

AUDIT COMMITTEE

10 DECEMBER 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 Democracy and Governance and Shared Services) and Richard Lawson (Grant Thornton)

Officers: Shared Director of Finance
Head of Democracy and Governance
Head of Revenues and Benefits
Acting Head of Finance
Audit Manager
ICT Client Section Head
Committee and Scrutiny Officer

23 APOLOGIES FOR ABSENCE/COMMITTEE MEMBERSHIP

No apologies were received from Councillor Brandon.

24 DISCLOSURE OF INTERESTS (IF ANY)

There were no disclosures of interest.

25 MINUTES

The minutes of the meeting held on 29 September 2014 were submitted and signed.

26 REGULATION OF INVESTIGATORY POWERS ACT 2000 (RIPA)

The Committee received a report of the Head of Democracy and Governance which informed Members of the result of a recent inspection by the Office of Surveillance Commissioners. The inspection reviewed the Council's management of its covert activities under the Regulation of Investigatory Powers Act (RIPA).

The Head of Democracy and Governance reported that the Inspector had made no recommendations. He had also noted that the recommendations he had made following his 2011 inspection had been implemented by the Council. The

Inspector had commented on the excellent policies and procedures that had been put in place governing the relationship between the Council and the Police. He had found the new CCTV Control Room very impressive.

Following a request from Councillor Khan, the Head of Democracy and Governance agreed to circulate the Inspector's report to the Committee.

RESOLVED –

that the report be noted.

27

REQUESTS MADE UNDER THE FREEDOM OF INFORMATION ACT

The Committee received a report of the Head of Democracy and Governance which provided the half yearly report of the requests made under the Freedom of Information Act 2000, covering the period from 1 April to 30 September. An updated version of the Appendix was circulated at the meeting.

The Head of Democracy and Governance reported that the revised Appendix showed that 196 requests had been received during the period rather than 202, as shown on the original report. The difference was due to some duplication and the inclusion of a few requests for information from Three Rivers District Council.

The Head of Democracy and Governance informed the Committee that there were still ongoing problems with the Council's CMS system, Lagan. This was a system used by all Customer Liaison Officers (CLOs) and the Customer Services Team to record all requests for information and the responses. The latest information advised that Capita had been in contact with the external supplier to try to resolve the issues. The latest information had been compiled by the CSC Team Leader, who had contacted all CLOs for information.

The Head of Revenues and Benefits circulated a further update for his service. He apologised that the information had been provided to the Committee late. He explained that his service kept a spreadsheet of all requests received and their progress. This was separate to the one maintained by the CSC Team Leader. He would ensure that in the future the two were reconciled in sufficient time.

The Head of Revenues and Benefits reported that all requests for information in the first half of the year had been completed. Some of the requests shown as overdue had been due to requests made for further information from the requestor. He also highlighted the number of requests for information since 1 October. Some requests could be very complex, for example requesting information about businesses with outstanding credits on their accounts. It had been agreed that more information would be published on the website, including creditor lists. If the information appeared on the website officers were able to direct the requestor to the relevant page. It was hoped this would reduce some of the frequent requests.

Councillor Khan asked for further information explaining why the software had not yet been repaired.

The ICT Client Section Head advised that the problem related to software which was attached to Lagan, containing the electronic forms. Capita was currently liaising with the third party supplier. Part of the software had been repaired but it was still not complete. The issue had been escalated at all levels. She added that she had requested a further update from Capita's Accounts Director.

In response to a further comment from Councillor Khan, the ICT Client Section Head advised that if the Council had not outsourced the ICT service to Capita, then the Council would have liaised directly with the third party. It was not possible for her small team to liaise with the third party as it did not have the capacity or the access rights to the software.

The Director of Finance Shared Services informed the Committee that Capita was carrying out a range of work on various systems. The service provider had to prioritise work on some systems over others. In this case there were appropriate ways of working without using the programme.

The Portfolio Holder, Councillor Watkin, endorsed the Director of Finance Shared Services' comments. He agreed that some systems were more important than others, especially if there were ways for officers to work round them. He felt it was important that the ICT Client Section Head and her team were allowed to do their own work rather than being pulled away to resolve Lagan.

Following questions from Councillor Taylor about time frame and penalty clauses, the ICT Client Section Head advised that discussions were still in progress with the third party supplier. There were no specific penalty clauses which related to this matter.

Councillor Khan asked about how the Council mitigated against risks, for example in relation to the ICT Client Section Head not having access rights to the Council's systems.

The ICT Client Section Head stated that Capita had been contracted to provide the ICT service to the Council; the contract did not provide the Council with any access rights. The Council was audited on the controls it had put in place with the contract. She advised that her role was as the contract manager.

The Director of Finance Shared Services agreed that there was some risk to the Council but it was usual practice to provide those access rights to the contractor.

Councillor Khan stated that it was important the Council mitigated against any risks, particularly in respect of administration rights.

The Chair noted Members comments and suggested that an update might be provided at the next meeting.

Councillor Taylor, the Chair of Outsourced Services Scrutiny Panel, informed the Committee that his Scrutiny Committee had requested a further review of Capita and ICT at its February meeting. This matter could be raised at that meeting.

Councillor Khan asked whether there were any requests for information that had not been provided.

The Head of Democracy and Governance confirmed that all requests had been answered, although some had not been completed within the statutory time. The main concern would be the number of delayed responses. If the number was too high, the Information Commissioner could serve the Council notice requiring it to improve its processes. This had happened to several local authorities. Some of the delays were due to officers seeking further information. She added that some requests were sent to all authorities and the requestor did not expect responses from all of them.

The Chair thanked the Head of Democracy and Governance for the current update.

RESOLVED –

that the report be noted.

28

EXTERNAL AUDITOR'S ANNUAL AUDIT LETTER

The Committee received a report of the Acting Head of Finance Shared Services incorporating the external auditor's Annual Audit Letter.

Richard Lawson, representing Grant Thornton, highlighted some of the information contained in the letter. He advised the Committee that the Certification report would be presented at the next meeting.

RESOLVED –

that the contents of the report be noted.

29

EXTERNAL AUDITOR'S FRAUD BRIEFING

The Committee received a report of the Acting Head of Finance Shared Services which incorporated the Audit Commission's 'Protecting the Public Purse 2014'.

Richard Lawson explained that the Fraud Briefing provided a comparison of Watford's fraud detection work against a comparator group of councils. The comparator group comprised councils that were seen to have similar characteristics to Watford. The report demonstrated that Watford carried out active fraud detection work.

Following a question from the Chair about the comparator group, Richard Lawson advised that the group was selected by the Audit Commission. The Director of Finance Shared Services added that the decision was based on the size and demographics of an area.

Councillor Khan asked whether the auditor was able to glean any information from the graphs included within the report.

Richard Lawson stated that the external auditor took the information at face value. It was also important to consider how much a council invested in fraud detection.

The Director of Finance Shared Services commented that it was also necessary to consider how authorities might record fraud. For example, some authorities might record people who have incorrectly claimed a single person discount. At Watford this example was not included as fraud. It was felt more important to ensure the person was paying the right amount of Council Tax. The fraud information was not necessarily consistent between all authorities.

Councillor Taylor asked how much budget the Council put towards fraud detection and the amount it recovered.

The Director of Finance Shared Services informed the Committee that it was possible to state, from the Council's budget, how much it cost the Council, as there was a dedicated Fraud Team. It was more difficult to comment on how much had been recovered, as there was not always a financial element to fraud. For example, if housing tenancy fraud were resolved, then there would be a benefit to the relevant registered social landlord.

Following a request for further information about the internal fraud which had been detected, the Director of Finance Shared Services advised that she would provide Members with the information it was possible to divulge. It would not be possible to give full details about the case.

RESOLVED –

that the contents of the Fraud Briefing be noted.

30

EXTERNAL AUDIT RECOMMENDATION

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 outstanding recommendations had been resolved.

RESOLVED –

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

31

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 (SIAS) progress report.

The Audit Manager updated the Committee on the performance information within the SIAS report, given that three weeks had elapsed since the report was published. This included an update that three further final audit reports had been issued. Following a question from the Chair, he highlighted that a number of the audits which had not yet been delivered were not due to start until Quarters 3 or 4 and fieldwork was in progress for a number of these; the timescales had been agreed at the beginning of the year when the plan had been produced. This issue would be addressed as part of the 2015/16 audit planning process, with more audits scheduled in quarters 1 and 2 to ensure smoother and phased audit delivery across the year that permitted the Committee to meet its assurance responsibilities. The success of this depended on engagement with officers.

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 December 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 of the report, be agreed.

32

TREASURY MANAGEMENT UPDATE

The Committee received a report of the Finance Officer providing Members with the 2014/15 Mid Year Review of the Treasury Management function.

The Acting Head of Finance Shared Services provided some of the highlights in the report. It was noted that the Council was debt free. He advised that the average returns had slightly increased since the report had been published. However, at 0.61% it was still slightly below the benchmark rate of 0.62%. Officers would be producing a report in the New Year looking into the possibility of the Council improving its investments by investing in Government Bonds or Gilts.

Following a question from the Chair about the expected rates of return, the Director of Finance Shared Services advised that officers had not yet carried out too much research. She said that if bigger risks were involved the Council would want a bigger return. She explained that there was a secondary market where it was possible to trade bonds and gilts. The bonds were either from the Government or other public sector organisations. They were fairly highly rated. The Director of Finance Shared Services added that this was the first time officers had mentioned this to Members; officers were seeking a view as to whether the matter should be explored further.

Following a question from Councillor Khan, the Director of Finance Shared Services responded that officers did not intend moving to high risk investments.

The Acting Head of Finance Shared Services explained that the current Treasury Management Strategy solely referred to investing in UK banks and building societies. He added that the interest received by the Council helped to support the Council's budget.

The Director of Finance Shared Services informed Members that the final decision regarding investments would be made by Councillors at Full Council. It was important for the Council to consider ways it could increase its income.

Councillor Khan asked whether an investment in property would be considered.

The Director of Finance Shared Services agreed that this was an area that could be considered. It could be property that was used to obtain commercial rents or as part of the property markets.

In response to a question from Councillor Taylor about Gilts and Government Bonds, the Director of Finance Shared Services advised that investing in these could be more risky than placing cash in one of the top rated banks. However, the UK Government had a reasonable credit rating compared to many other countries.

The Director of Finance Shared Services explained that the rating agencies were the organisations that the financial markets looked to for their views. The Council would take advice from its credit advisors and review credit ratings before making any recommendations for changes to the strategy. It was possible to go against an advisor, if the Council felt the risk was worth taking.

The Acting Head of Finance Shared Services stated that it was difficult to predict any difference in returns until research had been carried out. The Director of Finance Shared Services said that it might be 0.25%.

Councillor Khan said that in his opinion it was important the Council got better returns for its investment and this should be explored.

The Director of Finance Shared Services added that if the Council invested in property this would not be included within the Treasury Management Strategy but part of the income stream shown in the budget from assets.

The Chair concluded that the Committee had had a thorough discussion on this subject and officers had been made aware of Members' views.

RESOLVED –

1. that contents of the 2014/15 Mid Year Review of the Treasury Management function be noted.
2. that Members' comments about future investments be noted.

33

COMMITTEE'S 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 next meeting would be held on 11 March 2015 and not the date printed in the report.

It was agreed that the Freedom of Information report should be added to the proposed reports for the June meeting.

Councillor Williams stated that at the last meeting it had been agreed that the Head of Revenues and Benefits would be invited to a future meeting to discuss various aspects of his service.

It was agreed that this would be added to the programme for March 2015.

RESOLVED –

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

Chair

The Meeting started at 7.00 pm
and finished at 8.00 pm