

## **AUDIT COMMITTEE**

**28 SEPTEMBER 2015**

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

Also present: Councillor Mark Watkin, Portfolio Holder for Shared Services,  
Paul Dossett (Grant Thornton),  
Richard Lawson (Grant Thornton),  
Ellen Millington (Grant Thornton),  
Andrew Brittain (Ernst and Young) and  
Hannah Ormston (Ernst and Young)

Officers: Shared Director of Finance  
Acting Head of Finance  
Audit Manager  
Committee and Scrutiny Officer

### **16 APOLOGIES FOR ABSENCE/COMMITTEE MEMBERSHIP**

Apologies for absence were received from Councillor Mauthoor.

### **17 DISCLOSURE OF INTERESTS (IF ANY)**

There were no disclosures of interest.

### **18 MINUTES**

The minutes of the meeting held on 30 June 2015 were submitted and signed.

### **19 EXTERNAL AUDITOR'S REPORT TO THOSE CHARGED WITH GOVERNANCE (SEPTEMBER 2015) AND APPROVAL OF THE STATEMENT OF ACCOUNTS 2014/15**

The Committee received a report of the Acting Head of Finance Shared Services. The appendices had been circulated following the publication of the agenda.

The Chair thanked the staff and auditors for their hard work and for ensuring the Statement of Accounts was completed before the deadline.

Paul Dossett introduced the Audit Findings for Watford Borough Council. He said that this was the first year that Finance Managers, Dot Reynolds and Richard Hammerman, had not been involved in the production of the accounts. This had made it a challenging year. He advised that they were intending to issue an unqualified opinion. He highlighted elements of the report. He commented that previously there had been challenges around Housing Benefits but this was much improved. In respect of 'Internal controls' there were some IT control issues, but the auditors were aware of the Council's challenges with IT.

Councillor Khan referred to the Executive summary and asked for clarification about the understatement of £8 million, which was related to investment properties.

The Director of Finance explained that this was a technical accounting issue and was related to valuation processes and methods. The change had been agreed and the balance sheet adjusted.

The Chair stated that as the Statement of Accounts had been circulated at the meeting, he had considered it to be unreasonable to ask the Committee to agree the document and for him to sign it at the meeting. He advised that by law the accounts had to be signed by midnight on 30 September 2015. He suggested that if Members had any questions about the accounts that they should contact the Director of Finance as soon as possible. He asked the Committee to agree to grant him delegated authority to sign the minutes on 30 September. He asked if Members had any questions they wished to raise immediately.

Councillor Khan noted that on page 93 there was an error in the spreadsheet. The equation would need to be corrected.

The Director of Finance advised that she would ensure the Committee was provided with a revised spreadsheet.

In response to a comment by the Chair, Paul Dossett advised that the Council had not adopted any inappropriate accounting policies. The most interesting one was for appeals for business rates. This was a fairly recent process for local authorities. The Council had a robust manner which was considered to be satisfactory to the auditors. The other policies were standard and there were no issues.

#### RESOLVED –

1. that the external auditor's 'Report to those charged with Governance' be noted.
2. that the Committee seeks any clarification it needs concerning the Statement of Accounts for 2014/15 by 30 September.
3. that the Chair be granted delegated authority to sign the Statement of Accounts for 2014/15 on 30 September 2015.

4. that the Committee confirms that it is satisfied that the accounting policies adopted are the most appropriate.

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#### **INTERNAL AUDIT - SIAS BOARD ANNUAL REPORT 2014/15**

The Committee received a report of the Acting Head of Finance Shared Services including the Shared Internal Audit Service Board Annual Report for 2014/15.

The Audit Manager informed the Committee that the annual report focused on the highlights and achievements of the Shared Internal Audit Service, including its performance, for the 2014/15 working year, as well as upcoming developments for the year ahead.

Councillor Watkin, Portfolio Holder for Shared Services, said that he wished to recognise the great work that the audit team had done. He considered that the Council had made a good decision when it had agreed to join the shared audit service.

It was noted that seven out of the 10 districts in Hertfordshire had joined the partnership. The Director of Finance added that the other authorities had already outsourced internal audit and were under contract.

RESOLVED –

that the Shared Internal Audit Service Annual Report for 2014/15 be noted.

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#### **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 Members on the latest performance information as the information within the report had been collated over three weeks ago. He brought to the Committee's attention the generic response about the outstanding IT recommendations and the removal of two planned audits from the 2015/16 Audit Plan. The Committee would be provided with information about the replacement audits at its next meeting.

Following a question from Councillor Khan, the Director of Finance explained that Capita would continue to provide IT support until the end of June 2016. Officers were currently working on options appraisals for the way forward. The Council had the same options available if the company did not perform as required. It was important to ensure that the IT systems remained operational.

Councillor Khan referred to the Shared Services Joint Committee and how issues were raised at those meetings. He was concerned that the Council's systems might be open to significant threats.

The Director of Finance advised that back ups and patches were part of Capita's contractual requirements. The back ups had improved. The Council had not attained Public Services Network (PSN) compliance in the previous year. The Council was working with the Cabinet office to meet the requirements. Where possible the Council would bring in resources to assist with the work. She advised Members that if there were any specific issues they wished to raise they should forward them to her and she would ensure a response was provided.

Councillor Khan expressed his concern that the company might not be 'bothered' to continue carrying out the required work.

The Director of Finance informed the Committee that the Council was working with an external consultant. The improvement works were not part of the original contract and the Council would do that work now.

The Portfolio Holder assured Members that the Council would not wait until June, but would work on a way forward and implement an alternative strategy.

Councillor Silver noted that the disaster recovery work still needed to be done. He asked for further information.

The Director of Finance explained that as part of the contract with Capita there had been discussions about moving the servers to Capita's data centre. It had been agreed that it would not be sensible to carry out the disaster recovery test prior to the servers being moved. The servers were old and the company was unable to provide the Council with sufficient confidence that the move would go ahead without any issues. This matter would now be reviewed as part of the work with the consultant or other appropriate groups.

Councillor Khan asked for clarification about the decision-making process and which committee would receive the reports.

The Director of Finance responded that a report was due to be presented to Cabinet in November, which would provide an update on the latest position and the procedures should any decisions be required.

Paul Dossett commented that Grant Thornton had audited the Council's accounts for eight years. The Council had struggled with IT whether it was outsourced or an in-house service.

Councillor Khan added that there had been a lack of resources. The solution was to ensure that the right resources were in place.

The Committee and Scrutiny Officer informed the Committee that the Outsourced Services Scrutiny Panel had recently received the report about the termination of the contract with Capita. It had asked officers to ensure that the Panel was kept informed of on-going developments.

Councillor Williams asked for clarification on the risk register actions. He had mentioned this subject at the last meeting.

The Director of Finance advised that she would ask the Head of Democracy and Governance to provide a response to be circulated to the Committee.

Councillor Williams then sought clarification on the latest position regarding the housing associations carrying out their own short listing of applicants.

The Director of Finance stated that she would ask the Interim Housing Section Head for a further update for the Committee.

**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 2015 be approved.
3. that the removal of the implemented recommendations be agreed.
4. that the changes to the implementation date for 12 recommendations, as set out in paragraph 2.5.1 of Appendix 1 for the reasons set out in Appendix 4, be agreed.
5. that the status of the 16 IT audit recommendations (paragraph 2.5.2 of Appendix 1) be noted.

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## **COMMITTEE'S WORK PROGRAMME**

The Committee received a report of the Acting Head of Finance Shared Services asking Members to review the work programme and consider whether there were any additional topics they would like included at future meetings.

Members agreed that the training session held at North Herts District Council had been good.

**RESOLVED –**

that the work programme for the next two meetings be noted.

Chair

The Meeting started at 7.00 pm  
and finished at 7.50 pm