from the Local Government Ombudsman and details of the complaints dealt with during 2013/14.

The Head of Democracy and Governance informed the Committee that the Ombudsman's decisions were published on its website but in an anonymised form. She advised that the number of complaints received and the number of complaints resolved differed, as some of the resolved complaints would have been submitted the previous year. In addition some of the complaints received in 2013/14 had not been concluded by 31 March 2014. The Ombudsman had received a number of complaints about Revenues and Benefits and Housing. More than half of the complaints concluded during the year had been closed

after initial investigations. In some cases this was due to the complainant needing to go through a different process.

Councillor Williams asked whether it was possible to compare Watford against other local authorities. He noted the Ombudsman's Review referred to comparable information.

The Head of Democracy and Governance advised that she would make enquiries about the comparable data and circulate it once available. She added that it was not possible to compare this year's information against last year's data as the Ombudsman had recorded the details differently. In response to a further question from Councillor Williams, the Head of Democracy and Governance stated that even though a complaint may have been made to the Ombudsman it did not follow that the Council had acted incorrectly.

Councillor Khan noted that the Ombudsman had upheld one complaint against the Council. He asked whether the Council had changed its processes to incorporate the reasons the complaint had been upheld.

The Head of Democracy and Governance advised it was a complaint about a homelessness application and said that she would contact the relevant officers to ask whether they had amended their procedures following the complaint being upheld by the Ombudsman.

RESOLVED –

that the Ombudsman's Annual Review Letter be noted.

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EXTERNAL AUDITORS REPORT TO THOSE CHARGED WITH GOVERNANCE (SEPTEMBER 2014) AND APPROVAL OF THE STATEMENT OF ACCOUNTS 2013/14

The Committee received a report of the Acting Head of Finance Shared Services which included the External Auditor's report to those charged with governance, the draft letters of representation and the Statements of Accounts for Watford Borough Council and the Shared Services with Three Rivers District Council.

The Chair stated that he wished to thank the staff for their hard work and ensuring the accounts were completed on time.

Richard Lawson, representing Grant Thornton the Council's External Auditor, highlighted some of the key points of the report. He also wished to thank the Finance Team for their work and timely responses to requests for information, particularly as the capacity of the team had reduced following the retirement of the Head of Finance. In the Value for Money section only one theme had been given an amber rating. This was in respect of financial governance, particularly in relation to Housing Benefits Local Authority Error Overpayment. However, it had been noted that there had been a reduction in errors from the previous year and if the trend continued it was likely the rating would be changed in the next

report. He was aware that the bank reconciliation recommendation had already been addressed.

Councillor Taylor referred to the local authority overpayment errors and asked whether the service had set a target.

The Director of Finance stated that a target had not been set. She was aware that for the current year the aim was to be under the threshold. Two large errors had recently come forward which could affect the overall overpayments error, but it was hoped that this would still be below the threshold.

Councillor Khan agreed that the overpayments were reducing, but they were still too high when compared with other authorities.

The Director of Finance advised that the overpayments were 75% less than the same time last year. She added that last year's error was realistically for only part of that year. During the year the service had processed the ATLAS backlog. This year the service processed the amendments as soon as the information was received from the Department for Works and Pensions. The overpayments error should reduce further. The total value at the end of the year should be significantly less than in 2013/14.

Following a question from Councillor Williams, the Director of Finance reiterated that when compared to the same time last year, there was a 75% decrease in the amount of overpayments raised.

The Director of Finance informed the Committee that the Shared Services' report had been presented to this Committee as the Joint Shared Services Committee had been disbanded following the move to a Lead Authority model. The report had also been presented to and agreed by Three Rivers District Council's Audit Committee.

Following a question from Councillor Khan about the Lead Authority model and scrutiny, the Director of Finance informed the Committee that operational matters about Human Resources and ICT would be presented to the Outsourced Services Scrutiny Panel. Financial matters would be incorporated into the budget reports, including the Finance Digest. She explained that ICT would be shown as a recharged service to the Council's other services. As ICT had been outsourced to Capita, the governance and control of the service would be reviewed by Outsourced Services Scrutiny Panel. Any significant financial issues would be reported to Budget Panel.

The Committee and Scrutiny Officers advised that the next meeting of Outsourced Services Scrutiny Panel, which was due to be held on 22 October, would be taking its first look at ICT. She added that it was an open meeting and other Councillors were welcome to attend and with the permission of the Panel ask any relevant questions.

Councillor Taylor noted the comparisons with the original agreed budget for ICT and the final outturn. He asked for an explanation for the increase in the cost of the service.

The Director of Finance explained that when the original budget had been set the ICT service had not been outsourced to Capita. The 2013/14 overspend was due to a 'front loading' in the contract for the first year. She advised that discussions were taking place with Capita's management about the company's performance. There was still outstanding work from year 1 that had to be completed. In response to a further question from Councillor Taylor, the Director of Finance stated that she was unable to say whether 'front loading' was right as she had not been at the Council when the contract had been agreed.

Councillor Khan noted that as Watford led on ICT and Councillor Watkin was the Portfolio Holder, he asked for confirmation that Watford Borough Council had outsourced the service to Capita. The Director of Finance informed the Committee that Capita's contract was with Watford Borough Council and Three Rivers District Council, although it was now managed by Watford.

Councillor Khan asked whether the Council had considered scrapping the contract and returning the service in-house.

The Portfolio Holder stated this had not been considered.

Following further comments the Director of Finance explained that at the last Council meeting in July, Members had agreed to additional funding for investment in ICT. Any uncompleted work from year 1 that still needed to be carried out would be funded by Capita and not the investment funding.

Councillor Khan asked for further information about the Group Accounts that was included in the Statement of Accounts. In addition he sought clarification about the scrutiny of the group from a Member's perspective.

The Finance Manager informed the Committee that the accounts showed the first year of the Local Asset Backed Vehicle (LABV). The loss of £42,000 shown in the statement was due to the Council's investment in the joint venture. A breakdown of income and expenditure was shown further in the report. He added that the LABV's accounts were audited by KPMG.

The Director of Finance explained that the LABV was a separate company that appointed its own auditor. Kier was also subject to its own audit. The Group Accounts showed the Council's share of income and expenditure. With regard to the scrutiny of the LABV, several senior officers from the Council were appointed to the company's Board. The terms of reference for the company would have been agreed by the Council and it would operate under that remit. It was agreed that officers would check the terms of reference for any Councillor involvement and report back to the Committee.

The Director of Finance added that the Capital Programme would include information about the Council agreed expenditure undertaken by the LABV and

this would regularly be reported to Budget Panel. She confirmed that current expenditure was in line with the approved budgets.

The Portfolio Holder added that he also wanted to express his thanks to the Finance Team. The service had been through a period of change but had still ensured that the accounts were ready on time.

RESOLVED –

1. that the external auditor's 'Report to those charged with Governance' be noted.
2. that the Committee is satisfied that the accounting policies adopted are the most appropriate.
3. that the Statement of Accounts for 2013/14 for Watford Borough Council and the Three Rivers and Watford Shared Services be approved.

19 **EXTERNAL AUDIT RECOMMENDATIONS**

The Committee received a report of the Acting Head of Finance Shared Services incorporating details of the progress made in implementing the external auditor's 2013 recommendations.

The Director of Finance reported that the IT Steering Group would be meeting to discuss how the 'Assurance for third party services' action would be moved forward. The details of the second action would be completed shortly. A revised version of the Finance Digest would be presented to Budget Panel in October.

RESOLVED –

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

20 **INTERNAL AUDIT - SIAS BOARD ANNUAL REPORT 2013-14**

The Committee received a report of the Acting Head of Finance Shared Services including the Shared Internal Audit Service Annual Report 2013/14.

RESOLVED –

that the Shared Internal Audit Services (SIAS) Annual Report for 2013/14 be noted.

21 **INTERNAL AUDIT PROGRESS REPORT**

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

The Audit Manager updated the Committee on the performance information within the SIAS report, given the time that had elapsed since the report was published.

Following a request for further information about the Fraud service, the Director of Finance informed the Committee that there were two future changes that could affect the service. The Department for Works and Pension (DWP) would be taking over responsibility for Housing Benefit fraud. Those staff whose work related to this aspect of fraud would be transferring to the government department. Some councils had already had their staff transferred to the DWP, but the staff from Three Rivers were not likely to move until December. The DWP had decided to take a short pause before transferring further councils. In addition to this there was a cross county discussion about developing a shared fraud service, similar to the shared internal audit service. A business case had been developed and was currently under consideration. It had been decided not to recruit to the vacant posts if it meant the staff may have to be transferred to another organisation in the future.

Councillor Khan asked for an update on the progress of the necessary changes for remote working and if a timeframe had been agreed.

The Director of Finance advised that there were still a number of issues which were outstanding. Remedial work was being carried out to stabilise Appgate. The Council was working with Capita and discussing time frames.

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 September 2014 be approved.
3. that the removal of the implemented recommendations be agreed.
4. that the changes to the implementation date for 18 recommendations, as set out in paragraph 2.6 of the report for the reasons set out in Appendix 3, be agreed.

22

WORK PROGRAMME

The Committee received a report of the Acting Head of Finance Shared Services seeking Member's views about the work programme and asking them to consider whether there were any further topics they would like included at future meetings.

It was noted that the January meeting had been moved to 10 December 2014. This ensured that Audit Committee met in each quarter.

It was agreed that the Head of Revenues would be invited to the December meeting to discuss how the service was tackling fraud issues such as single person discounts, business rates avoidance and empty homes.

Councillor Khan requested that the 'Role of Audit Committee in Corporate Governance' be included at a future meeting. He felt that Councillors needed to be able to have the skill of 'critical thinking'.

RESOLVED –

that the work programme be amended to include the discussion topics requested by the Committee.

Chair

The Meeting started at 7.00 pm
and finished at 8.05 pm