



AUDIT COMMITTEE

Monday, 14th March, 2016

7.00 pm

Town Hall, Watford

Publication date: 4 March 2016

CONTACT

If you require further information or you would like a copy of this agenda in another format, e.g. large print, please contact Sandra Hancock in Democracy and Governance on 01923 278377 or by email to legalanddemocratic@watford.gov.uk .

Welcome to this meeting. We hope you find these notes useful.

ACCESS

Access to the Town Hall after 5.15 pm is via the entrance to the Customer Service Centre from the visitors' car park.

Visitors may park in the staff car park after 4.00 p.m. and before 7.00 a.m. This is a Pay and Display car park; the current charge is £1.50 per visit.

The Committee Rooms are on the first floor of the Town Hall and a lift is available. Induction loops are available in the Committee Rooms and the Council Chamber.

FIRE/EMERGENCY INSTRUCTIONS

In the event of a fire alarm sounding, vacate the building immediately following the instructions given by the Democratic Services Officer.

- Do not use the lifts
- Do not stop to collect personal belongings
- Go to the assembly point at the Pond and wait for further instructions
- Do not re-enter the building until authorised to do so.

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If you do not wish to have your image / voice captured you should let the Chair or Democratic Services Officer know before the start of the meeting.

An audio recording may be taken at this meeting for administrative purposes only.

COMMITTEE MEMBERSHIP

Councillor I Brown (Chair)
Councillor T Williams (Vice-Chair)
Councillors A Khan, B Mauthoor and S Silver

AGENDA

PART A - OPEN TO THE PUBLIC

1. APOLOGIES FOR ABSENCE/COMMITTEE MEMBERSHIP

2. DISCLOSURE OF INTERESTS (IF ANY)

3. MINUTES

The minutes of the meeting held on 14 December 2015 to be submitted and signed.

Copies of the minutes of this meeting are usually available seven working days following the meeting.

(All minutes are available on the Council's [website](#).)

4. VALUE FOR MONEY - CODE OF AUDIT PRACTICE 2015 (Pages 5 - 12)

Report of Andrew Brittain, Ernst and Young

5. RIPA (REGULATION OF INVESTIGATORY POWERS ACT) (Pages 13 - 14)

Report of the Head of Democracy and Governance

This report advises the Committee on the use of RIPA during 2015.

6. CORPORATE RISK REGISTER (Pages 15 - 24)

Report of the Head of Democracy and Governance

This reports asks the Committee to note the Corporate Risk Register.

7. CERTIFICATION WORK (Pages 25 - 30)

Report of the Head of Finance (Shared Services) and the Council's external auditor Grant Thornton

This report allows the Committee to note the annual certification work letter from the external auditor.

- 8. EXTERNAL AUDIT - AUDIT PLAN** (Pages 31 - 46)

Report of the external auditors, Ernst and Young

This report sets out how the auditor intends to carry out its responsibilities.
- 9. EXTERNAL AUDIT - LOCAL GOVERNMENT AUDIT COMMITTEE BRIEFING**
(Pages 47 - 58)

Report of the external auditors, Ernst and Young

This report covers issues which may have an impact on the organisation.
- 10. INTERNAL AUDIT PLAN 2016-17** (Pages 59 - 94)

Report of the Head of Finance (Shared Services) and Head of Assurance (Shared Internal Audit Service - SIAS)

This report seeks approval of the Watford Borough Council and Watford and Three Rivers Shared Services Internal Audit Plans for 2016/17.
- 11. INTERNAL AUDIT PROGRESS REPORT** (Pages 95 - 160)

Report of the Head of Finance (Shared Services) and Head of Assurance (Shared Internal Audit Service – SIAS)

This report details the progress made in implementing the internal auditor's recommendations.
- 12. CHANGES TO ACCOUNTING POLICIES - 2015/16 ANNUAL STATEMENT OF ACCOUNTS** (Pages 161 - 182)

Report of the Head of Finance (Shared Services)

This report informs the Committee of any significant changes to the Council's accounting policies that are followed when compiling the annual Statement of Accounts.
- 13. WORK PROGRAMME** (To Follow)

Value for Money

Code of Audit Practice 2015

Watford Borough Council

14 March 2016



Overall Criterion

In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people

Sub-criteria and proper arrangements

Sub-Criteria	Proper Arrangements
Informed decision making	Acting in the public interest, through demonstrating and applying the principles and values of sound governance
	Understanding and using appropriate and reliable financial and performance information (including, where relevant, information from regulatory/monitoring bodies) to support informed decision making and performance management
	Reliable and timely financial reporting that supports the delivery of strategic priorities
	Managing risks effectively and maintaining a sound system of internal control
Sustainable resource deployment	Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions
	Managing and utilising assets effectively to support the delivery of strategic priorities
	Planning, organising and developing the workforce effectively to deliver strategic priorities
Working with partners and other third parties	Working with third parties effectively to deliver strategic priorities
	Commissioning services effectively to support the delivery of strategic priorities
	Procuring supplies and services effectively to support the delivery of strategic priorities

Auditor's risk assessment

- ▶ Risk that the auditor will reach an incorrect conclusion on the arrangements (*as opposed to the risk that arrangements are inadequate*)
- ▶ Performed to determine nature and extent of any further work
- ▶ Undertaken only on significant risks
 - ▶ *A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public. Significance has both qualitative and quantitative aspects*

Auditor's risk assessment (2)

- ▶ Documented from e.g:
 - ▶ Cumulative knowledge of the client (brought forward)
 - ▶ Findings from other areas of the audit
 - ▶ Findings of other inspectorates/regulatory bodies
 - ▶ IA reports
 - ▶ AGS / Annual Report
 - ▶ Risk Registers
 - ▶ Board/Committee minutes
 - ▶ Key financial information and reports
 - ▶ Wider knowledge of the sector and developments.
 - ▶ NAO illustrative risks

Work undertaken

- ▶ Proportionate
- ▶ To a level sufficient to be clear on the conclusion, and reduce the initial audit risk

Qualified Conclusions

Adverse

- ▶ Weakness in arrangements:
 - ▶ So significant in impact; or
 - ▶ So numerous in aspects of proper arrangements affected

Except for

- ▶ Weaknesses:
 - ▶ Sufficiently significant to report
 - ▶ Limited to specific issue or area
- ▶ Reporting: Concise summary of the information leading to that conclusion

Report to: Audit Committee
Date of meeting: 14 March 2016
Report of: Head of Democracy and Governance
Title: RIPA

1.0 SUMMARY

1.1 To advise members on the use of RIPA during 2015.

2.0 RECOMMENDATIONS

2.1 To note the report

Contact Officer:

For further information on this report please contact: Carol Chen Head of Democracy and Governance
telephone extension: 8350 email: carol.chen@watford.gov.uk

3.0 DETAILED PROPOSAL

3.1 The committee had a report in March 2015 informing them of the use the Council made of its powers under the Regulation of Investigatory Powers Act in 2014.

3.2 Since the changes in the law brought about by the Protection of Freedoms Act, which limited the reasons councils could use RIPA, the Council has not made any applications to the magistrates for approval for Directed Surveillance. Also the use of NAFN for communications data requests by the Council has also decreased significantly and the Council made no requests for authorisation in 2015

3.3 There has been a change of personnel which has meant that those authorised to approve RIPA authorisations has been changed. Bob Watson the Head of Finance for Shared Services and Jamie Mackenzie Business Compliance Manager have been added to the list replacing Nigel Pollard and Jeffrey Leib.

3.4 Further refresher training is being arranged for both Watford and Three Rivers staff on RIPA and will take place on 26 May 2016.

4.0 **IMPLICATIONS**

4.1 **Financial**

4.1.1 The Shared Director of Finance comments that that expenditure is contained within existing budgets

4.2 **Legal Issues** (Monitoring Officer)

4.2.1 The Head of Democracy and Governance comments that the legal implications are contained within the body of the report

4.3 **Equalities**

4.3.1 The Council is required to follow the law in undertaking covert surveillance activities

4.4 **Potential Risks**

4.4.1 None apparent

4.5 **Staffing**

4.5.1 Using NAFN supports internal staff resources

Background Papers

*"No papers were used in the preparation of this report".

File Reference

- None

PART A

Report to: Audit Committee
Date of meeting: 14 March 2016
Report of: Head of Democracy and Governance
Title: Corporate Risk Register

1.0 **SUMMARY**

1.1 To note the Corporate Risk Register

2.0 **RECOMMENDATIONS**

2.1 To note the Corporate Risk Register

Contact Officer:

For further information on this report please contact: Carol Chen
telephone extension: 8350 email: carol.chen@watford.gov.uk

3.0 **DETAILED PROPOSAL**

3.1 The Risk Management and Business Continuity Steering Group meets every two months to monitor the Council's corporate risks and oversee business continuity and emergency planning.

3.2 The Steering Group reports to Leadership Team.

3.3 The Steering Group undertook a review of the Corporate Risk Register at its January meeting and the revised register was approved by Leadership Team in February.

3.4 The Committee is asked to note the register attached as Appendix A.

4.0 **IMPLICATIONS**

4.1 **Financial**

4.1.1 The Shared Director of Finance comments that the register considers financial risk

4.2 **Legal Issues** (Monitoring Officer)

4.2.1 The Head of Democracy and Governance comments that any legal implications are also noted in the register

4.3 **Equalities**

4.3.1 N/A

4.4 **Potential Risks**

4.4.1

Potential Risk	Likelihood	Impact	Overall score
<i>Failure to capture all risks</i>	2	4	8
<i>Failure to adequately monitor risks and mitigate</i>	2	4	8
<i>Those risks scoring 9 or above are considered significant and will need specific attention in project management. They will also be added to the service's Risk Register.</i>			

Appendices

Corporate Risk Register

Background Papers

No papers were used in the preparation of this report

File Reference

- None

Name	List of amendments to document Risks amended	Date
Carol Chen	Creation of new register for 2015	20.01.15
Stephen Exton & Laura Renner	Updated 'owner' details	28.01.15
Lesley Palumbo	Removed to deleted risk register HLF Bid x 2 and replaced with Delivery of the Cassiobury Park project.	10.2.15
Lesley Palumbo	Updated contract management of outsourced services	10.2.15
Lesley Palumbo	Updated review of Corporate / Service plans	10.2.15
Jo Wagstaffe	Updated Business Rates Risk	17.2.15
Carol Chen	Update following LT	17.2.15
Lesley Palumbo	Updated control measures & reduced score on Cassiobury project. Updated further controls on Equalities. Scores reviewed and updated	18.2.15
Carol Chen	Added risk failure to comply with Health and safety compliance	22.9.15
Robert Della-Sala	Added risks due to welfare reform changes	29.10.15
Lesley Palumbo	Cassiobury Park updated and score amended	18.11.15
Carol Chen	Added s106 risk	11.12.15
Ian Dunsford	Added CIL risk to MLX	25.01.16
Carol Chen	Various updates	9.2.16
Manny Lewis (Louise Gull)	Code 1 Health Campus, WHHT - causes	23.02.16
Lesley Palumbo	Contract management updated	18.11.15
Paul Rabbitts	Cassiobury Park updated	25.02.16
Julie Rogers	various R&D updates	26.02.16
Lesley Palumbo	various CS&CS updates	29.02.2016

DATE	Oct-16	NAME: LEADERSHIP TEAM	WATFORD BC													
CORPORATE RISK REGISTER: ASSESSMENT MATRIX																
CORPORATE VISION: To be a successful town in which people are proud to live, work, study and visit																
The corporate risk register seeks to ensure the achievement of the council's seven main objectives																
Risk has been assessed in Four Blocks: Major Investment / Service Delivery/ Reputational/ Functional																
RISK TYPE: ALL STRATEGIC																
CODE	OBJECTIVE	Value of investment £	RISK	CAUSES	ASSESSMENT OF RISK (No controls in place for first assessment and controls in place thereafter)			ASSESSMENT OF RISK (With controls in place – Residual Risk Rating)			CONSEQUENCES	FURTHER CONTROLS REQUIRED	SEVERITY LIKELIHOOD MITIGATED RISK RATING	REVIEW FREQUENCY (A, Q, M)	DATE OF NEXT REVIEW	OWNER
					Categories of risk (Please see appendix 1 for categories of risk)	SEVERITY LIKELIHOOD RISK RATING	Control measures in place?	SEVERITY LIKELIHOOD RESIDUAL RISK RATING								

MAJOR INVESTMENT

1	Health Campus	£500M	West Herts Hospital Trust	Failure to achieve the preferred outcome from Your Care. Your Future review.	Customer / Citizen Economic/ financial	4	4	16	West Herts Hospital Trust is working on it's clinical strategic plan, this is part of the necessary approval process.	4	3	12	The Health Campus will only part achieve its aims without new hospital. Will also have severe effect upon financial viability	Funding of £10m has been allocated by Government for bridge, road, heat and power plant for new hospital.	4	2	8	Q	ongoing	Martin Jones
1	Watford Health Campus		JV risk register held by Kier. Additional risks for WBC outside the JV agreement: 1. Trade City 2. WBC finance 3. hospital trust 4. CPO & Farm Terrace 5. Design Quality	1. Planning consent granted and tenders returned, construction June 2016, remaining risk around marketing but considered low 2. WBC finance funding now approved; some risk remains relating to unknown abnormal costs 3. Trust avoiding commitment/ in special measures/ unsigned Campus Agreement/ regular meetings and workshops being held at a senior level with Trust officers 4. CPO risk diminished, and in JR period, expires March. Farm Terrace decision still on's 5. Commercially led design may not produce desired place shaping	Financial, reputational, social, customer/ citizen	3	3	9	Regular chasing of government department DCLG re Farm Terrace	2	2	4	Delays in delivery of project and additional costs	Regular Reviews	2	2	4	Q	Jun-16	MJ
2	MLX		Project slippage due to change of lead partner and matters in third party control	Change in London Mayor may stop or significantly amend plans Main building contract due to be signed March 2016	Legal, Programme delivery	3	2	6	Watford Regeneration Board set up to mitigate risks, also includes developments companies with projects along MLX route	2	2	4	Delays in delivery of project, adverse effect upon economy of town and regeneration projects already underway such as Health Campus and Charter Place	None	1	0	Q	ongoing	Jane Custance	
2	Met Line Extension		Scheme exceeds available budget.	Specification too high; adverse ground conditions, CPO compensation too high; lack of interest from tenderers leads to high contract sum	Economic/ Financial/ Reputational	4	4	16	Detailed costings in place, CPO assessment realistic. Current construction market has low profit margins.	4	3	12	A significant overspend occurs; specification is out back producing a sub standard product.	Need to obtain a fixed price procurement and to keep a tight control on specification and variation orders..	4	2	8	Q	ongoing	Jane Custance
3	Charter Place Redevelopment		The current temporary lease expires without Charter Place being redeveloped	Lack of finance/ economic viability	Economic/ financial/ Reputational	4	3	12	Intu have commenced demolition and have confirmed scheme proceeding	4	1	4	Negotiations to be finalised on end lease for whole Intu centre	Scheme needs to be realistic about what is achievable/ financially viable	4	1	4	M	ongoing	Jane Custance
4	Delivery of the Cassiobury Park Parks for People Project	£6.5m	Failure to deliver the project on time and within budget and meeting all HLF conditions	Delays caused by weather, tenders over budget and cost estimates undervalued	Financial	3	4	12	PID and rigid project management in place with allocated Project Manager, Director and Sponsor. Project governance established. Briefs developed and consultancy team in place. Reporting to Programme and Project Management Board on progress with updates covering all aspects of the project Roles and responsibilities defined, regular diligence carried out by the design team on progress and scope of works. VE carried out and omissions assessed subject to approval by HLF. Scope of works re-examined, cost of works reduced and budget increased	3	3	9	Project not delivered. Loss of reputation	Value Engineering after appointment of contractor (appointed Dec 15). PMB sub group to undertake Contract Management Governance review in April	3	2	6	Q	May-16	Paul Rabbitts

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CORPORATE RISK REGISTER: ASSESSMENT MATRIX

CORPORATE VISION: To be a successful town in which people are proud to live, work, study and visit
The corporate risk register seeks to ensure the achievement of the council's seven main objectives

Risk has been assessed in Four Blocks: Major Investment / Service Delivery/ Reputational/ Functional

RISK TYPE: ALL STRATEGIC

CODE	OBJECTIVE	Value of investment £	RISK	CAUSES	ASSESSMENT OF RISK (no controls in place for first assessment and controls in place thereafter)			ASSESSMENT OF RISK (With controls in place – Residual Risk Rating)			CONSEQUENCES	FURTHER CONTROLS REQUIRED	SEVERITY LIKELIHOOD MITIGATED RISK RATING	REVIEW FREQUENCY (A, Q, M)	DATE OF NEXT REVIEW	OWNER
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SERVICE DELIVERY

5	Homelessness Increases, placing pressures upon temporary accommodation & bed and breakfast	potentially circa £150k	homeless / vulnerable families and individuals have no accommodation or unsuitable accommodation creating health, wellbeing and safety issues	The negative impact of the downturn in the economy combined with policy changes impact upon statutory homelessness	customer/ citizen legislative/ reputational/ equalities/ financial	4	4	16	Plans for securing additional temporary accommodation are under review. Revenue related project discussions continuing.	4	4	16	increasing numbers anticipated in Bed and Breakfast or equivalent accommodation. Pressure on staffing and welfare of clients. Statutory 6 week deterioration in service standards will affect the council's vision and objectives. Complaints from the community will increase.	Review of resourcing in Housing on-going and clarity on direction regarding increasing supply will be part of Housing Strategy	4	3	12	M	ongoing	Alan Gough
6	Service Improvement Continues	£160m turnover	services deteriorate. Homelessness increases. The Town looks tired, dirty & neglected.	service efficiencies / staff rationalisation affect service standards. Budget reductions reduce allocation of resources.	Economic/ Financial Reputational	4	3	12	Performance indicators/ officer management reviews/ scrutiny process/ quarterly reviews/ scrutiny process/ community surveys all in place to monitor performance.	4	2	8	Targetted improvement/ resourcing to some services may be necessary eg Benefits Service/ Homelessness.		4	2	8	Q	ongoing	Leadership Team
7	Contract Management of Outsourced Services	not quantified	Failure of contracting partner to deliver required service to agreed specification.	Inadequate commissioning, procurement and contract monitoring arrangements in place. Poor monitoring of contractor performance.	Customer/ citizen legislative/ legal reputational / equalities	4	3	12	Robust procurement processes. External consultancy support used. Clear specifications and conditions. Contract monitoring officers and client teams and regular monitoring meetings in place. Legal conditions in contract. Full monitoring regime in place, and regular real time reporting procedures. Weekly / Monthly updates to review progress. First workshop and meeting of Contract Management Forum established in Nov 2013. Audits undertaken and action plans in place as part of 2014/15 Audit plan. Developing corporate wide "Centre of Excellence" approach in contract management incorporating a training audit and Toolkit development. Training Plan being delivered from outcome of training audit. EU Directives complied with.	4	2	8	Contract and service delivery failure	Toolkit being developed .	4	1	4	W	May-16	Lesley Palumbo / Howard Hughes
	Stability issues with Academy and Anite may disrupt end of year processing and delay the issue of Hb entitlement letters and new ctax and nndr bills	not quantified	A problem exists which causes Academy to crash when processing work. CSS and IT are trying to establish what is causing a "bad file save" error.	IT server may be corrupt or may be linked to a SAN problem	customer/citizen/financial	4	4	16	Kevin Mcleod and Marios Patrinos are working with IT and CSS to find the root cause of the problem. The issue is random and cannot be predicted.	4	4	16	If the bug arises when an end of year programme is running, we will have to roll back the database and re-run that programme. The longest programme takes between 6-8 hrs to run. During year end we cannot process any work. The amount of downtime could cause additional delays in finishing year end. Deadlines are tight as we have to issue DD mandates 10 days before a DD is called for on the 1/4/16. If we are unable to get DDs out, then we may not be able to collect ESM in April, there is no way of predicting how many times the bug will occur or what the overall delay in completing year end might be.	With CSS and IT as a P1	4	4	16	w	ongoing	Robert Della-Sala
	5 year freeze to LHA rates for private tenants	not quantified	As part of welfare reform the government has announced that private rents will be frozen at 2015 rents from April 16 for four years. There is a ready a substantial gap between the maximum amount someone can get in housing benefit and the market rents. This change will impact on over 2500 families	It is expected that some residents will not renew their tenancies and others will be evicted as they will not be able to pay for the shortfall in their rent	customer/citizen/financial	3	3	9	Work with Housing to identify take up rates for DHPs and landlord evictions - work with CAB to ensure proper money advice is given to residents	4	4	16	Council may not be able to manage demand on housing		3	3	9	M	May-16	Robert Della-Sala/Perry Singh
	Introduction of Universal credit	not quantified	Claimants in receipt of Universal Credit will be paid monthly in arrears and receive their housing element within their UC. At the moment it is paid as a separate benefit and easily identifiable as being benefit for their rent	It is expected that some residents will not use their UC to pay their rent and arrears will increase resulting in evictions. This will put significant pressure on housing.	Customer/citizen/financial	3	4	12	Work with Housing to identify take up rates for DHPs and landlord evictions - work with CAB to ensure proper money advice is given to residents	4	4	16	Council may not be able to manage demand on housing		3	3	9	M	May-16	Robert Della-Sala /Perry Singh

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	Wider welfare reform changes	not quantified	The benefit Cap will reduce the maximum amount of benefit residents can receive by upto £3,000 a year - at the same time, benefit for private rents will be frozen, although it is known rents increase by a minimum of 3-4% per year and it is expected that council tax may increase	the cost of the council tax reduction scheme could increase between £0.5 and £1.5M per annum but hard to know until more details are released about benefit changes. With 6,000 residents getting benefits, it may also have a negative impact on council tax collection rates, leading to loss of revenue to the council with increase costs for CTR.	Financial	4	4	16	Ensure residents receive support on budgeting and maximise benefits income to soften impact of welfare reform changes	4	4	16	Council may lose significant income form council tax	3	3	9	M	May-16	Robert Della-Sala	
	Ensure Housing Benefit Service is fit for purpose	£75m turnover per annum	Loss of subsidy from DWP due to LA error; homelessness caused by rent arrears accruing; private sector landlords not willing to accommodate benefit customers through fear of not being paid	Use of technology is not maximised. Benefits assessors spend time dealing with routine client enquiries. Incomplete information provided by benefits clients/ recipients.	Financial / reputational/ customer/ citizen	4	4	16	Monitoring of workload being constantly reviewed. Quiet periods (no telephone calls) for skilled benefits assessors to clear backlogs. External resource engaged to process routine change of circumstances.	4	3	12	Backlogs are not fully cleared (partly due to increased volumes of applicants-due to economic recession). A danger that conveyor belt mentality will affect quality control processes.	The Customer Service Centre is screening initial applicants in order to ensure all paperwork has been provided and to relieve pressure on benefits assessors	4	2	8	M	ongoing	Robert Della- Sala
8	Failure of Uniform and other essential back office systems	not yet quantified	Failure of contracting partner to deliver required service to agreed specification.	System is currently unsupported	customer/citizen/reputational	4	4	16	Business critical applications upgrade projects in progress Application discovery project in progress with reviews with key stakeholders and suppliers to identify options for upgrades on current platforms, hosted services.	4	4	16	Unable to deliver planning, land charges and environmental health services & meet legislative deadlines	Regular MIT project reviews Review of supplier options to support / deliver upgrade projects in progress	4	3	12	M	ongoing	ITSG/ HoS
9	Failure of ICT Services Contract	not yet quantified	Failure of partner to deliver required service to agreed specification.	Inadequate resources, skill set gaps, inadequate contract management by contracting partner, poor process & lack of procedures, poor governance by contracting partner	Customer/ citizen legislative/ legal reputational / equalities	4	4	16	Revised governance structure in place with a minimum of a monthly risk review Account recovery programme of work Senior stakeholder engagement	4	4	16	Poor service delivery/ service debasement Poor return on investment Inability for council to deliver service improvements / efficiencies / vision	Regular monitoring of ARP progress Regular reviews with senior supplier management Review of contract service threshold & action options	4	4	16	W	End Feb	Jo Wagstaffe
12	Achieving a vibrant and viable market	Not achieving a return above WBC outgoings for rent etc	Failure of contractor to secure high occupancy and footfall	The market does not generate income above the annual costs costs incurred by WBC, the variety of stalls attracted is not appealing to shoppers resulting in lower footfall and reduced income.	Reputation/ customer	2	3	6	regular meetings with TCM to review progress. Steering group	2	2	4	Town centre does not feel vibrant, empty space means pedestrians go elsewhere	none	2	2	4	ongoing	Jane Custance	

REPUTATIONAL

	Continue to Progress Equalities within the Council and across all service delivery	Not Quantifiable	Service efficiencies result in the pursuit of equalities being down graded.	staff rationalisation results in equalities being given a lower priority both within the Council and in the provision of services to all the community.	Customer / Citizen Legislative/Legal Reputational	4	2	8	Equalities champions at Head of Service/ Cabinet level are in place. Quarterly reviews are held. Legislative changes to equalities are being monitored. Corporate Equalities group relaunched. Leadership Team review equalities. (HR report received annually). New training developed. EAs developed	4	2	8	The Council will not be seen to support individuals and the community. It will not be recognised as a fair/ good employer.	EIA activity to be reviewed. Statistics relating to usage of facilities and complaints processes need to be closely monitored. Revised approach to Equalities training to be implemented	4	2	8	Q	ongoing	Lesley Palumbo
	S106 spend	£1.4 m	S106 monies accumulated and unallocated will not be spent and will have to be returned	Lack of clarity in the system regarding how it could be spent and timescales for spending	Customer	3	3	9	Appointment of CL officer to manage S106 and CIL income; ongoing work with finance to ensure all S106 money received is clearly identified. Asset Management Group will continue to monitor schemes and spending	2	1	2	The Council will not be seen to have wasted a valuable resource	Regular reporting of spend as well as receipts	1	1	2	Q	ongoing	Jane Custance
	CIL commitment to Metropolitan Line Extension	£5m	Significant shortfall in CIL income which could affect ability to meet MLX commitment	The Government is seeking to exempt new starter homes from CIL and S106 payments. As most new homes in Watford could potentially fall under the starter home umbrella, this would undermine WBC's ability to raise such funding.	Economic/ Financial/ Reputational	4	3	12	Alternative funding/ longer payment period will be required to meet MLX commitment.	3	3	9	Delay to delivery of MLX which could have reputational/ legal implications for Council. May have to renegotiate Council's commitment/ delivery of funding timescale.				Q	ongoing	Jane Custance	

Name	List of amendments to document Risks amended	Date
Carol Chen	Creation of new register for 2015	20.01.15
Stephen Exton & Laura Renner	Updated 'owner' details	28.01.15
Lesley Palumbo	Removed to deleted risk register HLF Bid x 2 and replaced with Delivery of the Cassiobury Park project.	10.2.15
Lesley Palumbo	Updated contract management of outsourced services	10.2.15
Lesley Palumbo	Updated review of Corporate /Service plans	10.2.15
Jo Wagstaffe	Updated Business Rates Risk	17.2.15
Carol Chen	Update following LT	17.2.15
Lesley Palumbo	Updated control measures & reduced score on Cassiobury project. Updated further controls on Equalities. Scores reviewed and updated	18.2.15
Carol Chen	Added risk failure to comply with Health and safety compliance	22.9.15
Robert Della-Sala	Added risks due to welfare reform changes	29.10.15
Lesley Palumbo	Cassiobury Park updated and score amended	18.11.15
Carol Chen	Added s106 risk	11.12.15
Ian Dunsford	Added CIL risk to MLX	25.01.16
Carol Chen	Various updates	9.2.16
Manny Lewis (Louise Gull)	Code 1 Health Campus, WHMT - causes	23.02.16
Lesley Palumbo	Contract management updated	18.11.15
Paul Rabbitts	Cassiobury Park updated	25.02.16
Julie Rogers	various R&D updates	26.02.16
Lesley Palumbo	various CS&CS updates	29.02.2016

DATE	Oct-16	NAME: LEADERSHIP TEAM	WATFORD BC
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CORPORATE RISK REGISTER: ASSESSMENT MATRIX

CORPORATE VISION: To be a successful town in which people are proud to live, work, study and visit
The corporate risk register seeks to ensure the achievement of the council's seven main objectives

Risk has been assessed in Four Blocks: Major Investment / Service Delivery/ Reputational/ Functional

RISK TYPE: ALL STRATEGIC

CODE	OBJECTIVE	Value of investment £	RISK	CAUSES	ASSESSMENT OF RISK (No controls in place for first assessment and controls in place thereafter)			ASSESSMENT OF RISK (With controls in place – Residual Risk Rating)			CONSEQUENCES	FURTHER CONTROLS REQUIRED	SEVERITY LIKELIHOOD MITIGATED RISK RATING	REVIEW FREQUENCY (A, O, M)	DATE OF NEXT REVIEW	OWNER				
					Categories of risk (Please see appendix 1 for categories of risk)	SEVERITY LIKELIHOOD RISK RATING	Control measures in place?	SEVERITY LIKELIHOOD RESIDUAL RISK RATING												
11	PSN - Public Services Accreditation is not achieved	Not Quantifiable	Residents do not receive correct Housing benefit payments.	Revenues and Benefits services are unable to send and receive data from departments such as DWP.	Financial / reputational/ customer/ citizen	4	3	12	Annual project reviewed previous submission & issues arising & submission completed with known non-compliance items Capita lead on ICT technical & CSEG CLAS consultant engaged for specialist support	4	2	8	This may result in temporary disadvantages for the Council e.g. remote access to government services are disabled.	Long term and annual PSN project is in place. Regular contact with Cabinet Office & key stakeholders over known no compliance and remediation workplan	3	3	9	Q	Ongoing	Jo Wagstaffe
12	FUNCTIONAL																			
	ICT platform fit for purpose	Not Quantifiable	Unreliability of system affects corporate efficiency and results in considerable staff downtime and failure to deliver full service to the public.	Delays on MT project - outdated hardware, systems and platform still in use. Inadequate project resources & management by contracting partner	Customer / Citizen Economic/ Financial Reputational	4	3	12	Revised MT project governance arrangements in place with fortnightly reviews & phased delivery plans Revised project timeframe and improved project scope and outcomes defined with guide budgets approved	4	2	8	Service delivery and staff efficiency badly affected	Timeline for improvement delivery to be finalised and works initiated	4	3	12	M	Ongoing	Jo Wagstaffe
14	Ensure the Control Environment across the authority reflects the changing nature of fraudulent activity	Not Quantifiable	Increasing sophistication of fraud, particularly cyber fraud could result in significant financial losses	moral standards in society falling. Financial hardship encouraging innovative ways to obtain money.	Financial / reputational/	4	3	12	Regular fraud up dates distributed to all staff. E learning module on intranet	4	3	12	Risks of fraudulent access to council's accounts still remain	Annual Audit Plan includes resources to test the council's resilience against cyber crime	4	2	8	Q	ongoing	Bob Watson
15	Review Corporate/ Service Plans	Not Quantifiable	Corporate and Service Plans become stale and fail to engage with staff or reflect the ambitions and work programme of the organisation	Other competing priorities has meant the CP/ SP process has been treading water.	Customer / Citizen Reputational	3	3	9	Service management teams/ quarterly reviews, Leadership Team give this a higher priority. Staff survey carried out. Appraisals in place. Review of vision, priorities and values to ensure they are relevant and reflect council's opportunities and challenges.	3	2	9	The Vision , values & key objectives are not recognised by all staff.	Learning and Development initiatives to encourage awareness.	3	1	Q	on going	Kathryn Robson	
16	Assess impact of major changes to funding by Government through Business rates Retention and Local Council Tax Benefits schemes	£193,000	W/BC may lose a significant amount of financial support from Central Government	The localisation of business rates means that the Council carries risk in relation to it's overall funding from Central Government. Much of the causes for the fluctuations are outside of the Council's control.	Financial/ Reputational/ Citizen/ customer	4	4	16	Business Rates are monitored on a monthly basis and the budget has been set based on current performance. The Council can quantify the overall value of the risk and has taken this into account when setting the budget.	3	3	9	The council may be at risk of reduced income which it had not intended.	Continued monitoring of the performance of business rates is to be undertaken.	3	2	6	Q	on going	Bob Watson
17	Ensure Council complies with all relevant Health and Safety legislation		Risk of failing to comply with our statutory responsibilities, including compliance testing	Weakness in our support arrangements to ensure support that services will be resumed after compliance testing undertaken	Major	3	4	12	Testing booked into the diary and external contractor appointed to undertake the testing. Dialogue with other external support services providers to	2	4	8	Risk of non compliance reduced	Clear contractual commitment with external support service provider to ensure they will have measures in place to support	2	4	8	Q	Dec-16	Cathy Watson

The Categories of Risks Facing Watford Borough Council

Hazards and risks need to be taken into account in judgments about the medium to long-term goals and objectives of the organisation, as well as the day-to-day operations of the Council. These may be as follows: -

Category	Definition
Political:	those associated with failure to deliver either central Government policy or meet the administration's manifesto commitments
Economic/Financial:	those affecting our ability to meet financial commitments. For example, internal budgetary pressures, the failure to purchase adequate insurance cover, external economic changes or the consequences of proposed investment decisions. Monitoring of financial planning and control and internal funds.
Social:	those related to the effects of changes in demographic, residential or socio-economic trends on the organisation's ability to deliver its objectives.
Technological:	those associated with the capacity of the organisation to deal with the pace / scale of technological change or its ability to use technology to address changing demands. They may also include the consequences of internal technological failures affecting the organisation's ability to deliver its objectives. (e.g. IT systems, equipment or machinery).
Legislative/Legal:	those associated with current or potential changes in national or European Law (e.g., the appliance or non-appliance of TUPE Regulations, Human Rights Act, Data Protection Act, Disability Discrimination Act, etc.). Risk related to possible breaches of legislation.
Environmental:	those related to the environmental consequences of progressing the organisation's strategic objectives (e.g., in terms of energy efficiency, pollution, recycling, landfill requirements, emissions, etc.). Those related to pollution, noise or energy efficiency of ongoing service operations.
Reputational:	those related to the organisation's reputation and the public perception of the organisation's efficiency and effectiveness.
Competitive:	those affecting the competitiveness of the service (in terms of cost or quality) and / or its ability to deliver Value for Money.
Customer/Citizen:	those associated with failure to meet the current and changing needs and expectations of our customers and citizens.
Professional:	those associated with the particular nature of each profession
Physical:	those related to fire, security, accident prevention and health and safety (e.g., hazards / risks associated with buildings, vehicles, plant and equipment, etc.)

Contractual:	those associated with the failure of contractors to deliver services or products to the agreed cost and specification.
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GUIDANCE ON COMPLETING THE RISK ASSESSMENT MATRIX

DATE: <i>when evaluation completed</i>		NAME: <i>of person completing assessment; may vary from risk</i>			POST: <i>of person completing assessment</i>			DEPT/ UNIT: <i>Risk</i>							
RISK ASSESSMENT MATRIX v 1.6															
RISK ASSESSMENT NUMBER: <i>consecutively from 1 (the 1st assessment) this allows for accurate version control and provides an audit trail of treatment/controls etc</i>															
BUSINESS OBJECTIVE: <i>External Relations: Please state your departmental objective here - as risks to achieving this objective should be considered</i>															
RISK TYPE: <i>STRATEGIC, OPERATIONAL or BOTH (delete as necessary) strategic type would affect the 3-5 year planning process, operational type would affect day-to-day activities & both is an operational risk with a strategic impact</i>															
CODE	RISK	CAUSES	ASSESSMENT OF RISK (no controls in place for first assessment and controls in place thereafter)				ASSESSMENT OF RISK (With controls in place – Residual Risk Rating)				CONSEQUENCES	FURTHER CONTROLS REQUIRED	REVIEW FREQUENCY (A, Q, M) annually, quarterly or monthly	DATE OF NEXT REVIEW	OWNER
			Categories of risk	SEVERITY	LIKELIHOOD	RISK RATING	Control measures in place?	SEVERITY	LIKELIHOOD	RESIDUAL RISK RATING					
sequential numbering of risks - see appendix 2. If risk is no longer relevant number must NOT be reused.	A risk is the threat that an event or action will affect the Council's ability to achieve its objectives and to successfully execute strategies. To help identify risks one can think of political, environmental, social technological, economical and legal threats. In addition to this please consider the risks that can occur which may prevent your area from achieving objectives as set in the Corporate/Community Plan; impact on Use of Resources and also CPA/CAA etc	these are the events, circumstances and/or situations that give rise to the risk being created	see Appendix 1 - Categories, you can include 1 or more categories depending on the risk	scored on a scale of 1 - 4; 1 being the lowest and 4 the highest; <u>before controls</u> in place	automatically calculated and formatted	these are controls currently in place which have currently reduced the likelihood of the risk materialising; these are usually in the form of internal controls systems, policies and procedures, regular meetings etc	scored on a scale of 1 - 4; <u>with controls</u> in place	automatically calculated and formatted	this is the result of the risk if and when it occurs and can include loss of business, negative/bad reputation, breakdown or partnership working, financial loss (please state financial loss in monetary terms where possible)	further controls are needed where a residual risk rating is shown as amber or red i.e. medium or high. These risks will be shown on the treatment plan.	this will depend on the risk rating, how effective controls are, cost implications of controls etc	this should be a realistic date when the next review of the risk including adequacy if the controls should be completed, this must be matched to the review frequency	the person responsible for implementing and reviewing control measures		

Note

Severity can be viewed in four categories/ matched to scores

- | | | |
|----|-------------|--|
| 1. | Minor | Any annoyance that does not disrupt service provision or has only a localised impact contained within the council/service affected. No media or public knowledge of incident |
| 2. | Significant | Short -term partial failure, no media interest, limited financial losses or disruption to service provision. |
| 3. | Serious | Short-term total service failure or prolonged partial failure, possible local media interest, possible financial losses or injuries |
| 4. | Major | Total service failure, high financial losses, possible national media criticism, local media interest or possible fatalities/severe injuries |

Likelihood can be viewed in four categories/matched to scores:

- | | | |
|----|-------------|--------------------------------------|
| 1. | Remote | Little or no likelihood of occurring |
| 2. | Unlikely | Some likelihood of occurring |
| 3. | Likely | Significant likelihood of occurring |
| 4. | Very likely | Near certainty of occurring |

Agenda Item 7

Report to: Audit Committee
Date of meeting: 14 March 2016
Report of: Head of Finance (Shared Services)
Title: External Audit – Certification Work Report 2014/15

1.0 **SUMMARY**

1.1 This report allows the Committee to note the annual certification work letter from the Council's external auditor (Grant Thornton UK LLP).

2.0 **RECOMMENDATIONS**

2.1 That members note the contents of the certification work letter.

Contact Officer:

For further information on this report please contact: -
Bob Watson, Head of Finance (Shared Services)
telephone extension: 7188
email: bob.watson@threerivers.gov.uk

Report approved by: Joanne Wagstaffe, Director of Finance

3.0 **DETAILS**

3.1 Attached at Appendix 1 is the certification work letter for the financial year 2014/15.

4.0 **IMPLICATIONS**

4.1 **Financial**

4.1.1 None Specific.

4.2 **Legal Issues** (Monitoring Officer)

4.2.1 None Specific.

4.3 **Equalities**

4.3.1 None Specific.

4.4 **Potential Risks**

4.4.1 There are no risks associated with the decisions members are being asked to make.

APPENDICES

Appendix 1 Grant Thornton UK LLP Watford Borough Council –
Certification letter 2014/15 – February 2016

Jo Wagstaffe
Director of Finance
Watford Borough Council
Hempstead Road
Town Hall
Watford
WD17 3 EX

Grant Thornton UK LLP
Grant Thornton House
Melton Street
London NW1 2EP

T +44 (0)20 7383 5100

www.grant-thornton.co.uk

22 February 2016

Dear Jo,

Certification work for Watford Borough Council for year ended 31 March 2015

We are required to certify certain claims and returns submitted by Watford Borough Council ('the Council'). This certification typically takes place six to nine months after the claim period and represents a final but important part of the process to confirm the Council's entitlement to funding.

Arrangements for certification are prescribed by the Audit Commission, which agrees the scope of the work with each relevant government department or agency, and issues auditors with a Certification Instruction (CI) for each specific claim or return.

We have certified one claim for the financial year 2014/15 relating to expenditure of £39.9 million. Further details of the claim certified is set out in Appendix A.

There are three issues arising from our certification work which we wish to highlight for your attention:

- The Council's housing benefit system IT providers, Capita, performed a series of system upgrades during October that resulted in the system experiencing a significant amount of downtime during the course of the audit. Unfortunately, after the upgrades had been performed the system was still subject to interruption which adversely affected the time spent on the claim.
- The housing benefit claim was subject to a qualification letter on four issues:
 - testing of an initial sample of 20 Non HRA rent rebate cases found that 4 cases could not be agreed to supporting evidence, the total sample error was £26, and a further 40 cases were tested with the following results:
 - there were three cases where we could not agree the income to supporting evidence.
 - one case whereby the incorrect applicable amounts were used in the claimants calculation of benefit resulting in a £326 error in the claimants benefit entitlement.
 - testing of the initial sample of 20 rent allowance cases found two errors in the initial sample:
 - one case where the claimant was paid Job Seekers Allowance for one week beyond the claimant period of entitlement. We tested a further 40 cases and reported no errors.
 - one case where the claimant was underpaid benefit due to the Council using the incorrect rental figure but our guidance states that

where the nature of the error could have so easily resulted in an overpayment then we are directed to test a further 40 cases. The results of which were two overpayment errors were discovered where the Council could not provide proof of rent, which resulted in a £315,929 extrapolation being calculated within the qualification letter.

- the reconciliations of benefit granted per the system and the benefit granted per the claim form did not agree for both Non HRA rent rebates and rent allowance although the Council has correctly selected the lower of the two figures for populating the headline cells.

Claim qualified as the reconciliation of benefit granted per the system to benefit granted per the claim form contained a small reconciling difference

The actual fee for 2014/15 for the Council is in excess of the planned fee reflecting the additional work performed during the audit coupled with the IT system interruptions and downtime experienced during the audit. This is set out in more detail in Appendix B.

Yours sincerely

For Grant Thornton UK LLP

Appendix A - Details of claims and returns certified for 2014/15

Claim or return	Value	Amended?	Amendment (£)	Qualified?	Comments
Housing benefits subsidy claim	£39.9 million	Yes	(14,472)	Yes	<p>Claim amended for the headline cell 94, rent allowance, to correctly reflect the lower of the benefit granted and benefit paid per the suppliers reconciliation.</p> <p>Claim qualified on Non HRA Rent Rebate as 3 cases could where we could not agree the income to supporting evidence. There was also one case whereby the incorrect applicable amounts were used resulting in an overpayment of benefit.</p> <p>Claim qualified on Rent Allowance as one case involved the payment of job seekers allowance to a claimant one week beyond the period of entitlement. In addition there was one case where the Council used the incorrect rental figure and further testing found a further 2 errors resulting in a £315k extrapolation being calculated in the qualification letter.</p>

Appendix B: Fees for 2014/15 certification work

Claim or return	2014/15 planned fee (£)	2014/15 actual fee (£)	Variance (£)	Explanation for variances
Housing benefits subsidy claim (BEN01)	12,600	36,027	-	Increase in fee due to additional testing performed, the lack of housing benefit system availability and the issue of a qualification letter.
Total			-	

Watford Borough Council

Year ending 31 March 2016

Audit Plan

Presented to Audit Committee on 14 March 2016

Ernst & Young LLP



Building a better
working world

Audit Committee
Watford Borough Council
Hempstead Road
Town Hall
Watford
Hertfordshire
WD17 3EX

14 March 2016

Dear Committee Members

Audit Plan

We are pleased to attach our Audit Plan which sets out how we intend to carry out our responsibilities as auditor. Its purpose is to provide the Audit Committee with a basis to review our proposed audit approach and scope for the 2015/16 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

This plan summarises our initial assessment of the key risks driving the development of an effective audit for the Council, and outlines our planned audit strategy in response to those risks.

We welcome the opportunity to discuss this Audit Plan with you on 14 March 2016 and to understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Andrew Brittain
For and behalf of Ernst & Young LLP
Enc

Contents

1. Overview	1
2. Financial statement risks	2
3. Value for money risks	3
4. Our audit process and strategy	4
5. Independence	8
Appendix A Fees	10
Appendix B UK required communications with those charged with governance	11
Appendix C Detailed scopes	Error! Bookmark not defined.

In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued ‘Statement of responsibilities of auditors and audited bodies 2015-16’. It is available from the Chief Executive of each audited body and via the [PSAA website \(www.psa.co.uk\)](http://www.psa.co.uk)

The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The ‘Terms of Appointment from 1 April 2015’ issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Plan is prepared in the context of the Statement of responsibilities. It is addressed to the Audit Committee, and is prepared for the sole use of the audited body. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

1. Overview

This Audit Plan covers the work that we plan to perform to provide you with:

- ▶ Our audit opinion on whether the financial statements of Watford Borough Council give a true and fair view of the financial position as at 31 March 2016 and of the income and expenditure for the year then ended;
- ▶ Our conclusion on the Council's arrangements to secure economy, efficiency and effectiveness;

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on the Council's Whole of Government Accounts return.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

When planning the audit we take into account several key inputs:

- ▶ Strategic, operational and financial risks relevant to the financial statements;
- ▶ Developments in financial reporting and auditing standards;
- ▶ The quality of systems and processes;
- ▶ Changes in the business and regulatory environment; and,
- ▶ Management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Council.

2. Financial statement risks

We outline below our current assessment of the financial statement risks facing the Council, identified through our knowledge of the Council's operations and discussion with those charged with governance and officers.

At our meeting, we will seek to validate these with you.

Significant risks (including fraud risks)	Our audit approach
Risk of management override	
As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> ▶ Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements ▶ Reviewing accounting estimates for evidence of management bias, and ▶ Evaluating the business rationale for significant unusual transactions

2.1 Responsibilities in respect of fraud and error

We would like to take this opportunity to remind you that management has the primary responsibility to prevent and detect fraud. It is important that management, with the oversight of those charged with governance, has a culture of ethical behaviour and a strong control environment that both deters and prevents fraud.

Our responsibility is to plan and perform audits to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatements whether caused by error or fraud. As auditors, we approach each engagement with a questioning mind that accepts the possibility that a material misstatement due to fraud could occur, and design the appropriate procedures to consider such risk.

Based on the requirements of auditing standards our approach will focus on:

- ▶ Identifying fraud risks during the planning stages;
- ▶ Enquiry of management about risks of fraud and the controls to address those risks;
- ▶ Understanding the oversight given by those charged with governance of management's processes over fraud;
- ▶ Consideration of the effectiveness of management's controls designed to address the risk of fraud;
- ▶ Determining an appropriate strategy to address any identified risks of fraud, and,
- ▶ Performing mandatory procedures regardless of specifically identified risks.

3. Value for money risks

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.

For 2015-16 this is based on the overall evaluation criterion:

"In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people"

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.

In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

We are only required to determine whether there are any risks that we consider significant, which the Code of Audit Practice defines as:

"A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public"

Our risk assessment supports the planning of sufficient work to enable us to deliver a safe conclusion on arrangements to secure value for money and enables us to determine the nature and extent of further work that may be required. If we do not identify any significant risks there is no requirement to carry out further work.

Our risk assessment has therefore considered both the potential financial impact of the issues we have identified, and also the likelihood that the issue will be of interest to local taxpayers, the Government and other stakeholders. This has not identified any risks which we view as relevant to our value for money conclusion.

4. Our audit process and strategy

4.1 Objective and scope of our audit

Under the Code of Audit Practice our principal objectives are to review and report on the Council's:

- ▶ Financial statements
- ▶ Arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

1. Financial statement audit

Our objective is to form an opinion on the financial statements under International Standards on Auditing (UK and Ireland).

We report to you by exception in respect of your governance statement and other accompanying material as required, in accordance with relevant guidance prepared by the NAO on behalf of the Comptroller and Auditor General.

Alongside our audit report, we also:

- ▶ Review and report to the NAO on the Whole of Government Accounts return to the extent and in the form they require;
- #### 2. Arrangements for securing economy, efficiency and effectiveness (value for money)

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.

4.2 Audit process overview

Processes

Our initial assessment of the key processes across the Council has identified the following key processes where we will seek to test key controls, both manual and IT:

- ▶ accounts receivable
- ▶ accounts payable

We plan to take a substantive approach to all other processes to gain assurance over the amounts reported in the Council's financial statements.

Analytics

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

- ▶ Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests
- ▶ Give greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Audit Committee.

Internal audit

We will review internal audit plans and the results of their work. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our detailed audit plan, where we raise issues that could have an impact on the year-end financial statements

Use of specialists

When auditing key judgements, we are often required to rely on the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where either EY or third party specialists provide input for the current year audit are:

Area	Specialists
Property valuation	Wilks, Head & Eve
NDR provision	Inform
Pensions	Actuary - Hymans Robertson LLP and EY pensions

In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Council's environment and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- ▶ Analyse source data and make inquiries as to the procedures used by the expert to establish whether the source data is relevant and reliable;
- ▶ Assess the reasonableness of the assumptions and methods used;
- ▶ Consider the appropriateness of the timing of when the specialist carried out the work; and
- ▶ Assess whether the substance of the specialist's findings are properly reflected in the financial statements.

4.3 Mandatory audit procedures required by auditing standards and the Code

As well as the financial statement risks (section two) and value for money risks (section three), we must perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we will undertake during the course of our audit.

Procedures required by standards

- ▶ Addressing the risk of fraud and error;
- ▶ Significant disclosures included in the financial statements;
- ▶ Entity-wide controls;

- ▶ Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements;
- ▶ Auditor independence.

Procedures required by the Code

- ▶ Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement
- ▶ Reviewing and reporting on the Whole of Government Accounts return, in line with the instructions issued by the NAO

Finally, we are also required to discharge our statutory duties and responsibilities as established by the Local Audit and Accountability Act 2014.

4.4 Materiality

For the purposes of determining whether the financial statements are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in aggregate, could reasonably be expected to influence the users of the financial statements. Our evaluation requires professional judgement and so takes into account qualitative as well as quantitative considerations implied in the definition.

We have determined that overall materiality for the financial statements of the Council, is £1,535k based on 2% of gross expenditure. We will communicate uncorrected audit misstatements greater than £77k to you.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all the circumstances that might ultimately influence our judgement. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the financial statements, including the total effect of any audit misstatements, and our evaluation of materiality at that date.

4.5 Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government. PSAA has published a scale fee for all relevant bodies. This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the NAO Code. The indicative fee scale for the audit of Watford Borough Council is £51,975 and the certification fee is £8,316.

4.6 Your audit team

The engagement team is led by Andrew Brittain, who has significant experience of Local Government external audit. Andrew Brittain is supported by Hannah Ormston who is responsible for the day-to-day direction of audit work and is the key point of contact for the Council's finance team.

4.7 Timetable of communication, deliverables and insights

We have set out below a timetable showing the key stages of the audit, including the value for money work and the Whole of Government Accounts. The timetable includes the deliverables we have agreed to provide to the Council through the Audit Committee's cycle in 2015/16. These dates are determined to ensure our alignment with PSAA's rolling calendar of deadlines.

From time to time matters may arise that require immediate communication with the Audit Committee and we will discuss them with the Chair as appropriate.

Following the conclusion of our audit we will prepare an Annual Audit Letter to communicate the key issues arising from our work to the Council and external stakeholders, including members of the public.

Audit phase	Timetable	Audit Committee timetable	Deliverables
High level planning	January 2016	14 March 2016	Audit Fee Letter Progress Report
Risk assessment and setting of scopes	January 2016	14 March 2016	Audit Plan
Testing routine processes and controls	February 2016	14 March 2016	Progress Report
Year-end audit	July & August 2016		
Completion of audit	August 2016	29 September	Report to those charged with governance via the Audit Results Report Audit report including our opinion on the financial statements and overall value for money conclusion. Audit completion certificate Reporting to the NAO on the Whole of Government Accounts return.
Conclusion of reporting	November 2016	7 December	Annual Audit Letter

In addition to the above formal reporting and deliverables we will seek to provide practical business insights and updates on regulatory matters.

5. Independence

5.1 Introduction

The APB Ethical Standards and ISA (UK and Ireland) 260 ‘Communication of audit matters with those charged with governance’, requires us to communicate with you on a timely basis on all significant facts and matters that bear on our independence and objectivity. The Ethical Standards, as revised in December 2010, require that we do this formally both at the planning stage and at the conclusion of the audit, as well as during the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications	
Planning stage	Final stage
<ul style="list-style-type: none"> ▶ The principal threats, if any, to objectivity and independence identified by EY including consideration of all relationships between you, your affiliates and directors and us; ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality Review; ▶ The overall assessment of threats and safeguards; ▶ Information about the general policies and process within EY to maintain objectivity and independence. 	<ul style="list-style-type: none"> ▶ A written disclosure of relationships (including the provision of non-audit services) that bear on our objectivity and independence, the threats to our independence that these create, any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed; ▶ Details of non-audit services provided and the fees charged in relation thereto; ▶ Written confirmation that we are independent; ▶ Details of any inconsistencies between APB Ethical Standards, the PSAA Terms of Appointment and your policy for the supply of non-audit services by EY and any apparent breach of that policy; and ▶ An opportunity to discuss auditor independence issues.

During the course of the audit we must also communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of our safeguards, for example when accepting an engagement to provide non-audit services.

We also provide information on any contingent fee arrangements, the amounts of any future contracted services, and details of any written proposal to provide non-audit services;

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period are disclosed, analysed in appropriate categories.

5.2 Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including any principal threats. However we have adopted the safeguards below to mitigate these threats along with the reasons why they are considered to be effective.

Self-interest threats

A self-interest threat arises when EY has financial or other interests in your entity. Examples include where we have an investment in your entity; where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with the Council.

At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake permissible non-audit services, and we will comply with the policies that the Council has approved and that are in compliance with the PSAA Terms of Appointment.

At the time of writing, we have not provided any non-audit services to the Council, and therefore no additional safeguards are required.

A self-interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to the Council. We confirm that no member of our audit engagement team, including those from other service lines, is in this position, in compliance with Ethical Standard 4.

There are no other self-interest threats at the date of this report.

Self-review threats

Self-review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no other self-review threats at the date of this report.

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of your entity. Management threats may also arise during the provision of a non-audit service where management is required to make judgements or decisions based on that work.

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.

Overall Assessment

Overall we consider that the adopted safeguards appropriately mitigate the principal threats identified, and we therefore confirm that EY is independent and the objectivity and independence of Andrew Brittain, the audit engagement Director and the audit engagement team have not been compromised.

5.3 Other required communications

EY has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes within EY for maintaining objectivity and independence can be found in our annual Transparency Report, which the firm is required to publish by law. The most recent version of this report is for the year ended June 2015 and can be found here:

<http://www.ey.com/UK/en/About-us/EY-UK-Transparency-Report-2015>

Appendix A Fees

A breakdown of our agreed fee is shown below.

	Planned Fee 2015/16 £	Scale fee 2015/16 [current year] £	Outturn fee 2014/15 [prior year] £	Explanation
Opinion Audit and VFM Conclusion	51,975	51,975	N/a	2015/16 is our first audit year
Total Audit Fee – Code work	51,975	51,975	N/a	
Certification of claims and returns ¹	8,316	8,316	N/a	

All fees exclude VAT.

The agreed fee presented above is based on the following assumptions:

- ▶ Officers meeting the agreed timetable of deliverables;
- ▶ We can rely on the work of internal audit as planned;
- ▶ There are no significant deficiencies in the operating effectiveness of the internal controls for key processes outlined above;
- ▶ Our accounts opinion and value for money conclusion being unqualified;
- ▶ Appropriate quality of documentation is provided by the Council; and
- ▶ The Council has an effective overall control environment.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Council in advance.

Fees for the auditor's consideration of correspondence from the public and formal objections will be charged in addition to the scale fee.

¹ Our fee for the certification of grant claims is based on the indicative scale fee set by the PSAA.

Appendix B UK required communications with those charged with governance

There are certain communications that we must provide to the Audit Committee. These are detailed here:

Required communication	Reference
<p>Planning and audit approach Communication of the planned scope and timing of the audit including any limitations.</p>	▶ Audit Plan
<p>Significant findings from the audit</p> <ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process 	▶ Report to those charged with governance
<p>Misstatements</p> <ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ In writing, corrected misstatements that are significant 	▶ Report to those charged with governance
<p>Fraud</p> <ul style="list-style-type: none"> ▶ Enquiries of the Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ A discussion of any other matters related to fraud 	▶ Report to those charged with governance
<p>Related parties Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	▶ Report to those charged with governance
<p>External confirmations</p> <ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures 	▶ Report to those charged with governance
<p>Consideration of laws and regulations</p> <ul style="list-style-type: none"> ▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ▶ Enquiry of the Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit Committee may be aware of 	▶ Report to those charged with governance

Required communication	Reference
<p>Independence</p> <p>Communication of all significant facts and matters that bear on EY's objectivity and independence</p> <p>Communication of key elements of the audit engagement director's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence 	<ul style="list-style-type: none"> ▶ Audit Plan ▶ Report to those charged with governance
<p>Going concern</p> <p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	<ul style="list-style-type: none"> ▶ Report to those charged with governance
<p>Significant deficiencies in internal controls identified during the audit</p>	<ul style="list-style-type: none"> ▶ Report to those charged with governance
<p>Fee Information</p> <ul style="list-style-type: none"> ▶ Breakdown of fee information at the agreement of the initial audit plan ▶ Breakdown of fee information at the completion of the audit 	<ul style="list-style-type: none"> ▶ Audit Plan ▶ Report to those charged with governance ▶ Annual Audit Letter if considered necessary
<p>Opening Balances (initial audits)</p> <ul style="list-style-type: none"> ▶ Findings and issues regarding the opening balance of initial audits 	<p>Report to those charged with governance</p>
<p>Certification work</p> <ul style="list-style-type: none"> ▶ Summary of certification work undertaken 	<p>Annual Report to those charged with governance summarising grant certification, and Annual Audit Letter if considered necessary</p>

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Local government audit committee briefing

Contents at a glance

Government and economic news

Accounting, auditing and governance

Regulation news

Key questions for the audit committee

Find out more

This sector briefing is one of the ways that we hope to continue to support you and your organisation in an environment that is constantly changing and evolving. It covers issues which may have an impact on your organisation, the Local government sector and the audits that we undertake. The public sector audit specialists who transferred from the Audit Commission form part of EY's national Government and Public Sector (GPS) team. Their extensive public sector knowledge is now supported by the rich resource of wider expertise across EY's UK and international business. This briefing reflects this, bringing together not only technical issues relevant to the local government sector but wider matters of potential interest to you and your organisation.

Links to where you can find out more on any of the articles featured can be found at the end of the briefing, as well as some examples of areas where EY can provide support to Local Authority bodies. We hope that you find the briefing informative and should this raise any issues that you would like to discuss further please do contact your local audit team.



Building a better
working world



Government and economic news

Autumn statement

In the Autumn Statement, released on 5 December 2014, the government announced a number of changes to the business rates regime, and employer's national insurance. The changes are summarised as follows:

Business rates

- ▶ Doubling of Small Business Rate Relief has been extended until April 2016
- ▶ The 2% cap on the RPI increase in the business rates multiplier has been extended until April 2016
- ▶ The discount for shops, pubs, cafes and restaurants with a rateable value of £50,000 or below has been increased from £1,000 to £1,500 in 2015/16
- ▶ The Government intends to carry out a review of the future structure of business rates, and will report by Budget 2016. Terms of reference will be published in due course
- ▶ Transitional arrangements for properties with a rateable value of £50,000 or below, and which would have faced significant increases in their business rates, have been extended from 1 April 2015 to 31 March 2017
- ▶ Backdating rules will be changed so that for VOA alterations before 1 April 2016 and ratepayers' appeals before 1 April 2015, changes to rateable value can only be backdated to the period between 1 April 2010 and 1 April 2015
- ▶ The Government has also published a discussion paper on business rates avoidance. The consultation on this, which closes on 28 February 2015, invites responses on methods and scale of avoidance as well as how it may be tackled

National insurance

- ▶ From April 2016, the Government is abolishing employer National Insurance contributions on earnings up to the Upper Earnings Limit for apprentices under 25, in order to progress towards full employment and create a more highly skilled labour market
- ▶ From April 2015, employers will no longer have to pay National Insurance contributions for employees up to the age of 21, on earnings up to the Upper Earnings Limit

Welfare reform

Funding

The Government has held a consultation on how local welfare provision should be funded in 2015/16. This consultation closed on 21 November 2014 and the results are expected early in 2015. Parts of the discretionary Social Fund were abolished by the Welfare Reform Act 2012, and following this, all of the available funding for the Community Care Grant and Crisis Loans elements were passed to upper tier English local authorities and the devolved administrations on the basis of historical demand and spend data. The funding for 2014/15 was adjusted to take account of predicted efficiency savings. It was intended that from April 2015, local welfare provision would be funded from the general grant, rather than ring-fenced, but this decision was recently challenged in judicial review and so the Government has



Government and economic news

committed to making a new decision on how this should be funded. The three options the Government is considering are as follows:

- ▶ Funding local welfare provision from existing local budgets with no separately identified or ring-fenced provision
- ▶ A published figure showing how much of each local authority's Settlement Funding Assessment notionally relates to local welfare provision, with the total national figure decided by Government
- ▶ Topslice Revenue Support Grant to fund a section 31 grant, which would ring-fence the funding for local welfare provision, although the total amount of funding would not change

Although the consultation responses are still being analysed, the Provisional Local Government Settlement 2015/16 contains an amount separately identified, but not ring-fenced, for local welfare provision.

Universal credit

Universal Credit is also rolling out to more areas, and is predicted to be available in a third of jobcentres by spring 2015. From November 2014, Universal Credit is being opened up to families on a phased basis, starting with six jobcentres in the North West. The last new claims to legacy benefits, including housing benefit, which is administered by local authorities, will be accepted during 2017, after which the number of remaining legacy claims will progressively decline and the remainder will be migrated to Universal Credit. This exercise is expected to be largely complete by 2019.

Data sharing

The Government is also consulting on draft regulations to enable data sharing in relation to Universal Credit between DWP and local support providers. This would allow the sharing of data between DWP and local authorities, citizens advice bureaux, credit unions, social landlords and relevant registered charities, in order to identify Universal Credit claimants who need additional support and ensure this support is in place. This Universal Support programme is already being trialled in 11 partnership areas. The proposed changes would come into force from February 2015 and be implemented from March 2015.

Financial sustainability of local authorities

The National Audit Office has published a report on the Financial Sustainability of Local Authorities following the reductions in funding implemented as part of the Government's plan to reduce the deficit. This report summarises the evidence of the impact of funding reductions on local authorities, assesses how well the Department for Communities and Local Government keeps itself informed of the risks and impacts of its funding changes, and assesses whether the Department is managing the risks that its funding reductions will lead to local authorities failing to deliver their statutory services. The key findings are that:

- ▶ In real terms, Government will reduce funding to local authorities by 37% between 2010/11 and 2015/16
- ▶ Local authorities have coped well with these reductions, with no financial failures so far



Government and economic news

- ▶ There is evidence that reductions in funding have led to a fall in volumes of service, although local authorities have tried to protect funding in core areas such as social care
- ▶ In their data returns to the Audit Commission on financial resilience, local auditors report that 16% of single tier and county councils are not well placed to deliver their 2014/15 budgets, and that 52% of such authorities are not well placed to deliver their medium term financial strategies

Meanwhile, the Government has published a provisional Local Government finance settlement for 2015/16 setting out the distribution of Revenue Support Grant (RSG) and retained business rates income.

The provisional settlement includes:

- ▶ A reduction for each authority in the distribution of RSG by reducing each element in proportion to the reduction in the 2015/16 national control total for that element
- ▶ Funding for the Improvement and Development Agency for Local Government of £23.4mn
- ▶ An increase in the rural funding element of RSG from £11.5mn to £15.5mn
- ▶ An adjustment to funding for authorities which have fallen below the threshold for participation in the Carbon Reduction Commitment Energy Efficiency Scheme, to take account of the loss in tax revenue to the Treasury

- ▶ Protection against reduction in revenue spending power of more than 6.4% in 2015/16 through the Efficiency Support Grant

Council tax and business rates collection

The Audit Commission have used information that they have collected from their Value for Money profiles to produce a briefing on council tax and business rates collection. This has identified that the collection rate for council tax has dropped by 0.4% from 2012/13, to 97% in 2013/14, whereas the collection rate for business rates has increased by 0.2% from 2012/13, to 97.9%. In real terms, the collection of both has increased; council tax by 2.7% and business rates by 1.8% from the previous year. The total amount of council tax arrears at 31 March 2014 was 6% higher than in the previous year, standing at £2.53bn. The collection rates for council tax vary by council type; districts had the highest in-year collection rate at 98.0% whereas Metropolitan districts had the lowest, averaging 95.6%. A similar pattern is seen for business rates.



Accounting, auditing and governance

Future of local audit

In our last briefing, we told you about the Government's consultation on the Local Audit Regulations associated with the Local Audit and Accountability Act. This consultation has now concluded and the results have been published. The Government intends to lay finalised regulations before Parliament early in 2015. The consultation covered:

- ▶ Smaller Authorities' Regulations regarding transparency and the appointment of external audit
- ▶ Collective procurement of audit for local authorities, including the principle of a maximum length of appointment period
- ▶ The role of the Specified Person in auditor appointment
- ▶ The Accounts & Audit Regulations, including electronic publication of the accounts, standardisation of the inspection period, and compression of the audit timetable
- ▶ Transparency Code for Internal Drainage Boards, Charter Trustees and Port Health Authorities

A key area is that the Government has decided to retain the proposed approach of bringing forward the accounts deadline

to 31 May and the audit deadline to 31 July, from the 2017/18 accounts. The Government believes that this change will reduce the burden of the closure process, enabling finance staff to give more time to in-year financial management. This will clearly be a significant change for Local Authorities which will require early planning to ensure successful implementation.

The Local Audit and Accountability Act also enhances the role of the National Audit Office (NAO), which becomes responsible for preparation of the Code of Audit Practice; the document setting out what local auditors are required to do. The NAO have also started to augment their programme of Value for Money work, looking more explicitly at local services in areas including:

- ▶ Public health
- ▶ Adult care assessments
- ▶ Care for people with learning disabilities
- ▶ Children's services
- ▶ City deals
- ▶ Housing



Accounting, auditing and governance

Auditing the accounts

The Audit Commission has been publishing the Auditing the Accounts report since 2008/09, and the latest issue shows a considerable improvement in the number of principal bodies publishing their accounts by the deadline of 30 September. 506 out of 512 principal bodies met the statutory accounts publication requirements, and 16 of these published their audited accounts by 31 July. At five principal bodies, the responsible financial officer had not signed and certified the accounts by 30 June. No non-standard audit opinions had been issued by the date of publication, but there were nine bodies where the auditor had not been able to issue the opinion by 30 September. Of these nine, six had been issued by the end of October. The report also covers small bodies, including parish councils and Internal Drainage Boards.

The report identifies challenges for 2014/15 and beyond, including the following:

- ▶ Financial reporting timetable – the report notes that the timetable will be brought forward by two months from 2017/18; with audit bodies being required to submit draft accounts for audit one month earlier than at present

- ▶ Transport infrastructure assets – there will be a fundamental change to the measurement basis of these assets which will affect all Highways authorities and non-highway authorities with material transport infrastructure assets. Taking effect from 1 April 2016, depreciated replacement cost will be used instead of the current depreciated historic cost. It is conservatively estimated that this will add at least £200 billion to the net worth of local authority balance sheets. In 16/17 this will include disclosure of 14/15 asset values as part of the balance sheet

For both of these changes EY will be issuing Audit Committee Briefings and/or Technical Papers as well as carrying out preparedness reviews to assist client and non-clients to meet these challenges.



Regulation news

Consultation on changes to the Bellwin scheme of emergency financial assistance to authorities

A review was set up in 2014 to assess any permanent changes which may be needed to the Bellwin scheme as a result of more frequent severe weather events. This review considered the existing terms of the scheme, including thresholds, grant rate and eligible spending criteria. The Government has held a consultation on suggested revised principles following this review. The consultation ended on 1 January 2015.

The Bellwin scheme covers only emergency spending incurred as a result of immediate action to safeguard life and property, or to prevent suffering or severe inconvenience as a result of a disaster or emergency in the local authority area. Funding for longer term recovery from emergencies will be considered separately. The Government's proposal intends to refocus the scheme on emergency response, rather than recovery.

Previously, the threshold requirement was 0.2% of a local authority's calculated annual revenue budget, and 85% of expenditure above this threshold was funded. From 2013/14, the thresholds were reduced by excluding education budgets for County and Unitary authorities, and 100% of costs above

this threshold were funded. The Government proposes to retain these revised thresholds, and to publish the value of each local authority's provisional threshold alongside the finance settlement each year.

The Government is proposing to limit the time period for eligible spending to one month from when the incident was agreed to have moved from response to recovery. Ministers would retain the choice over when to activate the scheme, and would have discretion over when the period ended. Local authorities would have a longer period of three months to collate costs and claim for reimbursement. The Government also intends to widen the range of activities covered by Bellwin funding, to include some forms of capital spending. However, although emergency highway clear-up costs would be covered, repair to the damaged surfaces of roads and highways will remain ineligible.

Illustrative Bellwin thresholds were published as part of the Provisional Local Government Settlement 2015/16 on 18 December 2014.



Regulation news

Better Care Fund

The National Audit Office (NAO) has recently released a report on the Better Care Fund. The Fund, consisting of money reallocated from existing budgets, involves pooling £3.8bn from 2015/16 for health and social care services to work more closely together, with the ambition that integrated care would be the norm by 2018. All 151 local areas submitted plans by April 2014 but Ministers did not approve the plans as initially intended. This was because after analysing the plans, NHS England concluded that the savings estimates were not credible, that some of the over-optimism shown came from insufficient engagement with acute trusts in planning, and some aspects of the plans needed further development. From May to July 2014, the two departments involved (Department of Health and Department of Communities & Local Government) revised the conditions attached to the fund, as well as improving the governance and programme management of the Fund in July 2014. These changes reduced the time available for local planning, which would have started from

April 2014. However, of the revised plans submitted in September 2014, almost two thirds were approved with no or minor changes, and a third were approved with conditions. Five plans were not approved. Protection of social care services is identified to be the biggest risk area. The NAO's conclusion is that pausing and redesigning the scheme was the right thing to do.

EY have worked with a large number of CCGs and local authorities to help develop plans, or challenge their robustness and governance arrangements. For more information on how EY can support you, contact your engagement lead.



Key questions for the audit committee

What questions should the Audit Committee be asking itself?

Will we be prepared for an earlier closedown for the 2017/18 accounts?

- ▶ Have we critically reviewed the accounts and identified areas where they can be streamlined?
- ▶ Have we identified any disclosures or other areas which could be prepared early?
- ▶ Do we engage in early discussions with our auditors over working paper requirements and any proposed amendments to the accounts compared to the prior year?
- ▶ Do we engage in early discussions with our auditors over key areas of judgement and technical accounting areas well before closedown?
- ▶ Is resourcing within finance teams sufficient? Are there any areas which will need additional support?
- ▶ Do we have plans in place to start producing interim financial statements at month 9 if this is something that we do not already do?

Are we prepared for the change to the measurement basis of transport infrastructure assets?

- ▶ Do we have material transport infrastructure assets?
- ▶ Have we reviewed the key actions and milestones within LAAP bulletin 100? Do we have a project plan in place with sufficient resources in place to deliver? Does our plan include sufficient input from both finance and highways officers?



Find out more

Autumn statement

Read the Autumn Statement in full at:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/382327/44695_Accessible.pdf

Welfare reform

Details of the consultation are at:

<https://www.gov.uk/government/consultations/local-welfare-provision-in-2015-to-2016>

Financial sustainability of local authorities

You can find the NAO report at:

<http://www.nao.org.uk/report/financial-sustainability-of-local-authorities-2014/>

The provisional local government finance settlement is available at:

<https://www.gov.uk/government/collections/provisional-local-government-finance-settlement-england-2015-to-2016#provisional-settlement-2015-to-2016>

The Government's '50 ways to save' guide can be accessed at:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/39264/50_ways_2.pdf

Council Tax & Business Rates Collection

Read the Audit Commission press release at:

<http://www.audit-commission.gov.uk/2014/11/council-tax-and-business-rates-exceed-targets-despite-4-55-billion-uncollected/>

Future of local audit

The consultation is available at:

<https://www.gov.uk/government/consultations/local-audit-regulations>

The NAO have detailed their new role in local audit at:

<http://www.nao.org.uk/report/the-naos-role-in-local-audit/>

Auditing the accounts

Read the full report at:

<http://www.audit-commission.gov.uk/wp-content/uploads/2014/12/20141204-Auditing-the-Accounts-2013-14-LG-FINAL-FOR-WEB.pdf>

Consultation on changes to the Bellwin scheme

When available the results of the consultation will be published at:

<https://www.gov.uk/government/consultations/bellwin-scheme-of-emergency-financial-assistance-to-local-authorities>

Better care fund

Find the NAO's report on the better care fund at:

<http://www.nao.org.uk/wp-content/uploads/2014/11/Planning-for-the-better-care-fund-summary.pdf>

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Agenda Item 10

Report to: Audit Committee

Date of meeting: 14 March 2016

Report of: Head of Finance (Shared Services)

Title: Internal Audit Plans 2016/2017

1.0 **SUMMARY**

1.1 Attached are the proposed Internal Audit Plans for 2016/2017.

2.0 **RECOMMENDATIONS**

2.1 That the Committee approves the Watford Borough Council and Watford & Three Rivers Shared Services Internal Audit Plans for 2016/17 attached to this brief introduction.

Contact Officer:

For further information on this report please contact: -
Bob Watson, Head of Finance (Shared Services)
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Report approved by: Joanne Wagstaffe, Director of Finance

3.0 **DETAILS**

- 3.1 The SIAS 2016/17 Internal Audit Plan Report is attached at appendix 1 and sets out the programme of work to support the Council's wider assurance framework.
- 3.2 The Audit Plan for the Council is attached at appendix 2 and the Audit Plan for Shared Services is attached at appendix 3. Both Plans have been developed following detailed discussions with Heads of Services, the Head of Finance and the Leadership Team.

4.0 **IMPLICATIONS**

4.1 **Financial**

- 4.1.1 Sufficient provision has been made in the 2016/17 revenue budget for the attached Audit Plans to be completed.

4.2 **Legal Issues** (Monitoring Officer)

- 4.2.1 The Head of Democracy and Governance comments that there are no legal implications arising directly out of this report.

4.3 **Equalities**

- 4.3.1 None Specific.

4.4 **Potential Risks**

- 4.4.1 There are no risks associated with the decisions members are being asked to make.

APPENDICES

- Appendix 1 SIAS 2016/17 Internal Audit Plan Report
- Appendix 2 2016/17 Audit Plan – Watford Borough Council (Appendix A)
- Appendix 3 2016/17 Audit Plan – Shared Services (Appendix B)



Watford Borough Council
Audit Committee

2016/17 Internal Audit Plan Report

14 March 2016

Recommendation

Members are recommended to approve the draft Watford Borough Council and Shared Services Internal Audit Plans for 2016/17

Contents

1. Introduction and Background

- 1.1 Purpose
- 1.2 Background

2. Audit Planning Process

- 2.1 Planning Principles
- 2.2 Approach to Planning
- 2.4 Planning Context
- 2.7 Internal Audit Plan 2016/17

3. Performance Management

- 3.1 Update Reporting
- 3.3 Performance Indicators

Appendices

A Proposed Watford Borough Council Audit Plan 2016/17

B Proposed Watford and Three Rivers Shared Services 2016/17 Audit Plan

C Audit Start Dates Agreed with Management

1. Introduction and Background

Purpose of Report

- 1.1 To provide Members with the proposed Watford Borough Council and Shared Services 2016/17 Internal Audit Plans.

Background

- 1.2 The Watford Borough Council and Shared Services Internal Audit Plans set out the programme of internal audit work for the year ahead, and forms part of the Council's wider assurance framework. It supports the requirement to produce an audit opinion on the overall internal control environment of the Council, as well as a judgement on the robustness of risk management and governance arrangements, contained in the Head of Internal Audit's annual report.
- 1.3 The Shared Internal Audit Service (SIAS) Audit Charter which was presented to the July 2015 meeting of this Committee shows how the Council and SIAS work together to provide a modern and effective internal audit service. This approach complies with the requirements of the United Kingdom Public Sector Internal Audit Standards (PSIAS) which came into effect on 1 April 2013. An updated version of the SIAS Audit Charter will be brought to the first Audit Committee meeting of the 2016/17 civic year for Member approval.
- 1.4 The PSIAS require that the audit plan must incorporate or be linked to a strategic or high-level statement which:
 - Outlines how the service will be developed in accordance with the internal audit charter
 - Details how the internal audit plan will be delivered
 - Evidences how the service links to organisational objectives and priorities
- 1.5 Section 2 of this report details how the SIAS complies with this requirement.

2. Audit Planning Process

Planning Principles

- 2.1 SIAS audit planning is underpinned by the following principles:
- a) Focus of assurance effort on the Council's key issues, obligations, outcomes and objectives, critical business processes and projects and principal risks. This approach ensures coverage of both strategic and key operational issues.
 - b) Maintenance of an up-to-date awareness of the impact of the external and internal environment on the council's control arrangements.
 - c) Use of a risk assessment methodology to determine priorities for audit coverage based, as far as possible, on management's view of risk;
 - d) Dialogue and consultation with key stakeholders to ensure an appropriate balance of assurance needs. This approach includes recognition that in a resource constrained environment, all needs cannot be met.
 - e) Identification of responsibilities where services are delivered in partnership.
 - f) In-built flexibility to ensure that new risks and issues are accommodated as they emerge;
 - g) Capacity to deliver key commitments including work undertaken on behalf of External Audit, governance work and counter fraud activity;
 - h) Capacity to respond to management requests for assistance with special investigations, consultancy and other forms of advice.

Approach to Planning

- 2.2 In order to comply with the requirements of the PSIAS, SIAS has continued with a methodology for all SIAS partners which contains the following elements:

Local and National Horizon Scanning

SIAS reviews, on an ongoing basis:

- key committee reports at each client and identifies emerging risks and issues;
- the professional and national press for risks and issues emerging at national level

Consideration of risk management arrangements

SIAS assesses the risk maturity of the council and based on this assessment, determines the extent to which information contained within the council's risk register informs the identification of potential audit areas.

Confirmation of the council's objectives and priorities

SIAS confirms the current objectives and priorities of the Council. This information is used to confirm that identified auditable areas will provide assurance on areas directly linked to the achievement of the council's objectives and priorities.

- 2.3 The approach to audit planning for 2016/17 has been characterised by:

- a) Detailed discussions with senior managers and other key officers within the council to confirm auditable areas and elicit high level detail of the scope of audits. This process incorporates the following four steps to assist in the later prioritisation of projects:

Risk Assessment

Managers and SIAS agree the level of risk associated with an identified auditable area

Other sources of Assurance

Managers are asked whether assurance in the auditable area is obtained from other assurance providers e.g. External Audit or the Health and Safety Executive. This approach ensures that provision of assurance is not duplicated.

Significance

Managers assess how significant the auditable area is in terms of the achievement of corporate or service objectives and priorities.

Timings

Managers identify when an audit should be undertaken to add most value.

- b) Proposed plans are based on the information obtained from the planning meetings. Details of audits that have not been included in the proposed draft plan as a result of resource limitations are reported to senior management and the audit committee.
- c) The proposed 2016/17 plans for all SIAS partner councils are then scrutinised and cross-partner audits highlighted;
- d) Proposed draft plans are presented to Leadership Team for discussion and agreement;
- e) The views of Members of the Audit Committee and the council's external auditor are sought to confirm that their requirements are adequately addressed.

This approach ensures that our work gives assurance on what is important and risky and thus assists the Council in achieving its objectives.

The Planning Context

2.4 The context within which local authorities and housing associations provide their services remains challenging:

- Austere public finances will last well into the next parliament, meaning that previous expenditure levels are

not sustainable and public leaders expect serious financial difficulty ahead

- Demand continues to rise, driven by complex needs, an ageing population and higher service expectations from citizens
- Technology ranging from use of mobile devices and applications, to Big Data and predictive analytics, is developing rapidly and offers opportunities along with significant risks
- Major, national programmes in areas like welfare and business rate reform, and structural changes mean the environment is relatively unstable.

2.5 The resultant efficiency and transformation programmes that councils are in the process of implementing and developing are profoundly altering each organisation's nature. Such developments are accompanied by potentially significant governance, risk management and internal control change.

2.6 The challenge of giving value in this context, means that Internal Audit needs to:

- Meet its core responsibilities, which are to provide appropriate assurance to Members and senior management on the effectiveness of governance, risk management and control arrangements in delivering the achievement of Council objectives;
- Identify and focus its effort on areas of significance and risk, assisting the organisation in managing change effectively, and ensuring that core controls remain effective;
- Give assurance which covers the control environment in relation to new developments, using leading edge audit approaches such as 'control risk self assessments' or 'continuous assurance' where appropriate;

- Retain flexibility in the audit plan and ensure the plan remains current and relevant as the financial year progresses.

Internal Audit Plan 2016/17

2.7 The draft 2016/17 audit plans are included at Appendix A and B and contain a high level proposed outline scope for each audit; Appendix C details the agreed start months. The table below shows the estimated allocation of the total annual number of purchased audit days for the year.

	WBC	Shared Services	Total
Key Financial Systems	0	98	98
Operational audits	66	18	84
Procurement	20	0	20
Joint Reviews	10	0	10
Counter Fraud	0	5	5
Risk & Governance	0	0	0
Ad-Hoc Advice	3	0	3
IT Audits	0	20	20
Contingency	0	10	10
Follow Ups	10	0	10
Strategic Support*	36	0	36
2015/16 Projects Requiring Completion	5	5	10
Total audit days 2016/17	150	156	306

* This covers supporting the Audit Committee, monitoring, client liaison and planning for 2017/18.

2.8 Members will note the inclusion of a provision for the completion of projects that relate to 2015/16. The structure of Internal Audit's programme of work is such that full completion of every aspect of the work in an annual plan is not always possible; especially given the high dependence on client officers during a period where there are competing draws on their time e.g. year end closure procedures.

- 2.9 The nature of assurance work is such that enough activity must have been completed in the financial year, for the Head of Assurance to give an overall opinion on the Authority's internal control environment. In general, the tasks associated with the total completion of the plan, which includes the finalisation of all reports and negotiation of the appropriate level of agreed mitigations, is not something that adversely affects delivery of the overall opinion. The impact of any outstanding work is monitored closely during the final quarter by SIAS in conjunction with the Section 151 Officer.

3. Performance Management

Update Reporting

- 3.1 The work of Internal Audit is required to be reported to a Member Body so that Watford Borough Council has an opportunity to review and monitor an essential component of corporate governance and gain assurance that its internal audit provision is fulfilling its statutory obligations. It is considered good practice that progress reports also include proposed amendments to the agreed annual audit plan. Progress against the agreed plan for 2016/17 and any proposed changes will be reported to this Committee four times in the 2016/17 civic year.
- 3.2 The implementation of agreed audit recommendations will be reported to Audit Committee as part of the update reporting process.

Performance Indicators

- 3.3 Annual performance indicators reviewed annually by the Board. Details of the targets set for 2016/17 are shown in the table below. Actual performance against target will be included in the update reports to this Committee.

Performance Indicator	Performance Target
<p>1. Planned Days percentage of actual billable days against planned chargeable days completed.</p>	<p>95%</p>
<p>2. Planned Projects percentage of actual completed projects to draft report stage against planned completed projects Note: To be based on the judgement of the SIAS management team and representing the best estimate as to a reasonable expectation of progress on the audit plan.</p>	<p>95%</p>
<p>3. Client Satisfaction percentage of client satisfaction questionnaires returned at 'satisfactory' level.</p>	<p>100%</p>
<p>4. Number of High Priority Audit Recommendations agreed</p>	<p>95%</p>
<p>5. External Auditor Satisfaction</p>	<p>Annual Audit Letter formally records that the External Auditors are able to rely upon the range and quality of SIAS' work</p>

6. Annual Plan	Presented to the March meeting of each Audit Committee. Or if there is no March meeting then presented to the first meeting of the new financial year
7. Head of Assurance's Annual Report	Presented to the first meeting of each Audit Committee in the new financial year.

Watford Borough Council
Audit Committee
16 March 2016

Watford Borough Council 2016/17 Draft Internal Audit Plan

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days
KEY FINANCIAL SYSTEMS		
	See Shared Services Audit Plan	
OPERATIONAL AUDITS		
Commercialisation	Scope to be determined – typical areas include: a) Assessment of opportunities, b) Prioritisation, c) Record keeping, d) Measurement of success criteria.	12
Freedom of Information	Review how FOI requests are prioritised and processed, including: a) Policies, procedures and responsibilities regarding FOI requests, b) Recording of and responding to FOI requests (inc. exemptions and charges) in compliance with FOI legislation, c) Responding to complaints and appeals, d) Training, awareness and succession planning.	6
Homelessness	The audit is proposed to cover: a) Assessment of Homelessness cases against agreed eligibility criteria and priority is given in accordance with homelessness policies and legislation, and,	10

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days
	<p>b) Temporary Accommodation placements are made promptly in accordance with assessment results. Costs incurred by the Council are monitored and regularly reviewed.</p>	
<p>Housing Allocations</p>	<p>Following revisions to the Council’s Housing Allocation Scheme, an audit of Housing Allocations is proposed to cover the following:</p> <ul style="list-style-type: none"> a) Policies & Procedures – There is an up-to-date Housing Register and Allocations Policy in place. There are procedure notes for the allocation of points and nominations and there are set criteria for short listing Choice Based Lettings bids. b) System Access and Security – online applications are issued with a unique reference number and a password set by the applicant. Passwords require periodic change. Access rights and Super Users are only set up by the Housing Options Manager or the Housing Needs Manager. c) Housing Applications - Applications are completed in full and supported with evidence that is appropriately filed. Applications are assessed by an appropriately qualified officer and points allocated are consistently applied. There is clear correspondence with applicants informing them of their housing register points and bidding number. d) Choice Based Lettings - Lettings published are checked for accuracy before publication. Bids received are consistently assessed and clearly ranked in priority order. Let properties are accurately and appropriately recorded. There are regular reviews of amended and deleted bids. <p>As appropriate in each assurance area, the audit will review the use of the Housing Allocations System.</p>	<p>10</p>

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days
Museum Exhibits	<p>The audit is proposed to cover:</p> <ul style="list-style-type: none"> a) Recording Stock Movements – there is a defined process for accounting for movements in stock (new arrivals, loans, disposals). b) Record Keeping – there are adequate records of the total stock held by the council across all sites. c) Security of Artefacts (including insurance arrangements) – security and insurance arrangements are proportionate to the value of items held. 	12
Section 106 Agreements	<p>The proposed assurance areas include:</p> <ul style="list-style-type: none"> a) Calculation of Section 106 Contributions - calculated correctly in accordance with the approved Supplementary Planning Document and are included in the formal agreement with the developer. b) Receipt of S106 Monies - are received at the agreed stage of the agreement and spent in accordance with the agreement and within the payback period. c) Accounting Arrangements - are in place for recording and monitoring individual agreements to prevent any clawback of contributions. 	8
Tree Surveying	<p>Around Hertfordshire, there have been several high profile cases of death, injury or near misses from fallen trees, as well as property damage resulting in insurance claims. A coroner's report ruled 'accidental death' in one such case, but it was also noted that there had been no inspection of the tree (since departmental responsibility for the land and trees thereon had not been established).</p> <p>As a result, this audit is intended to cover the following:</p> <ul style="list-style-type: none"> a) There are systems and procedures in place to ensure that all land for which the Council 	8

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days
	<p>is responsible (on which trees stand) has been identified and recorded,</p> <ul style="list-style-type: none"> b) There are programmes of ‘inspection and assessment’ in place for all land / sites on which trees stand (and that appropriate risk criteria are applied to prioritise this) c) There are systems and procedures to ensure that if safety or other significant tree maintenance needs are identified by a programmed survey (or otherwise) that the necessary works are carried out on a timely basis d) Tree management undertaken by various departments / sections is coordinated both to avoid potential gaps or overlap and to achieve efficient use of resources e) Suitable policies, procedures and plans are in place for the management of trees across the Council to achieve the preceding factors. 	
PROCUREMENT		
Contract Management	Detailed scope to be determined. To continue selection of contracts from the Contracts Register not previously tested with focus on smaller contracts that have not been subject to same level of profile and scrutiny as larger contracts and procurement exercises.	12
Veolia Contract Management	A high level review of the management of the Veolia contract, focusing on the main elements of the contract.	8
JOINT REVIEWS / SHARED LEARNING		

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days
Shared Learning Newsletters and Summary Themed Reports		2
Audit Committee Workshop		1
Joint Review – Benchmarking Workshop	Topic to be determined	2
Joint Reviews	Topics to be determined by the SIAS Board	5
COUNTER FRAUD		
	See Shared Services Audit Plan.	
RISK MANAGEMENT AND GOVERNANCE		

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days
	No audits planned in 2016/17	
AD HOC ADVICE		
Ad Hoc Advice	<p>This planned time has been allocated to provide for ad hoc advice to management on matters, issues or queries relating to risk, control, governance and anti-fraud.</p> <p>Ad hoc advice is relevant to activities that typically take less than one day to complete, e.g. advice on new policies or strategies.</p>	3
IT AUDITS		
	See Shared Services Audit Plan.	
CONTINGENCY		
Contingency	See Shared Services Audit Plan.	
FOLLOW-UP OF AUDIT RECOMMENDATIONS		

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days
Follow-up of outstanding audit recommendations	Obtaining quarterly updates on the status of internal audit recommendations from action owners and reporting outcomes to Audit Committee.	10
STRATEGIC SUPPORT		
Head of Internal Audit Opinion 2015/16	To prepare and agree the Head of Internal Audit Opinion for 2015/16.	2
External Audit Liaison	To meet the external auditors and provide information as required.	1
Audit Committee	To provide services linked to the preparation and agreement of Audit Committee reports and presentation of reports / participation at Audit Committee. Provide Committee Member training prior to the committee meetings.	10
Monitoring and Client Meetings	To produce and monitor performance and billing information, work allocation and scheduling, and to meet with the Council's Audit Champion and other key officers.	12
2017/18 Audit	To provide services in relation to preparation and agreement of the 2017/18 Audit Plan.	8

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days
Planning		
SIAS Development	Included to reflect the Council's contribution to developing the partnership.	3

2015/16 PROJECTS REQUIRING COMPLETION		
2015/16 Projects Requiring Completion	Additional time, if required for the completion of 2015/16 audit work carried forward into the 2016/17 financial year.	5
TOTAL AUDIT PLAN DAYS		150

Watford Borough Council
Audit Committee
16 March 2016

Watford & Three Rivers Shared Services 2016/17 Draft Internal Audit Plan

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days
<p>KEY FINANCIAL SYSTEMS Key financial systems are of critical importance to sound financial management and financial reporting. As such, external audit and management need to be assured that these systems are soundly controlled in order to meet organisational objectives.</p>		
Benefits	<p>Review of Housing Benefit and Local Council Tax Support to confirm that controls are adequate and are operating effectively. Also, that previous internal audit recommendations have been implemented. Scope to be agreed with management – typical areas include:</p> <ul style="list-style-type: none"> a) Policies, procedures and set-up of standing data, b) Assessments and backdating, c) Payments, d) Recovery and write-off of overpayments, e) Reconciliation between the benefits system and general ledger, f) Performance management, g) System controls and data retention. <p>Testing to cover the 2016/17 financial year and will be apportioned between Watford Borough Council and Three Rivers Council cases.</p> <p>Testing of 2016/17 standing data will be carried out in May 2016 to give assurance early in the year that these have been correctly set within system parameters.</p>	14
Council Tax	Review of the Council Tax system to confirm that existing controls are adequate and are operating effectively. Also, that previous audit recommendations have been implemented.	11

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days
	<p>Scope to be agreed with management – typical areas include:</p> <ul style="list-style-type: none"> a) Policies, procedures and legislation, b) Amendment to Council Tax records including reconciliation between Valuation Office Agency and Council records, c) Discounts (single persons, disabled persons) and exemptions (e.g. empty property relief), d) Billing (annual and in-year), e) Collection and refunds, f) Recovery, enforcement and write-offs, g) Reconciliation between the revenues system and general ledger, h) Performance management. <p>(System access controls and data retention are included in the scope of the Benefits audit as the same systems (Academy and Anite) are used across the Revenues & Benefits service).</p> <p>Testing to cover the 2016/17 financial year and will be apportioned between Watford Borough Council and Three Rivers Council cases.</p>	
Creditors	<p>Review of the Creditors system to confirm that existing controls are adequate and are operating effectively. Also that previous audit recommendations have been implemented. The use of Control Risk Self-Assessment (CRSA) methodology will be considered depending on the outcome of the 2015/16 audit. Scope to be agreed with management – typical areas include:</p> <ul style="list-style-type: none"> a) Set-up and amendment of supplier accounts, 	9

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days
	<ul style="list-style-type: none"> b) Ordering of goods and services, c) Receipt of goods and services, d) Payment of invoices, e) Reconciliations, f) Credit notes and refunds, g) Performance management, <p>Access controls over the purchasing module within the main financial system will be covered in the Main Accounting system audit.</p> <p>Testing to cover the 2016/17 financial year and will be apportioned between Watford Borough Council and Three Rivers Council transactions.</p>	
Debtors	<p>Review of the Debtors system to confirm that existing controls are adequate and operating effectively. Also that previous audit recommendations have been implemented. Scope to be agreed with management – typical areas include:</p> <ul style="list-style-type: none"> a) Policies and procedures, b) Set-up and amendment of customer accounts, c) Debtor invoices, d) Credit notes and refunds, e) Recovery and write-offs, f) Reconciliations. <p>Access controls over the Debtors module within the main financial system will be covered in the Main Accounting system audit.</p>	10

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days
	Testing to cover the 2016/17 financial year and will be apportioned between Watford Borough Council and Three Rivers Council transactions.	
Main Accounting System	<p>Review of the Main Accounting system to confirm that existing controls are adequate and are operating effectively. Also that previous audit recommendations have been implemented. Full audit methodology will be used following two years of CRSA audits. Scope to be agreed with management – typical areas include:</p> <ul style="list-style-type: none"> a) Access controls to the financial system, b) Accounting codes and structure, c) Journals and virements, d) Bank reconciliations, e) Feeder system / control account reconciliations, f) Suspense accounts, g) Continuity arrangements. <p>Testing to cover the 2016/17 financial year and will be apportioned between Watford Borough Council and Three Rivers Council transactions.</p>	12
NDR	<p>Review of the NDR system to confirm that existing controls are adequate and operating effectively. Also that previous audit recommendations have been implemented. Scope to be agreed with management – typical areas include:</p> <ul style="list-style-type: none"> a) Policies, Procedures and Legislation, 	12

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days
	<p>b) Amendment to NDR records, including reconciliation between the Valuation Office Agency and Council records, c) Multiplier Setting, d) Voids and Reliefs, e) Billing (annual and in-year), f) Payments and Refunds, g) Recovery, Enforcement and Write offs, h) Reconciliation between the NDR System and general ledger, i) Performance monitoring and management.</p> <p>(System controls and data retention are included in the scope of the Benefits audit as the same systems (Academy and Anite) are used).</p> <p>Testing to cover the 2016/17 financial year and will be apportioned between Watford Borough Council and Three Rivers Council transactions.</p>	
Payroll	<p>Review of the Payroll system to confirm that existing controls are adequate and are operating effectively. Also that previous audit recommendations have been implemented. Scope to be agreed with management – typical areas include:</p> <p>a) Payroll system – standing data, b) Payroll payments, including scheduling and BACS, c) Pension contribution rates, d) Payroll deductions and third party payments, e) Reconciliations, f) Management exception reports,</p>	12

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days
	<p>g) Payroll contract management.</p> <p>Testing to cover the 2016/17 financial year and will be apportioned between Watford Borough Council and Three Rivers Council transactions.</p>	
Treasury Management	<p>Review of the Treasury Management system to confirm that existing controls are adequate and operating effectively and that previous audit recommendations have been implemented. Full audit methodology will be applied following two consecutive CRSA audits. Scope to be agreed with management – typical areas include:</p> <ul style="list-style-type: none"> a) Treasury Management (TM) Practices, TM Procedures. b) TM Reporting Arrangements. c) TM Training. d) Service Continuity. e) Cashflow Management. f) Counter-Party Risk. g) Transactions – to include online banking and placing of investments, capital and Interest Payments, Reconciliations, External Service Providers / Contracts and Performance Monitoring. <p>Testing to cover the 2016/17 financial year and will be apportioned between Watford Borough Council and Three Rivers Council transactions.</p>	10
Budget Monitoring	<p>Review of the Budget Monitoring system to confirm that existing controls are adequate and operating effectively and that previous audit recommendations have been implemented.</p>	8

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days
	<p>Scope to be agreed with management – typical areas include:</p> <ul style="list-style-type: none"> a) Budget monitoring process. b) Accuracy and timeliness of budget data, c) Budget variance approval, d) Member involvement in budget monitoring and reporting. <p>Testing to cover the 2016/17 financial year and will be apportioned between Watford Borough Council and Three Rivers Council transactions.</p>	
OPERATIONAL AUDITS		
Revenues & Benefits Service - Bailiff Contract	<p>Review of the operation of the new bailiff contracts which came into force in January 2015. To include allocation and ongoing monitoring of caseload and performance management of the bailiffs.</p>	10
HR Starters and Leavers	<p>Review of HR starters and leavers processes to ensure controls are adequate and operating effectively.</p> <p>Testing will be apportioned between Watford Borough Council and Three Rivers Council transactions.</p>	8
PROCUREMENT		

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days
	No joint procurement proposals at this time.	
JOINT REVIEWS		
	See local plans.	
COUNTER FRAUD		
Review of counter-fraud arrangements	Review of counter fraud arrangements (audit deferred from the 2015/16 Shared Services Audit Plan). Actual scope to be determined.	5
RISK MANAGEMENT AND GOVERNANCE		
	See local audit plans.	
IT AUDITS		

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days
IT Audits	Actual audit scope to be determined during 2016/17 in the light of the changing contractual arrangements. Work expected Q3/4.	20
FOLLOW-UP AUDITS		
	See local audit plans.	
CONTINGENCY		
Contingency	To provide for adequate response to risks emerging during 2016/17.	10
STRATEGIC SUPPORT		
	See local audit plans.	
2015/16 PROJECTS REQUIRING COMPLETION		
2015/16 projects	Additional time, if required, for the completion of 2015/16 audit work carried forward into	5

requiring completion	2016/17.	
TOTAL AUDIT PLAN DAYS		156

Report to: Audit Committee
Date of meeting: 14 March 2016
Report of: Head of Finance Shared Services
Title: Internal Audit Progress Report

1.0 **SUMMARY**

1.1 This report gives details of the progress made in implementing the recommendations of the internal auditor.

2.0 **RECOMMENDATIONS**

2.1 Note the Internal Audit Progress Report Against the 2015/16 Audit Plan

2.2 Approve amendments to the Audit Plan as at March 2016

2.3 Agree removal of implemented recommendations (see Appendix 3)

2.4 Agree the changes to the implementation date for 21 recommendations (paragraph 2.6) for the reasons set out in Appendix 3.

Contact Officer:

For further information on this report please contact: -
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Report approved by: Joanne Wagstaffe Director of Finance

3.0 **DETAILS**

3.1 The Shared Internal Audit Service (SIAS) latest Progress Report is attached at Appendix 1.

3.2 Details of progress against the Internal Audit Plans for 2015/16 are attached at Appendix 2.

3.3 Appendix 3 provides information on recommendations which remain outstanding from audits carried out in 2010/11, 2011/12, 2012/13, 2013/14 and 2014/15 and detail only those recommendations which were not resolved at the time of the last report together with new audit reports issued since that time. New reports and new comments are shown in bold.

3.4 Since the Committee meeting in December 2015, there are 6 new requests for extensions to time to complete the implementation of the recommendations.

3.5 The table below summarises progress in implementation of the recommendations:

Year	Recommendations made.	Implemented	Not yet due	Outstanding & Request made for Extended Time	Percentage implemented %
2010/11	213	212	0	1	99%
2011/12	114	111	0	3	97%
2012/13	49	48	0	1	98%
2013/14	93	89	1	3	96%
2014/15	57	43	3	11	75%
2015/16	22	9	7	6	41%

4.0 **IMPLICATIONS**

4.1 **Financial**

4.1.1 None Specific.

4.2 **Legal Issues** (Monitoring Officer)

4.2.1 None Specific.

4.3 **Equalities**

4.3.1 None Specific.

4.4 **Potential Risks**

4.4.1 There are no risks associated with the decisions members are being asked to make.

APPENDICES

- Appendix 1 Shared Internal Audit Service Progress Report
- Appendix 2 Progress against the Audit Plan
- Appendix 3 Progress on Recommendations



Watford Borough Council
Audit Committee Progress Report
14 March 2016

Recommendation

Members are recommended to:

- Note the Internal Audit Progress Report for the period to 19 February 2016
- Approve amendments to the Audit Plan as at 19 February 2016
- Agree removal of implemented recommendations (see Appendix C)
- Agree changes to the implementation dates for 6 recommendations (paragraph 2.5.1) for the reasons set out in Appendix C
- Note the status of the 16 IT audit recommendations (paragraph 2.5.2)

Contents

1 Introduction and Background

1.1 Purpose

1.2 Background

2 Audit Plan Update

2.1 Delivery of Audit Plan and Key Audit Findings

2.3 Status of Audit Recommendations

2.7 Proposed Audit Plan amendments

2.8 Performance Management

Appendices

A Progress against the 2015/16 Audit Plan

B 2015/16 Audit Plan Projected Start Dates

C Progress against Outstanding Internal Audit Recommendations

1. Introduction and Background

Purpose of Report

- 1.1 This report details:
- a) Progress made by the Shared Internal Audit Service (SIAS) in delivering the Council's Annual Audit Plan for 2015/16 as at 19 February 2016.
 - b) Proposed amendments to the approved 2015/16 Annual Audit Plan.
 - c) Implementation status of all outstanding previously agreed audit recommendations from 2010/11 onwards.
 - d) An update on performance management information as at 19 February 2016.

Background

- 1.2 The work of internal audit is required to be reported to a Member Body so that the Council has an opportunity to review and monitor an essential component of corporate governance and gain assurance that its internal audit provision is fulfilling its statutory obligations. It is considered good practice that progress reports also include proposed amendments to the agreed annual audit plan.
- 1.3 The 2015/16 Annual Audit Plan was approved by Audit Committee on 11 March 2015.
- 1.4 The Audit Committee receives periodic updates on progress against the Annual Audit Plan from SIAS, the most recent of which was brought to this Committee on 14 December 2015.

2. Audit Plan Update

Delivery of Audit Plan and Key Audit Findings

- 2.1 As at 19 February 2016, 90% of the 2015/16 Audit Plan days had been delivered for the combined WBC and Shared Services plans (calculation excludes contingency). Appendix A provides a status update on each individual deliverable within the audit plan.
- 2.2 Seven 2015/16 audits providing assurance to the Audit Committee have been finalised since the December 2015 meeting of this Committee.

Audit Title	Date of Issue	Assurance Level	Number and Priority of Recommendations
Safeguarding	Nov '15	Moderate	Eight medium One merits attention
Risk Management Benchmarking	Dec '15	N/A	N/A
Council Tax (shared plan)	Feb '16	Substantial	Four medium Three merits attention
Treasury Management - CRSA Year 2 (shared plan)	Feb '16	Substantial	None
Business Continuity & emergency Planning	Feb '16	Full	None
Building Control	Feb '16	Substantial	One merits attention
Capital Projects & Project Management	Feb '16	Substantial	One medium One merits attention

Status of Audit Recommendations

2.3 Members will be aware that a Final Audit Report is issued when it has been agreed by management and includes an agreement to implement the recommendations made. It is SIAS's responsibility to bring to Members' attention the implementation status of all audit recommendations. It is the responsibility of officers to implement recommendations by the agreed date.

2.4 The table below summarises progress in implementation of all outstanding internal audit recommendations at February 2016, with full details given in Appendix C:

Year	Recommendations made No.	Implemented	Not yet due	Outstanding & request made for extended time	Percentage implemented %
2010/11	213	212	0	1	99%
2011/12	114	111	0	3	97%
2012/13	49	48	0	1	98%
2013/14	93	89	1	3	96%
2014/15	57	43	3	11	75%
2015/16	22	9	7	6	41%

2.5 The 25 recommendations in the 'outstanding and request made for extended time' column fall into 3 categories as per sections 2.5.1 and 2.5.2 below.

2.5.1 Extension to implementation dates have been requested for 6 recommendations as follows:

- a) One for Data Protection;
- b) One for Development Management;
- c) Four for Safeguarding.

In respect of 3 recommendations (one from the Housing Redesign audit - target date 31 Dec 2015 and two from the Benefits audit - target dates 30 Nov / 31 Dec 2015), no updates were provided for this committee.

2.5.2 For the 16 outstanding IT audit recommendations, no specific updates have been provided and a generic comment has been added to each in appendix C. The following management comment was provided by the Director of Finance:

‘These recommendations will be taken into consideration in the new arrangement for the ICT service from June 2016’.
The recommendations relate to the following audits:

- a) One for IT Remote Working,
- b) One for IT Project Management,
- c) Two for IT Back-Up and Disaster Recovery,
- d) One for Server Virtualisation,
- e) Two for Cyber Risk,
- f) Three for IT Change Management,
- g) Three for Disaster Recovery, and
- h) Three for IT Operations and Contract Management.

Proposed Audit Plan Amendments

2.6 Since December 2015 Audit Committee, the following amendments to the 2015/16 Audit Plans for WBC and Shared Services have been agreed with officers of the Council and are detailed below for Audit Committee approval:

- Homelessness – existing audit cancelled at the request of management pending recruitment of new Housing Section Head. Audit included in the draft 2016/17 Audit Plan (scheduled for quarter 1). Ten days returned to contingency.
- IT Contract Management – existing audit cancelled at client request to avoid demand at this time on IT resources that are required for the provision of current IT support and re-tendering of the IT contract. The intention is to share output with management. Five days returned to contingency.
- Social Media – new audit added at the request of management. Six days taken from contingency.

Performance Management

Reporting of Audit Plan Delivery Progress

- 2.7 To help the Committee assess the current situation in terms of progress against the projects in the 2015/16 Audit Plan, we have provided an analysis of agreed start dates at Appendix B. These dates have been agreed with management and resources allocated accordingly. This is designed to facilitate smoother delivery of the audit plan through the year.
- 2.8 Annual performance indicators and associated targets were approved by the SIAS Board on 11 March 2015. Actual performance for Watford Borough Council against the targets that can be monitored for 2015/16 is shown in the table below.

Performance Indicator	Annual Target	Profiled Target to 19 February 2016	Actual to 19 February 2016
1. Planned Days – percentage of actual billable days against planned chargeable days completed (excluding unused contingency)	95%	88%	90%
2. Planned Projects – percentage of actual completed projects to draft report stage against planned completed projects (excludes 2014/15 completion and ‘on-going’ pieces)	95%	76% (16 out of 21 projects to draft)	71% (15 out of 21 projects to draft)
3. Client Satisfaction – percentage of client satisfaction questionnaires returned at ‘satisfactory’ level	100%	100%	100%

4. Number of High Priority Audit Recommendations agreed	95%	95%	N/A (none yet made in 2015/16)
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2.9 In addition, the performance targets listed below are annual in nature. Performance against these targets will be reported on in the 2015/16 Head of Assurance's Annual Report:

- **5. External Auditors' Satisfaction** – the Annual Audit Letter should formally record whether or not the External Auditors are able to rely upon the range and the quality of SIAS' work.
- **6. Annual Plan** – prepared in time to present to the March meeting of each Audit Committee. If there is no March meeting then the plan should be prepared for the first meeting of the civic year.
- **7. Head of Assurance's Annual Report** – presented at the Audit Committee's first meeting of the civic year.

APPENDIX A PROGRESS AGAINST THE 2015/16 AUDIT PLAN AT 19 FEBRUARY 2016

2015/16 SIAS Audit Plan

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
Key Financial Systems								
Benefits (shared plan)					14	Yes	13.5	Draft report issued
Council Tax (shared plan)	Substantial	0	4	3	11	Yes	11	Final report issued
Creditors (shared plan)					9	Yes	3	In fieldwork
Debtors (shared plan)					10	Yes	9.5	Draft report issued
Main Accounting CRSA Yr2 (shared plan)					10	Yes	9.5	Draft report issued
NDR (shared plan)					11	Yes	10.5	Draft report issued
Payroll including payroll contract (shared plan)					15	Yes	14	In quality review
Treasury Management CRSA Yr2 (shared plan)	Substantial	0	0	0	8	Yes	8	Final report issued
Budget Monitoring (shared plan)					8	Yes	3	In fieldwork
Operational Audits								
Asset Management	Full	0	0	0	10	Yes	10	Final report issued
Building Control	Substantial	0	0	1	7	Yes	7	Final report issued
Business Continuity & Emergency Planning	Full	0	0	0	12	Yes	12	Final report issued
Data Protection	Substantial	0	2	0	6	Yes	6	Final report issued

APPENDIX A PROGRESS AGAINST THE 2015/16 AUDIT PLAN AT 19 FEBRUARY 2016

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
Development Management	Substantial	0	2	2	6	Yes	6	Final report issued
Homelessness					0	N/A	0	Cancelled
Recruitment (shared plan)					10	Yes	9.5	Draft report issued
Safeguarding	Moderate	0	8	1	14	Yes	14	Final report issued
Social Media					6	Yes	0.5	In planning – fieldwork due March 2016
Procurement								
Contract Management					10	Yes	8.5	In fieldwork
Capital Projects and Project Management	Substantial	0	1	1	12	Yes	12	Final report issued
Cemeteries Contract Review					10	Yes	8	In fieldwork
Counter Fraud								
Review of counter-fraud arrangements (shared plan)					0	N/A	0	Cancelled
Risk Management and Governance								
No audits planned for 2015/16								
IT Audits								
IT Managed Service Delivery (shared plan)					0.5	N/A	0.5	Cancelled
IT Contract Management	-	-	-	-	10	Yes	10	Cancelled

APPENDIX A PROGRESS AGAINST THE 2015/16 AUDIT PLAN AT 19 FEBRUARY 2016

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
(shared plan)								
IT Disaster Recovery Extended Follow-Up (shared plan)					0.5	N/A	0.5	Cancelled
SIAS Joint Work								
Shared Learning Newsletters and Summary Themed Reports					2	N/A	1.5	On-going
Audit Committee Workshop					1	N/A	1	Complete
Risk Management Benchmarking Workshop					2	N/A	2	Complete
Ad Hoc Advice								
Ad Hoc Advice					3	N/A	2.5	On-going
Contingency								
Unused Contingency (shared plan)					18	N/A	0	As required
Strategic Support								
Head of Internal Audit Opinion 2014/15					2	N/A	2	Complete
External Audit Liaison					1	N/A	1	Complete
Audit Committee					10	N/A	8.5	On-going

APPENDIX A PROGRESS AGAINST THE 2015/16 AUDIT PLAN AT 19 FEBRUARY 2016

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
Monitoring & Client Liaison					12	N/A	11	On-going
2016/17 Audit Planning					8	N/A	8	Complete
SIAS Development					3	N/A	3	Complete
Follow-up of recommendations					10	N/A	9	On-going
Completion of 2014/15 audits								
Time required to complete work commenced in 2014/15 (5 days shared; 4 days WBC)					9	N/A	9	Complete
WBC TOTAL					151		137.5	
SHARED SERVICES TOTAL					140		107.5	
COMBINED TOTAL					291		245	

Key to recommendation priority levels:

H = High

M = Medium

MA = Merits attention

N/A = Not applicable

APPENDIX B 2015/16 AUDIT PLAN PROJECTED START DATES

Apr	May	Jun	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar
Safeguarding (Final report issued)			Data Protection (Final report issued)	Asset Management (Final report issued)	Capital Projects and Project Management (Final report issued)	Business Continuity and Emergency Planning (Final report issued)	Building Control (Final report issued)	NDR (shared plan) (Draft report issued)	Creditors (shared plan) (In fieldwork)	Budget Monitoring (shared plan) (In fieldwork)	Social Media (In planning, fieldwork due March 2016)
Revenues & Benefits System Parameter Testing (shared plan)* (Complete)			Development Control (Final report issued)	Recruitment (shared plan)* (Draft report issued)		Council Tax (shared plan) (Final report issued)	Benefits (shared plan) (Draft report issued)		Main Accounting (shared plan) (Draft report issued)		

APPENDIX B 2015/16 AUDIT PLAN PROJECTED START DATES

						Debtors (shared plan) (Draft report issued)	Payroll inc contract (shared plan) (In quality review)		Cemeteri es (In fieldwork)		
						Risk Mgmt (Joint Review) (Complete)	Contract Managem ent (In fieldwork)				
							Treasury Mgmt (shared plan) (Final report issued)				

***Notes:**

- Revenues & Benefits System Parameter Testing work completed in May – remainder of Benefits, NDR and Council Tax in progress.
- Recruitment moved back from June to late August / September at request of Head of HR. Audit scoped and terms of reference issued in April.
- Joint Risk Management Review moved forward from December to October.
- Treasury Management moved forward from December to November at client request.

Audit Plan 2010/11

IT Remote Working 2010/11							
Final report issued January 2012							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved x or ✓	Revised Deadline
09	<p>Management should ensure that security settings on mobile device handsets such as iPhones enforce the following settings:</p> <ul style="list-style-type: none"> • Devices should be required to be protected by a power on password or PIN. Any default passwords or PIN codes need to be changed on first use, these should not be removed unless authorised in writing by ICT; • Devices should be set to 'Non-discoverable' or 'Hidden' to help prevent information disclosure by short distance data transfer; and • Users should be restricted from reconfiguring the security settings on devices. <p>The remote wipe solution should be investigated to ensure all the data stored on the mobile phone can be wiped either remotely or by exceeding the login threshold. Management should ensure that only ICT approved mobile devices should be procured and issued and all confidential and</p>	Important	<p>Agreed. Government Code of Connection stipulates that they have only approved Blackberry's for use as mobile devices. There are currently more critical priorities to address within ICT and this is where the focus will lie.</p> <p>The implementation of a Blackberry Enterprise Server will address the above recommendation and will be identified as a future project for the ICT Service.</p> <p>Position - August 2012 Due to the large resource and investment required with this, it will be assigned a priority once the future of the ICT Shared Service is known.</p> <p>Position - November 2012 The councils are currently conducting due diligence with the preferred supplier for the ICT Service. Outstanding audit recommendations will be discussed during due diligence and reported to the next Audit committee meeting.</p> <p>Position - January 2013 Mobile telephony is outside the proposal. Implementation of a Blackberry solution which can provide all of these requirements has been included as part of 13/14 project requirement and will be discussed during transformation.</p>	ICT Client Section Head	March 2013	x	31 March 2014 31 Dec 2015 N/A

IT Remote Working 2010/11							
Final report issued January 2012							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved x or ✓	Revised Deadline
	sensitive data held on mobile device handsets such as iPhones is adequately encrypted according to the sensitivity of the data		<p>Position - May 2013 No change from above.</p> <p>Position - August 2013 Recommendation not yet due for completion. It should be noted that the PSN compliance requirements will impact the solution to this recommendation.</p> <p>Position - November 2013 No change to above. This needs to be prioritised in line with other ICT projects. Government directive for PSN (Public Services Network), now states that unmanaged end user devices e.g. personal computers etc, should be addressed and compliant for use on the PSN by 2015 accreditation. A revised timeframe for implementation of this recommendation needs to be agreed.</p> <p>Position – February 2014 Already requested that this deadline is moved to Dec 2015, in line with PSN requirements to manage data on mobile devices.</p> <p>Position – May 2014 Recommendation not yet due for implementation.</p> <p>Position – August 2014 Not yet due</p> <p>Position – October 2014 Not yet due</p>				

IT Remote Working 2010/11							
Final report issued January 2012							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved x or ✓	Revised Deadline
			Position – February 2015 Not yet due Position – May 2015 Not yet due Position – August 2015 See section 2.5.2 of the main SIAS Update Report. Position – November 2015 See comment in section 2.5.2 of the main SIAS Update Report. Position – February 2016 See comment in section 2.5.2 of the main SIAS Update Report.				

Audit Plan 2011/12

IT Project Management 2011/12							
Final report issued November 2011							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
02	An IT Strategy that supports both Councils' corporate strategies needs to be implemented to direct the forward usage of ICT within both Councils and the Shared Service. An IT strategy should be developed in consultation with the business strategies for both Councils and the Shared Service to ensure that IT development links into corporate priorities.	Minor	<p>Agreed</p> <p>Position - August 2012 This has not progressed due to resource constraints caused by work on the ICT Outsourcing</p> <p>Position - November 2012 The councils are currently conducting due diligence with the preferred supplier for the ICT Service. The decision to outsource will have a large impact on the strategy.</p> <p>Position - January 2013 Capita can help with advice on this but the responsibility for this lies with the ICT Client Manager roles which are currently being advertised at both councils.</p> <p>Position - May 2013 ICT Client Managers have now been appointed. Due to the high workload during transition to Capita the revised deadline has been amended.</p> <p>Position - August 2013 No change to above. Terms of reference for the IT Steering group have been amended to reflect the requirement for the development of an ICT strategy.</p> <p>Position - November 2013</p>	ICT Client Section Head	October 2012	*	<p>Mar 2013</p> <p>May 2013</p> <p>Sept 2013</p> <p>May 2014</p> <p>Sept 2014</p> <p>Feb 2015</p> <p>June 2015</p> <p>Dec 2015</p> <p>N/A</p>

IT Project Management 2011/12							
Final report issued November 2011							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
			<p>Technical strategy is underway. ICT Client management team are working with Capita SIS to develop an approach to the overall ICT strategy in parallel to this.</p> <p>Position – February 2014 No change.</p> <p>Position – May 2014 Underway. Terms of Reference have been agreed with the Council. Officers involved with interviews have been briefed and all interviews have been scheduled. Interviews span from mid-June to end of July and report is expected for review by end of August 2014.</p> <p>Position – August 2014 On track. Report to be completed by end of September.</p> <p>Position - October 2014 IT Strategy Report Completed. Requires sign off and agreed way forward from both Councils.</p> <p>Position – February 2015 IT Strategy Report Completed. Requires sign off and agreed way forward from both Councils. Revision of dates will fall in line with budget setting for Sept 2015.</p> <p>Position – May 2015 This has been delayed due to Officer resource required on both remediation and ModerniseIT.</p> <p>Position – August 2015</p>				

IT Project Management 2011/12							
Final report issued November 2011							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
			<p>See section 2.5.2 of the main SIAS Update Report.</p> <p>Position – November 2015 See comment in section 2.5.2 of the main SIAS Update Report.</p> <p>Position – February 2016 See comment in section 2.5.2 of the main SIAS Update Report.</p>				

IT Back up and Disaster Recovery 2011/12							
Final report issued December 2012							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
02	The Shared Service should conduct a risk assessment of the capability to recover key systems and services in the event of a disaster based on the Recovery Time Objectives (RTO) and Recovery Point Objectives (RPO) for Councils' systems. This should ensure that any potential issues that could be faced are documented with appropriate counter measures put in place.	Essential	<p>Agreed</p> <p>Position - January 2013 This work will be undertaken by Capita during transition and transformation.</p> <p>Position - May 2013 As above, Capita will propose a full disaster recovery plan, post data-centre move (scheduled for Q4 2013).</p> <p>Position - August 2013 No change from May update. It should be noted that as part of the contract Capita will work with the Councils to define and implement a back-up strategy and policy. This</p>	ICT Client Section Head	May 2013	<p>*</p> <p>(In progress)</p>	<p>Dec 2013</p> <p>May 2014</p> <p>Sept 2014</p> <p>Oct 2014</p> <p>Feb 2015</p> <p>TBC</p> <p>N/A</p>

IT Back up and Disaster Recovery 2011/12							
Final report issued December 2012							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
			<p>includes working with business services to define appropriate frequency of backups with RPO's where appropriate of 30 minutes. Data centre move design has commenced and a risk assessment will be included within this planning.</p> <p>Position - November 2013 Disaster recovery scoping meeting has taken place. Disaster recovery plan has been included within the Data Centre Migration PID (Project Initiation Document) as a deliverable.</p> <p>Position – February 2014 This is being progressed through the data centre migration project. There is a backup workstream within this project which is currently assessing all backups. Note the revised data centre migration is end of June 2014. This allows for critical Council business, year end, elections, and IER go live and was agreed at 10th Dec – ITSG.</p> <p>Position – May 2014 In progress. Backup solution architect is currently assessing ability to recover. This is all feeding into the data centre migration project. IER dates have changed to mid-end of June and the data centre migration move will be adjusted to accommodate that.</p> <p>Position – August 2014 Revised backup solutions documented and are currently being costed by Capita ready for implementation in line with the data centre migration. Backup solution implementation target was mid Sept, and has been revised to</p>				

IT Back up and Disaster Recovery 2011/12							
Final report issued December 2012							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
			<p>end of Oct 2014.</p> <p>Position - October 2014 As above. DC move timeframe extended to migrate services/hardware from mid Dec 2014 to end of Jan 2015.</p> <p>Position – February 2015 DC Migration delayed indefinitely. DR planning moved to Account Recovery works.</p> <p>Position – May 2015 DR audit completed, DR test plan and DR plan drafted. Dependencies to complete this fully relate to ModIT and remediation and therefore the timeframe needs to be confirmed.</p> <p>Position – August 2015 See section 2.5.2 of the main SIAS Update Report.</p> <p>Position – November 2015 See comment in section 2.5.2 of the main SIAS Update Report.</p> <p>Position – February 2016 See comment in section 2.5.2 of the main SIAS Update Report.</p>				
04	The Shared Service should test its DR arrangements on an annual basis at both Adam Continuity and ICM. Testing should follow a detailed test plan and test results should be reported to management following the test period. We also recommend that where appropriate, ad hoc tests of	Essential	<p>Agreed</p> <p>Position - January 2013 A DR test is being planned before the service is transferred to Capita are expected to continue this into the future.</p>	ICT Client Section Head	March 2013	* (part resolved)	<p>Dec 2013</p> <p>Apr 2014</p> <p>June 2014</p> <p>Dec 2014</p>

IT Back up and Disaster Recovery 2011/12							
Final report issued December 2012							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
	tape restores are performed when not otherwise tested.		<p>Position - May 2013 Due to extensive workload in the run-up to service commencement, a “dry run” of the existing Disaster Plan has not been carried out. However, existing arrangements with both of our continuity providers have been amended and re-signed for a period of one year. Before the expiry of these agreements, Capita will have their own Disaster Plan in place (post data centre move).</p> <p>Position - August 2013 Data centre move design planning has commenced. It has been agreed that revised BC/DR plans will be created in parallel with the data centre move itself. As part of the Capita contract Councils can ask for ad-hoc restores of random files to verify effective backups. This quality check is the responsibility of ICT client managers and is an aspect of monthly service delivery meetings.</p> <p>Position - November 2013 DR contract vendor has been contacted to arrange a DR test post data centre migration. This will be arranged to take place before April 2014.</p> <p>Position – February 2014 In progress. Engagement with existing DR vendors has taken place, as well as a review of service continuity plans. DR test will take place prior to the data centre move at the end of June 2014.</p>				<p>Feb 2015</p> <p>TBC</p> <p>N/A</p>

IT Back up and Disaster Recovery 2011/12							
Final report issued December 2012							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
			<p>Position – May 2014 In progress. DR test to be scheduled in line with data centre migration plans.</p> <p>Position – August 2014 Data Centre Migration scope has expanded to include additional works to de-risk “Lift and shift” of W3R equipment. For example where there is aged equipment e.g. file and print server for Watford, this data will be transferred to the new SAN (Storage Area Network) prior to the move itself. This has therefore contributed to the movement of the Data Centre migration deadlines.</p> <p>Position - October 2014 As above. DC move timeframe extended to migrate services/hardware from mid Dec 2014 to end of Jan 2015.</p> <p>Position – February 2015 DC Migration delayed indefinitely. DR planning moved to Account Recovery works.</p> <p>Position – May 2015 DR audit completed, DR test plan and DR plan drafted. Equipment lists for both Councils have been updated for both Phoenix and ADAM R contracts. Dependencies to complete this relate to ModIT and remediation and therefore the timeframe needs to be confirmed.</p> <p>Position – August 2015 See section 2.5.2 of the main SIAS Update Report.</p> <p>Position – November 2015</p>				

IT Back up and Disaster Recovery 2011/12							
Final report issued December 2012							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
			See comment in section 2.5.2 of the main SIAS Update Report. Position – February 2016 See comment in section 2.5.2 of the main SIAS Update Report.				

Audit Plan 2012/13

IT Server Virtualisation (ICT) 2012/13							
Final report issued December 2012							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
01	The adequacy of the security settings and management arrangements established and applied to the virtual environment at both the Councils should be reviewed and where the standards currently are not aligned with best practice standard such as recommended by CIS (Centre for Internet Security), then they should be applied/configured to create a baseline for on-going security and monitored accordingly.	Essential	<p>Agreed The Council is waiting for Capita to respond with their view on outstanding settings. They are planning to virtualise the remainder of servers and move them up to their own data centre within the first year of the contract, which should go live in May 2013.</p> <p>Position - January 2013 Capita will be moving all servers to their data Centre in Chippenham by December 2013 with new hardware and vmware installations. This recommendation will be incorporated into the design of this implementation.</p> <p>Position - May 2013 The above position has been endorsed and supported by the ICT Client Management Team.</p> <p>Position - August 2013 Data centre design has commenced. Within the design itself all vmware environments will be reviewed and aligned with best practice standards.</p> <p>Position - November 2013 In progress</p> <p>Position – February 2014 VMWare design document completed and signed off. This doc includes a review of all</p>	ICT Client Section Head	November 2013	* (part resolved)	Dec 2013 May 2014 Sept 2014 Nov 2014 Feb 2015 TBC N/A

IT Server Virtualisation (ICT) 2012/13							
Final report issued December 2012							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
			<p>current virtual servers. Awaiting implementation in line with data centre migration.</p> <p>Position – May 2014 Servers currently being re-configured in line with design documentation. This is a prerequisite for the data centre migration. E.g. single fibre paths being replaced with dual fibre paths, thereby increasing resilience.</p> <p>Position – August 2014 This is progressing as per the update above. Data Centre Migration scope has expanded to include additional works to de-risk “Lift and shift” of W3R equipment.</p> <p>Position - October 2014 As above. DC move timeframe extended to migrate services/hardware from mid Dec 2014 to end of Jan 2015.</p> <p>Position – February 2015 No progress</p> <p>Position – May 2015 No progress. IT is under review, revised timescales will be communicated at the next audit committee.</p> <p>Position – August 2015 See section 2.5.2 of the main SIAS Update Report.</p> <p>Position – November 2015 See comment in section 2.5.2 of the main SIAS Update Report.</p>				

IT Server Virtualisation (ICT) 2012/13							
Final report issued December 2012							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
			Position – February 2016 See comment in section 2.5.2 of the main SIAS Update Report.				

Audit Plan 2013/14

Housing Redesign 2013/14							
Final report issued December 2013							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
04	The Council should ensure, for those Housing Associations which carry out their own short-listing of applicants that they comply with the Council's good practices.	Medium	<p>Position – November 2013 Not yet due</p> <p>Position – February 2014 Taken to Herts Choice Homes (HCH) Operational Group in January 2014. Agreed that amendments need to be made to service level agreements and a training session held for registered providers. To be taken forward by HCH Co-ordinator who is based at Three Rivers District Council.</p> <p>Position – May 2014 28 July 2014 will be a workshop with Registered Providers and the local authorities to ensure shared understanding of roles in relation to redrafted SLAs.</p> <p>Position – August 2014 Workshop has taken place and partners have proposed options regarding the Herts Choice Homes Service Level agreements which set out how much of the shortlisting process is carried out by registered providers. Good practice regarding verification of applicants to be circulated for partner consideration. Partners need to assess the resources required to carry out more or less of the shortlisting process and appropriate redrafting of SLAs and training will need to be undertaken.</p>	<p>Housing Supply Manager</p> <p>Interim Housing Section Head</p>	31 March 2014	*	<p>28 July 2014</p> <p>31 December 2014</p> <p>31 December 2015</p> <p>29 February 2016</p>

Housing Redesign 2013/14							
Final report issued December 2013							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved x or ✓	Revised Deadline
			<p>Position – November 2014 Further workshop scheduled 17 November.</p> <p>Position – February 2015 No update received.</p> <p>Position – May 2015 No update received.</p> <p>Position – August 2015 A small number of associations are carrying out their own short-listing. However, the decision has now been taken to end this.</p> <p>This decision was taken at a Herts Choice Homes (HCH) meeting recently where an options paper was discussed. The unanimous decision was that Associations should not be able to short-list themselves. The Council will provide the nomination and the HA would be given greater access to the system in terms of viewing rights only, with regard to the nominated tenant. HA concerns around void turnaround times would be dealt with through an SLA.</p> <p>The process of actually bringing this about lies with the HCH Co-ordinator, based in Three Rivers DC.</p> <p>Position – November 2015 A revised Service Level Agreement will need to be signed by all partners. The HCH Board in November 2015 agreed the wording of the revised SLA and charging methodology. Software changes will be raised with the software provider – Locata.</p>				

Housing Redesign 2013/14							
Final report issued December 2013							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
			Position – February 2016 No update received – latest target date not yet reached.				
07	Housing assessments and short-listing systems should be fully documented at the earliest opportunity.	Medium	<p>Position – November 2013 Not yet due</p> <p>Position – February 2014 Not yet due. Shortlisting process has been documented. Housing assessments work to be progressed in February 2014.</p> <p>Position – May 2014 Systems most sensibly to be documented as part of implementation of new Nomination Policy.</p> <p>Position – August 2014 Not yet due</p> <p>Position – November 2014 As above – processes in design phase as part of implementation (go live date now April 15).</p> <p>Position – February 2015 Not yet due</p> <p>Position – May 2015 No update received.</p> <p>Position – August 2015 The new Nominations Policy is going live at the moment. Training notes have been written. It is in the Action Plan to fully document the process.</p>	<p>Housing Supply Manager</p> <p>Housing Demand Manager</p> <p>Interim Housing Section Head</p>	31 March 2014	*	<p>November 2014</p> <p>April 2015</p> <p>31 December 2015</p>

Housing Redesign 2013/14							
Final report issued December 2013							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
			Position – November 2015 The new nominations system is in the go-live phase, and will be complete in early December. The process of documenting the system is ongoing. Position – February 2016 No update received – target date has passed.				

Counter Fraud Arrangements in the Shared Service Benefit Fraud Team 2013/14							
Final report issued February 2014							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
01	The Benefits Fraud Shared Service should produce an annual work plan outlining proactive work and resource allocation.	Merits Attention	Agree to the principle providing we maintain the ability to flex given fraud referrals/risks are not provided in advance indicating where exact resources should be made available. A review of current risk assessments would be required in order to allow the allocation of a plan of proactive work. Proposals and timetable to be agreed with Director of Finance. Target date set is to agree proposals. Position – May 2014 Not yet due Position – August 2014	Fraud Manager	1 June 2014	✓	Dec 14 31 Dec 15

Counter Fraud Arrangements in the Shared Service Benefit Fraud Team 2013/14							
Final report issued February 2014							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
			<p>The fraud service with Sfis scheduled for 2015 has lost 2 members of staff. It is currently exploring options. Until this position is agreed no changes are appropriate as it would take resources away from reactive referrals. Matter to be agreed by Jo Wagstaffe.</p> <p>Position – October 2014 Not yet due</p> <p>Position – February 2015 The position remains the same. Whilst we have a significant reduction in staff we cannot allocate resources to additional proactive work. This will change in Dec 2015 when some HB transfers to SFIS.</p> <p>Position – May 2015 The position remains the same as in February 2015. We have meetings scheduled in June to discuss post SFIS and the allocation of work will be discussed and agreed.</p> <p>Position – August 2015 The target date has not fallen due yet and the housing benefit ONLY investigations will transfer to SFIS in December. We will incorporate these recommendations into the business plan we will produce.</p> <p>Position – November 2015 Same position as above, Housing benefit due to transfer Dec 15 and proposed changes will incorporate a work plan on proactive exercises. Awaiting confirmation of changes from MB and transfer of HB before workplan commences which will be for 16/17.</p>				

Counter Fraud Arrangements in the Shared Service Benefit Fraud Team 2013/14							
Final report issued February 2014							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
			Position – February 2016 The scope for the annual work plan has been formulated.				
02	<p>Going forwards in 2014/15 the Benefits Fraud Shared Service should consider undertaking a proactive intervention exercise to identify and investigate relief claims and empty properties.</p> <p>This should be considered in the context of the financial incentive introduced by the business rates retention scheme.</p>	Medium	<p>Agreed. Target date is to agree proposals for training. This is an area not previously investigated and is highlighted as a major risk by the Audit Commission report 2013.</p> <p>Position – May 2014 Not yet due</p> <p>Position – August 2014 The fraud service with Sfis scheduled for 2015 has lost 2 members of staff. It is currently exploring options including exercises appropriate to identify empty properties and NDR avoidance. Until this position is agreed no changes are appropriate as it would take resources away from reactive referrals. Matter to be agreed by Jo Wagstaffe.</p> <p>Position – October 2014 Not yet due</p> <p>Position – February 2015 The position remains the same. Whilst we have a significant reduction in staff we cannot allocate resources to additional proactive work. This will change in Dec 2015 when some HB transfers to SFIS. Some reactive enquiries are ongoing however.</p> <p>Position – May 2015 The position remains the same as in February</p>	Fraud Manager	1 June 2014	✓	Dec 14 31 Dec 15

Counter Fraud Arrangements in the Shared Service Benefit Fraud Team 2013/14							
Final report issued February 2014							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
			<p>2015. We have meetings scheduled in June to discuss post SFIS and the allocation of work will be discussed and agreed. Some reactive work however has been completed in this area.</p> <p>Position – August 2015 The target date has not fallen due yet and the housing benefit ONLY investigations will transfer to SFIS in December. We will incorporate these recommendations into the business plan we will produce.</p> <p>Position – November 2015 Same position as above, Housing benefit due to transfer Dec 15 and proposed changes will incorporate a work plan on proactive exercises. Awaiting confirmation of changes from MB and transfer of HB before workplan commences which will be for 16/17.</p> <p>Position – February 2016 This is incorporated into the annual work plan for 2016/17. We have commenced work on singles persons discount already.</p>				
03	The Benefits Fraud Shared Service should consider undertaking a proactive intervention exercise to investigate Single Person Discount cases.	Merits Attention	<p>Agreed. Target date is to agree proposals as above.</p> <p>Previously only facilitated data matching. Managing whole process may provide resources to be able to accurately determine discounts allocated.</p> <p>Position – May 2014 Not yet due</p>	Fraud Manager	1 June 2014	✓	Dec 14 Apr 15 31 Dec 15

Counter Fraud Arrangements in the Shared Service Benefit Fraud Team 2013/14							
Final report issued February 2014							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
			<p>Position – August 2014 We have data from NFI to explore with Revs and Bens – this is proactive in addition to matching that takes place with County. It is yet to be assessed.</p> <p>Position – October 2014 Not yet due.</p> <p>Position – February 2015 SPD data should be received back from exercise in March 2015.</p> <p>Position – May 2015 The position remains the same as in February 2015. We have meetings scheduled in June to discuss post SFIS and the allocation of work will be discussed and agreed. NFI outcome are being referred now for enquiries.</p> <p>Position – August 2015 The target date has not fallen due yet and the housing benefit ONLY investigations will transfer to SFIS in December. We will incorporate these recommendations into the business plan we will produce.</p> <p>Position – November 2015 Same position as above, Housing benefit due to transfer Dec 15 and proposed changes will incorporate a work plan on proactive exercises. Awaiting confirmation of changes from MB and transfer of of HB before workplan commences which will be for 16/17.</p> <p>Position – February 2016</p>				

Counter Fraud Arrangements in the Shared Service Benefit Fraud Team 2013/14							
Final report issued February 2014							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
			Complete – data received and being analysed.				

Main Accounting 2013/14							
Final report issued April 2014							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
01	<p>Access rights of general users to e-Financials / general ledger, as well as those with enhanced administrator rights, should be reviewed on a regular basis, e.g. annually.</p> <p>This control procedure should be evidenced, either through an electronic audit trail on e-Fin, or confirmed by a senior officer for review purposes.</p>	Medium	<p>Not considered a significant risk. Only Finance staff are able to make changes to data / records. No new Finance staff set-up since the last reviews. A review of access rights will be undertaken.</p> <p>Position – May 2014 Not yet due</p> <p>Position – August 2014 Not yet done will be completed by End of December 2014 together with a review approval levels.</p> <p>Position – October 2014 Not yet due</p> <p>Position – February 2015 Not yet done –Due to year end revised deadline June 2015.</p> <p>Position – May 2015 Commenced but not completed.</p>	Tracy Langley – Senior Finance Officer	30 September 2014	✓	<p>31 December 2014</p> <p>30 June 2015</p> <p>30 Sept 2015</p> <p>30 November 2015</p>

Main Accounting 2013/14							
Final report issued April 2014							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
			Position – August 2015 In the process of doing an approval review. Position – November 2015 In progress Position – February 2016 Reviewed and agreed by Head of Finance.				

Cyber Risk 2013/14							
Final report issued June 2014							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
03	Management should ensure the data loss prevention policy is developed and published at the earliest. As part of this process, management should: a) Consider all possible media for data loss and risk assess the various options.	High	a) Encrypted media devices are in the process of being deployed, however the aged desktop estate restricts a technical ability to “use” to Council devices only. This requirement to restrict will be included within the “IT Improvement Roadmap”. Position – August 2014 a) Not Yet Due Position – October 2014 Part A - Not yet due. This is within scope of ModerniseIT. Position – February 2015	IT Client Section Head	30 June 2015	*	TBC N/A

Cyber Risk 2013/14							
Final report issued June 2014							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
			<p>a) Still in progress – encrypted usb keys currently being deployed.</p> <p>Position – May 2015 IT is under review, revised timescales will be communicated at the next audit committee. There is a key dependency here related to the deployment of Windows 7 desktops which is within the ModIT programme.</p> <p>Position – August 2015 See section 2.5.2 of the main SIAS Update Report.</p> <p>Position – November 2015 See comment in section 2.5.2 of the main SIAS Update Report.</p> <p>Position – February 2016 See comment in section 2.5.2 of the main SIAS Update Report.</p>				
09	There should be formal, scheduled review and testing of the Disaster Recovery Plan on a periodic basis.	Medium	<p>In progress. Agreed as an outcome and deliverable of the data centre migration.</p> <p>Position – August 2014 Not yet due</p> <p>Position – October 2014 Deadline revised in line with DC move.</p> <p>Position – February 2015 No progress – moved into recovery.</p> <p>Position – May 2015 DR audit completed, DR test plan and DR plan</p>	ICT Client Section Head	31 December 2014	*	Feb 2015 June 2015 TBC N/A

Cyber Risk 2013/14							
Final report issued June 2014							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
			<p>drafted. Equipment lists for both Councils have been updated for both Phoenix and ADAM R contracts. Dependencies to complete this relate to ModIT and remediation and therefore the timeframe needs to be confirmed.</p> <p>Position – August 2015 See section 2.5.2 of the main SIAS Update Report.</p> <p>Position – November 2015 See comment in section 2.5.2 of the main SIAS Update Report.</p> <p>Position – February 2016 See comment in section 2.5.2 of the main SIAS Update Report.</p>				

Health & Safety 2013/14							
Final report issued July 2014							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
04	Those staff members responsible for the management of asbestos must be made fully aware, through asbestos awareness training, of the importance of issuing work permits, as well as completing asbestos logs, and their responsibility for doing so.	Medium	<p>Create contact register of responsible persons and provide responsible persons training for identified Buildings Managers and key personnel. Insert into Asbestos Management Plan.</p> <p>Arrange for refresher programme to be annualised.</p>	Ian Browne - Head of Facilities Management	31 March 2015 (Part completed - training regime being finalised and agreed with Supplier)	✓	<p>July 2015 to commence training programme</p> <p>30 Sept</p>

Health & Safety 2013/14								
Final report issued July 2014								
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved x or ✓	Revised Deadline	
	<p>Access requested by, and granted to, sub-contractors should be centrally logged by Buildings Managers.</p> <p>Building Managers should ensure that inspections of those properties containing asbestos are carried out at least once a year, and that a central log is maintained detailing the date of the inspection and the inspection outcomes.</p> <p>On-going monitoring of Buildings Managers should take place through spot checks, which will ensure that where work has been carried out on these properties, the asbestos log is being completed for the buildings.</p>		<p>Deliver an annualised programme of asbestos inspections by independent Company to ensure risk management is robust and identification of material degradation is noted for appropriate action.</p> <p>Position – August 2014 Not yet due</p> <p>Position – November 2014 Responsible persons training module and management package is in draft for approval and subsequent roll out to meet deadline.</p> <p>Annualised Asbestos Inspections have been instructed through Appointed Compliance Contractor and will now take place as a matter of course.</p> <p>Position – February 2015 Responsible persons training module circulated for comment and feedback. Final version being prepared for release and implementation once Service Heads have approved staff involvement. This forms part of a wider programme of awareness training to cover all aspects of statutory building compliance.</p> <p>Position – May 2015 Training module has been sent to training provider who is now tasked with devising the final programme of activities. Building manager cascade taking place and awareness has therefore been raised. Final Date for commencement and completion required.</p>					2015 (no revised target date given)

Health & Safety 2013/14							
Final report issued July 2014							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved x or ✓	Revised Deadline
			<p>Asbestos monitoring is now also regularised and on record for view in contractors database.</p> <p>Position – August 2015 Training Package completed and signed off. Initial test on select group to take place Sept 2015 for final roll out programme. (delay in roll caused by lengthy absence of responsible officer).</p> <p>Position – November 2015 No update received</p> <p>Position – February 2016 Training session has been completed for the first batch of employees and stakeholders. Will roll the sessions out to all other parties.</p> <p>Attendance sheets are used to demonstrate training has taken place. These are forwarded to HR and training records updated to reflect this.</p>				

Audit Plan 2014/15

Debtors 2014/15							
Final report issued December 2014							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
01	<p>The Council should explore the possibility of developing an authorisation function within e-Financials that will not allow the releasing of a credit note without appropriate authorisation from a second officer.</p> <p>Given that developments to the system may take some time to be implemented, in the interim a manual authorisation process should be introduced. A second officer should review and authorise all credit notes raised prior to being sent to the customers. Evidence, by way of a control sheet, should be retained to support the authorisation process.</p> <p>Part of the authorisation process should include a review of the evidence that supports the reason for the credit note. To aid the review, consideration should be given to allowing all services access to Anite.</p>	Medium	<p>Head of Service and Revenues Manager are currently looking at staffing structure to streamline processes.</p> <p>Position – February 2015 Ongoing</p> <p>Position – May 2015 Ongoing</p> <p>Position – August 2015 Restructure will now not take place until January, 2016.</p> <p>Position – November 2015 Restructure will now not take place until early 2016 and with another member of staff due to return from maternity.</p> <p>Position – February 2016 Still to be implemented – ongoing.</p>	Revenues Manager	31 March 2015	*	<p>31 May 2015</p> <p>30 Sep 2015</p> <p>31 January 2016</p> <p>29 February 2016</p>
04	We recommend that consideration is given to including the unit cost within the invoice to allow an arithmetic check to be performed by a second	Merits Attention	Head of Service will be exploring further with S151 Officer due to Shared Services and review of processes.	Revenues Manager	31 January 2015	*	<p>31 May 2015</p> <p>30 Sep</p>

Debtors 2014/15							
Final report issued December 2014							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
	officer. Unit costs may be in the form of, but not limited to, weekly rental amounts, hourly rates for hire or one off costs relating to services provided.		Position – February 2015 Ongoing Position – May 2015 Ongoing Position – August 2015 Ongoing Position – November 2015 Restructure will now not take place until early 2016 and with another member of staff due to return from maternity. Position – February 2016 Still to be implemented - ongoing				2015 30 November 2015 29 February 2016

IT Change Management 2014/15							
Final report issued January 2015							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
01	(b) We recommend that a copy of the Communication Plan for W3R is obtained from Capita and is then reviewed jointly to confirm / revise the specified local variances to the generic Capita central CM processes.	Medium	Accepted Position – February 2015 Not due Position – May 2015 New date	ICT Client Section Head & Capita Account Director	30 June 2015	*	30 Sep 15 N/A

IT Change Management 2014/15							
Final report issued January 2015							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
			Position – August 2015 See section 2.5.2 of the main SIAS Update Report. Position – November 2015 See comment in section 2.5.2 of the main SIAS Update Report. Position – February 2016 See comment in section 2.5.2 of the main SIAS Update Report.				
02	(b) We recommend that there is appropriate liaison and confirmation between Capita and W3R to obtain clarity and agreed understanding about the evaluation, scheduling and authorisation of changes, including the CAB processes, and to obtain reassurance about the quality checking that is carried out by Capita in this respect.	Merits Attention	Accepted Position – February 2015 Not due Position – May 2015 New date Position – August 2015 See section 2.5.2 of the main SIAS Update Report. Position – November 2015 See comment in section 2.5.2 of the main SIAS Update Report. Position – February 2016 See comment in section 2.5.2 of the main SIAS Update Report.	ICT Client Section Head & Capita Account Director	30 June 2015	*	30 Sep 15 N/A
03	We recommend that the test plans and respective results are fully detailed and documented for each RFC as part of the relevant Work	Medium	Accepted Position – February 2015 Not due	ICT Client Section Head & Capita Account Director	30 June 2015	*	30 Sep 15 N/A

IT Change Management 2014/15							
Final report issued January 2015							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
	Plans. This should also include evidence of reviews carried out by Capita for ensuring that the testing complies with their defined process and that appropriate quality standards are met in this regard.		Position – May 2015 New date Position – August 2015 See section 2.5.2 of the main SIAS Update Report. Position – November 2015 See comment in section 2.5.2 of the main SIAS Update Report. Position – February 2016 See comment in section 2.5.2 of the main SIAS Update Report.				

NDR 2014/15							
Final report issued January 2015							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
03	The available hardware should be introduced within the inspection regime, with appropriate training given where necessary	Merits Attention	To clarify, the Service has bought the Inspectors module (2010 I believe) but yet to purchase the required tablets to support implementation due to lack of IT support. Whilst the current Revenues Manager has implemented such a module at a previous authority this was implemented with the help of internal IT resources and CSS.	Revenues Manager	31 July 2015	*	30 November 2015 31 March 2016

NDR 2014/15							
Final report issued January 2015							
			Position - February 2015 Yet to start awaiting Tablet / Module – Meeting arranged with Capita on 240315 re implementation. Position – May 2015 Not yet due Position – August 2015 Migration has still not taken place. Position – November 2015 Due to ongoing IT upgrades this has slipped further down list given major configuration within Academy and yet to decide on either tablet / iPad. Position – February 2016 Still to be implemented – ongoing.				

Benefits 2014/15							
Final report issued April 2015							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
01	The declaration of interest form should be reviewed to ensure it provides adequate protection to the respective Councils. Completed forms should be checked to ensure all staff who have (and need) access to the Academy system have returned a conflicts of interest	Merits Attention	We will cross check against the establishment list and determine who stills needs to sign a declaration for 2014/15 to get the outstanding ones completed. Position - May 2015 Now we are into a new financial year I will organise the re-signing for all staff in Revs and Bens.	Benefits Manager	31 May 2015	*	30 June 2015 31 October 2015 30 November

Benefits 2014/15							
Final report issued April 2015							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
	<p>form. This should be extended to staff outside of the Revenues and Benefits service, for example Customer Service Centre staff.</p> <p>Access to declared accounts should be restricted.</p>		<p>Position – August 2015 We are currently going through major upgrades of our systems and my focus at the moment is getting a stable system. I will revisit the declaration of interest document in October.</p> <p>Position – November 2015 Now that the migration to new servers and upgrades to processing systems have just about completed we will visit annual declarations by the end of November 2015.</p> <p>Position – February 2016 No update received – target date has passed.</p>				2015
06	<p>In order to ensure compliance with the Data Protection Act (DPA), the Council should ensure that as a matter of urgency, the historical data stored within Anite is cleared.</p> <p>Going forward, the Council should ensure that there are arrangements in place to clear old data on an annual basis to ensure ongoing compliance with the DPA.</p>	Medium	<p>Awaiting Anite upgrade.</p> <p>Position - May 2015 Not yet due</p> <p>Position – August 2015 The Anite upgrade that will allow archiving of old data was scheduled for 1/8. Although Northgate have completed their work, Capita have not linked Anite to Office of Outlook so we cannot go live on 1/8. This has been moved from 8/8 to 12/9. If this is successful, it will take a further 8-10 weeks to restructure the database and then archiving can happen.</p> <p>Position – November 2015 Now that the Information@work system has been migrated to a new server and upgraded</p>	Benefits Manager	30 June 2015	*	31 December 2015

Benefits 2014/15							
Final report issued April 2015							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
			we are ready to install the retention and destruction module which will archive documents. We are currently in the process of agreeing dates for the module to be installed and training to be given. Review at the end of December 2015. Position – February 2016 No update received – target date has passed.				

Disaster Recovery 2014/15							
Final report issued June 2015							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
01	<ul style="list-style-type: none"> The Councils should take priority to ensure the kit lists for both the Councils are updated and fit for purpose, this is to be shared with Capita who are responsible for handling the 3rd party contracts for Disaster Recovery. During the review it was mentioned that the Councils have been shown the Essex Councils comprehensive Disaster Recovery Plan as a template. Although this DRP is not part of this review and we can therefore 	High	Recommendation accepted. Position - August 2015 See section 2.5.2 of the main SIAS Update Report. Position – November 2015 See comment in section 2.5.2 of the main SIAS Update Report. Position – February 2016 See comment in section 2.5.2 of the main SIAS Update Report.	Capita Account Director	31 August 2015	*	N/A

Disaster Recovery 2014/15							
Final report issued June 2015							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved x or ✓	Revised Deadline
	<p>not pass comment on its adequacy, it can form the basis for W3R.</p> <ul style="list-style-type: none"> • Ensure procedure documents are kept up to date incorporating current technological environment so that the process steps covers all the detail recovery procedures in the event of disaster. • IT disaster recovery and business continuity plans should be reviewed at least once a year, or if any material changes occur within the IT environment, to ensure its continuing suitability, adequacy, and effectiveness. 						
02	<ul style="list-style-type: none"> • Once these kit lists have been reviewed and approved, Capita should liaise with the two contractors responsible for Disaster Recovery to initiate Disaster Recovery Tests on Critical systems and their key dependencies. • A complete DR scenario test on all applications and systems should ideally take place to provide assurance that recovery could happen within an acceptable time frame. • Document and retain test results 	High	<p>Recommendation accepted.</p> <p>Position - August 2015 See section 2.5.2 of the main SIAS Update Report.</p> <p>Position – November 2015 See comment in section 2.5.2 of the main SIAS Update Report.</p> <p>Position – February 2016 See comment in section 2.5.2 of the main SIAS Update Report.</p>	Capita Account Director / ICT Client Section Head	31 August 2015	x	N/A

Disaster Recovery 2014/15							
Final report issued June 2015							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
	<p>and evidence for review by information owners. Initiate corrective actions based upon test results.</p> <ul style="list-style-type: none"> • There should be Councils management oversight of the testing schedule to ensure that all disaster recovery plans are tested for adequacy and that they meet the Councils business needs. • IT Disaster Recover and Business Continuity plans should be reviewed at least once a year or if any material changes occur within the IT environment to ensure its continuing suitability, adequacy, and effectiveness. 						
03	<ul style="list-style-type: none"> • Talks surrounding the use of a data centre should be progressed. • The problem with keeping the Councils data locally is that, should a disaster occur unexpectedly be it natural or man-made, all or part of the data could be lost – including backups. • An offsite data centre solution should be considered if effective disaster recovery is a requirement at the Councils. 	Medium	<p>Recommendation accepted.</p> <p>Position - August 2015 See section 2.5.2 of the main SIAS Update Report.</p> <p>Position – November 2015 See comment in section 2.5.2 of the main SIAS Update Report.</p> <p>Position – February 2016 See comment in section 2.5.2 of the main SIAS Update Report.</p>	Capita Account Director	31 August 2015	*	N/A

IT Operations & Contract Management 2014/15							
Final report issued June 2015							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved x or ✓	Revised Deadline
01	<ul style="list-style-type: none"> The CSIS Account Director should agree a clear, formal process for the completion and closure of incidents, within their team and gain formal approval of this process from the Councils. Open / Outstanding actions should be assigned to the individual employees responsible and not to a default employee. Turnaround targets should be set and managed by CSIS formally on an on-going basis. This should be included in the progress report to the Councils. There should be an additional status indicator for closed and completed tickets. A ticket may be complete but not closed until they have gathered all the necessary evidence for the relevant incidents. This would clear up incidents being marked as closed without the supporting evidence. Where appropriate, these processes should be written into formal documentation to be shared and agreed across the CSIS teams and the Councils. The processes should be reviewed at least once a year or if any material changes occur within the IT environment to ensure its 	High	<p>Recommendation accepted.</p> <p>Position - August 2015 See section 2.5.2 of the main SIAS Update Report.</p> <p>Position – November 2015 See comment in section 2.5.2 of the main SIAS Update Report.</p> <p>Position – February 2016 See comment in section 2.5.2 of the main SIAS Update Report.</p>	Capita Account Director	30 September 2015	x	N/A

IT Operations & Contract Management 2014/15							
Final report issued June 2015							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
	continuing suitability, adequacy and effectiveness.						
02	<ul style="list-style-type: none"> Discussions between the Council and CSIS should take place once improvements have been observed with the delivery of ICT Shared Services. This should encompass the current KPI definitions and how they are measured with associated targets. This would include the amount of physical evidence deemed appropriate and sufficient to support the closure of tickets. The Council should gain formal agreement on the amount of outstanding penalties due, and a strategy be put in place for CSIS to meet that penalty. 	High	<p>Recommendation accepted.</p> <p>Position - August 2015 See section 2.5.2 of the main SIAS Update Report.</p> <p>Position – November 2015 See comment in section 2.5.2 of the main SIAS Update Report.</p> <p>Position – February 2016 See comment in section 2.5.2 of the main SIAS Update Report.</p>	ICT Client Section Head	31 August 2015	*	N/A
03	<ul style="list-style-type: none"> In-house knowledge sharing should be recommended for the on-site employees within CSIS. This would help grow the teams' knowledge growth and eventually improve the efficiency of the team which may impact positively on their Service Level Agreements (SLA's). The CSIS Account Director should put a formal plan in place to ensure knowledge sharing between team members. <p>Responsibilities should be assigned within CSIS. We suggest creating</p>	Medium	<p>Recommendation accepted.</p> <p>Position - August 2015 See section 2.5.2 of the main SIAS Update Report.</p> <p>Position – November 2015 See comment in section 2.5.2 of the main SIAS Update Report.</p> <p>Position – February 2016 See comment in section 2.5.2 of the main SIAS Update Report.</p>	Capita Account Director	31 December 2015	*	N/A

IT Operations & Contract Management 2014/15							
Final report issued June 2015							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved x or ✓	Revised Deadline
	sub-team leaders to relieve these duties from the Account Director so he can focus on areas where his role will be more effective for the recovery plan. This should include weekly and perhaps daily catch ups to discuss any outstanding issues and progress made on historical incidents.						

Audit Plan 2015/16

Data Protection 2015/16							
Final report issued October 2015							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
01	<p>We recommend that completion of the mandatory DP and FOI e-learning module is monitored and officers and their line manager notified where the module has not been completed.</p> <p>We recommend that appropriate Data Protection training is offered to Members.</p>	Medium	<p>Head of Democracy and Governance is responsible for the content of the DP training module on the e-learning platform.</p> <p>HR OD Co-ordinator to let Head of Democracy and Governance have quarterly list of staff who have completed the module (new starters) and annual list every June.</p> <p>Position – November 2015 Not yet due. HR are currently updating the e-learning module and have advised they will provide a list every six months and not quarterly.</p> <p>Position – February 2016 Have had percentage numbers from HR across all services, have asked Heads to verify.</p> <p>We have all out elections next May and it would be sensible to include Data Protection Training in new member induction.</p> <p>Position – November 2015 Not yet due. Democratic services is currently working on member induction programme for May/June 2016.</p> <p>Position – February 2016</p>	<p>Head of Democracy and Governance</p> <p>Head of Democracy and Governance</p>	<p>31 January 2016</p> <p>30 June 2016</p>	<p>✓</p> <p>*</p>	

Data Protection 2015/16							
Final report issued October 2015							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
			Not yet due.				
02	<p>We recommend that the Council compiles a register of organisations with whom sensitive data is shared and then identifies those with whom no data sharing agreement exists.</p> <p>The Authority should also consider putting in place an overarching Data Sharing Protocol / Policy, which would provide a framework for the authority, helping them adopt good practices with regard to Data Sharing.</p>	Medium	<p>Head of Democracy and Governance to seek information from Departments on what Data Sharing arrangements they have currently in place, compile a register and ask them to update the Customer Services Manager who should retain the list along with the DP register.</p> <p>Position – November 2015 Not yet due</p> <p>Position – February 2016 Heads of service written to.</p> <p>Head of Democracy and Governance to develop a protocol.</p> <p>Position – November 2015 Not yet due</p> <p>Position – February 2016 Not started due to work commitments.</p>	<p>Customer Services Manager & Head of Democracy and Governance</p> <p>Head of Democracy and Governance</p>	<p>31 January 2016</p> <p>31 January 2016</p>	<p>✓</p> <p>*</p>	<p>30 June 2016</p>

Development Management 2015/16							
Final report issued November 2015							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
01	<p>We recommend that all officers within the Planning Service complete a Declaration of Interest form on an annual basis.</p> <p>In addition, procedure notes should be produced documenting how the declaration of Interest will be enforced.</p> <p>We also recommend that the Head of Regeneration and Development request the Scheme of Delegation be amended so that where necessary, applications from the Council and from Councillors are referred to the Development Management Committee for decision.</p>	Merits Attention	<p>Agreed.</p> <p>We agree that all principal planners and their team leaders and section head should complete a declaration of Interest form. Normally these forms are held centrally.</p> <p>Agreed.</p> <p>Position – February 2016 Waiting for example of form from SIAS.</p> <p>Spoken with Head of Democracy and Governance. Annual reporting not necessarily sufficient as conflict of interest could occur at any time within the year. Current practice is via email to manager.</p>	Head of Regeneration & Development	<p>30 April 2016 (for the new Financial Year)</p> <p>31 May 2016</p>	*	
02	We recommend that pre-application advice is confirmed in writing.	Merits Attention	<p>Agreed.</p> <p>When giving the pre-application advice, It is made clear that any advice provided is an officer's opinion. Pre-applications cannot be challenged, but we should avoid potential complaints.</p> <p>Position – February 2016 Implemented</p>	Interim Development Management Section Head	Immediate effect	✓	
03	We recommend that pre-application fees are reviewed to ensure that they cover the current costs incurred by	Medium	<p>Agreed.</p> <p>Pre-application charges are reviewed annually</p>	Interim Development Management	30 April 2016	*	

Development Management 2015/16							
Final report issued November 2015							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
	the service and are consistent with those charged by neighbouring Councils.		<p>as part of the budget setting process. We have previously decided not to increase them as there's a balance between encouraging applicants to make pre-application advice requests and having a service that is so costly it deters people from using it.</p> <p>The pre-application process is currently being reviewed. Most major applications will have a planning performance agreement where an additional fee for pre-application and project management will be negotiated with the applicant.</p> <p>Position – February 2016 Included within budget for 16-17.</p>	Section Head			
04	We recommend that checks are undertaken on a sample of pre-existing fields to ensure data submitted is accurate. If further differences are identified the scope should be extended to include all data-sets on the PS1 and PS2 returns.	Medium	<p>Agreed.</p> <p>The information provided in the PS1 and PS2 table for DCLG does not appear to allow interrogation so this has to be undertaken in a different format, which is time consuming.</p> <p>The variation in the two data sets is minor but this does need investigating.</p> <p>Further training is required in understanding the queries and how to find the raw data to review.</p> <p>The timing of implementing this recommendation will coincide with the updates that will be introduced for the system.</p> <p>Position – February 2016</p>	Interim Development Management Section Head	29 February 2016	*	31 May 2016

Development Management 2015/16							
Final report issued November 2015							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
			Will be implemented as part of move to hosted service for Uniform planned for May 2016.				

Safeguarding 2015/16							
Final report issued November 2015							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
01	<p>We recommend that the next review be approved by Leadership Team and Members.</p> <p>We recommend that the policy and procedures be reviewed and amended to specifically reflect CSE.</p>	Medium	<p>Agreed, will take next review to Leadership Team and Cabinet.</p> <p>Position – February 2016 Leadership Team report re - scheduled for March 2016</p> <p>Agreed.</p> <p>Position – February 2016 Cabinet report re- scheduled for June or July 2016</p>	Culture and Play Section Head	<p>January 2016 (Leadership Team)</p> <p>March 2016 (Cabinet)</p>	<p>*</p> <p>*</p>	<p>31 March 2016</p> <p>31 July 2016</p>
02	We recommend that the risk register be reviewed to ensure that safeguarding / CSE risks are included.	Medium	<p>Revised risk register provided which includes risk of failure to respond and / or cooperate with the lead authority on CSE.</p> <p>Position – February 2016 Implemented</p>	Culture and Play Section Head	Implemented	✓	

Safeguarding 2015/16							
Final report issued November 2015							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
03	We recommend that a training process be created for relevant members as required due to the limited member role in licensing committee decision determination.	Medium	<p>General training to be included in Councillor licencing training.</p> <p>Bespoke training for members considering the fit and proper test to be developed and delivered as necessary prior to undertaking licensing decisions.</p> <p>Position – February 2016 As above. General training being sourced and designed for delivery post elections. All councillor training undertaken in relation to CSE Dec 15.</p>	Environmental Health and Licensing Section Head	<p>May 2016</p> <p>January 2016</p>	<p>*</p> <p>✓</p>	
04	<p>We recommend that the Council promote other support e.g. improve visibility of other agencies via the website and through corporate guidance so the focus is not just on referrals to the police / HCC.</p> <p>Additionally, internal sharing of safeguarding information between departments can be enhanced to ensure all avenues of information are considered.</p>	Medium	<p>Agreed. Play Services Manager now sits on Community Protection Group which includes representatives from all front line services to discuss concerns and cascade information as required.</p> <p>Position – February 2016 Implemented</p>	Culture and Play Section Head	<p>December 2015</p> <p>Implemented</p>	<p>✓</p> <p>✓</p>	
05	We recommend that the date of the next scheduled review be indicated within the Convictions Policy.	Medium	<p>The policy will be reviewed no later than three years from last review. The document will be amended in line with the CSE review and then taken through the Licensing Committee.</p> <p>Position – February 2016</p>	Environmental Health and Licensing Section Head	March 2016	*	30 June 2016

Safeguarding 2015/16							
Final report issued November 2015							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
	<p>We recommend that the Convictions policy be reviewed to include a specific reference to CSE and indicators / patterns, at present there is an ability to consider information wider than just convictions but this needs to be explicit and clear.</p> <p>We recommend that the Enforcement policy be reviewed to include patterns of behaviour/reports alongside convictions. This will include trends of complaints and concerns for particular operators.</p>		<p>Policy currently under review. Due for consultation March 2016 and committee approval June 2016</p> <p>To be developed, consulted and approved by Licensing Committee.</p> <p>Position – February 2016 Policy currently under review. Due for consultation March 2016 and committee approval June 2016</p> <p>To be developed, consulted and approved by Licensing Committee.</p> <p>Position – February 2016 Policy under review, believed that the convictions Policy will enable this and the enforcement policy does not need amendment. Conclusion will be made by March 2016.</p>		<p>March 2016</p> <p>March 2016</p>	<p>*</p> <p>*</p>	<p>30 June 2016</p> <p>30 June 2016</p>
06	We recommend that the application form be reviewed to add a question regarding convictions outside the UK and the declaration revised to warn applicants of the consequences of making a false declaration.	Medium	<p>Agreed.</p> <p>Position – February 2016 Completed</p>	Environmental Health and Licensing Section Head	December 2015	✓	
07	We recommend that documentation be reviewed to include a specific reference to CSE and to provide more substantial guidance around	Medium	<p>Agreed.</p> <p>Position – February 2016 As 05 above.</p>	Environmental Health and Licensing Section Head	March 2016	*	30 June 2016

Safeguarding 2015/16							
Final report issued November 2015							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
	what is considered to be serious by the organisation.						
08	We recommend that the Council suggest greater scrutiny involvement to examine the organisations position in relation to safeguarding responsibilities.	Merits Attention	Agreed. Position – February 2016 Not yet due	Committee and Scrutiny Officer	June 2016		
09	We recommend that further discussions regarding this issue are raised through the police, obtaining clarity to ensure consistency around police notifiable occupations. This is an issue that is being discussed at a national level due to guidance issued by the National Police Chiefs' Council.	Medium	Agreed. Position – February 2016 Discussions with the Police Community Safety Unit who are leading discussions across the county to improve communication underway. Introduction of a new system to check applicants history in place, protocols of use of this new procedure in development jointly with 3RDC. No current issues with notifications but any will be raised and followed up.	Environmental Health and Licensing Section Head	January 2016	*	31 March 2016

Council Tax 2015/16							
Final report issued February 2016							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
01	Revenues Officers should enter provisional end dates for Student Exemptions.	Medium	Revenues Manager in sync with designated Billing Officers will be targeting quarterly 'Provisional End Dates' via reporting within Academy.	Revenues Manager	30 April 2016	*	

Council Tax 2015/16							
Final report issued February 2016							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
	Following the March 2015 review of existing Student Exemption cases, an exercise should be undertaken to cancel non-returners. This exercise should be performed annually.		Position – February 2016 Quarterly reviews and first one started January, 2016.				
02	Management should consider the cessation of undertaking programmed visits to long-term empty properties and focus inspections on exemptions that reduce the potential for financial loss if incorrectly applied or generate revenue, e.g. NDR avoidance.	Merits Attention	Revenues Manager will be liaising with Inspectors quarterly with a view to focusing on NDR avoidance and empty properties. Position – February 2016 In progress	Revenues Manager	30 June 2016	*	
03	Senior Revenues Officers with access to generic user accounts should be reminded when it is appropriate to use the account and when a specified user account is to be used.	Merits Attention	Revenues Manager has reminded senior officers previously that under no circumstances should the 'super user' login be used for day to day functions. Position – February 2016 Implemented	Revenues Manager	Immediate	✓	
04	Revenues officers should be reminded of the need to record adequate notes on individual account records to support actions and decisions taken in addition to ensuring that evidence is retained.	Medium	Whilst the account was pre shared service, all staff have been reminded to notate accounts. Position – February 2016 Implemented	Revenues Manager	Immediate	✓	
05	Revenues Inspectors should be instructed not to place accounts on hold as this facility should be restricted to Revenues Officers only.	Merits Attention	Agreed. I have advised both Inspectors not to place holds on any accounts and to refer cases to Revenues Officers. Position – February 2016 Implemented	Revenues Manager	Immediate	✓	

Council Tax 2015/16							
Final report issued February 2016							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved x or ✓	Revised Deadline
06	<p>Recovery Officers should be required to return signed and dated recovery reports to evidence that these are actioned.</p> <p>Records should also be retained by the Senior Recovery Officer to support the stop checks currently undertaken monthly.</p>	Medium	<p>Revenues Manager has made the Recovery Team Leader aware of the findings and the need to spot check recovery lists, i.e. recovery staff to initial and hand back.</p> <p>Position – February 2016 Implemented</p>	Revenues Manager	Immediate	✓	
07	<p>Storage arrangements for the retention and storage of evidence to support write-offs should be reviewed to ensure that these are held complete, secure and in an accessible manner.</p>	Medium	<p>Revenues Manager has made the Recovery Team Leader aware of the findings and the need to arrange for filing each write off, and to make senior officers aware so they are accessible for cursory spot checks.</p> <p>Position – February 2016 Implemented</p>	Revenues Manager	Immediate	✓	

Agenda Item 12

Report to: Audit Committee
Date of meeting: 14 March 2016
Report of: Head of Finance (Shared Services)
Title: Changes to Accounting Policies
2015/16 Annual Statement of Accounts

1.0 **SUMMARY**

1.1 It is recommended practice that this committee is informed of any significant changes to the council's accounting policies that are followed when compiling the annual statement of accounts. This report informs them of any changes.

2.0 **RECOMMENDATIONS**

2.1 That members note the changes to the council's accounting policies.

Contact Officer:

For further information on this report please contact: -
Bob Watson, Head of Finance (Shared Services)
telephone extension: 7188
email: bob.watson@threerivers.gov.uk

Report approved by: Joanne Wagstaffe, Director of Finance

3.0 **DETAILS**

3.1 Attached at Appendix 1 is the draft note to the Statement of Accounts on accounting policies for the financial year ending 31 March 2016.

3.2 There are no statutory accounting policy changes to be implemented in the 2015/16 accounts with regard to the Council's accounts. Officers have therefore taken the opportunity to review the previous policies used and make minor amendments to reflect best practice and to provide clearer information to the any reader of the annual accounts. Significant changes are shown in blue and italics; other minor changes have been made to make the note read more clearly.

4.0 **IMPLICATIONS**

4.1 **Financial**

4.1.1 None Specific.

4.2 **Legal Issues** (Monitoring Officer)

4.2.1 None Specific.

4.3 **Equalities**

None Specific.

4.4 **Potential Risks**

There are no risks associated with the decisions members are being asked to make.

APPENDICES

Appendix 1 Draft note to the 2015/16 Statement of accounts on accounting policies

Draft note to the 2015/16 Statement of accounts on accounting policies

1 Accounting Policies - Single Entity and Group Accounts

1.01 General Principles

The Statement of Accounts summarises the Council's transactions for the 2015/16 financial year and its position at the year end of 31 March 2016. The Council is required to prepare an annual Statement of Accounts by The Accounts and Audit (England) Regulations 2015, which require these to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and the CIPFA Service Reporting Code of Practice 2015/16 (SERCOP), supported by International Financial Reporting Standards (IFRS) [and statutory guidance issued under section 12 of the 2003 Act]. The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non current assets and financial instruments.

1.02 Turnover (for Group Accounts)

Turnover in respect of property development is recognised on unconditional exchange of contracts on disposals of finished developments.

Where construction of pre-sold developments is under-taken, the revenue and profits are recognised in accordance with IFRIC 15. Revenue is determined by independently certified milestones.

1.03 Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:-

- revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council
- revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council
- supplies are recorded as expenditure when they are consumed — where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet
- expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received

rather than when payments are made

- interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument, rather than the cash flows fixed or determined by the contract
- where revenue and expenditure have been recognised, but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected

1.04 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management. The Council has no overdraft facility.

1.05 Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

1.06 Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period, as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period. See Note 4 for an outline of PPA's within this set of accounts.

1.07 Charges to Revenue for Long Term Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:-

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- amortisation of intangible fixed assets attributable to the service

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. These entries are adjusted through the Movement in Reserves Statement.

1.08 Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave, eg time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Non-Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an officer, or group of officers, or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post Employment Benefits

Employees of the Council are members of the Local Government Pension Scheme, administered by Hertfordshire County Council. The scheme provided defined benefits to members (retirement lump sums and pensions), earned as employees who worked for the Council. The schemes arrangements are summarised as follows:-

The Local Government Pension Scheme

- the Local Government Scheme is accounted for as a defined benefits scheme
- the liabilities of Hertfordshire County Council Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method — i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees
- *liabilities are discounted to their value at current prices, using a discount rate of **TBC%** (based on the indicative rate of return on high quality corporate bonds)*
- *the assets of Hertfordshire County Council (HCC) Pension Fund attributable to the Council are included in the Balance Sheet at their bid value as required by International Accounting Standard (IAS)19. Full details of the assets held by the Fund are disclosed as part of the Pension scheme disclosure.*

The change in the net pensions liability is analysed into seven components:

- current service cost — the increase in liabilities as a result of years of service earned this year — allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
- past service cost — the increase in liabilities arising from current year decisions which relate to years of service earned in earlier years — debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non-Distributed Costs
- interest cost — the expected increase in the present value of liabilities during the year as they move one year closer to being paid — debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- expected return on assets — the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- *gains or losses on settlements and curtailments — the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees — debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non-Distributed Costs*
- *actuarial gains and losses — changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions — credited to the Comprehensive income and expenditure - Other Comprehensive Income and Expenditure line and reversed through the Movement in Reserves to the Pensions Reserve;*
- *contributions paid to the HCC pension fund — cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for*

as an expense in the Comprehensive Income and Expenditure Statement.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows, rather than as benefits earned by employees.

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

1.09 Events After the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period — the Statement of Accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period — the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

1.10 Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. The Council currently has no long-term external debt.

Financial Assets - Loans and Receivables

Loans and receivables are assets that have fixed or determinable payments but are not quoted in an active market.

They are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

However, the Council has made a few loans to voluntary organisations at less than market rates (soft loans). When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet.

Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year — the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to, or from, the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

1.11 Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:-

- the Council will comply with the conditions of the payment

- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

1.12 Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired — any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure

line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

Where there is intangible asset expenditure of an immaterial nature, the Council's policy is that these be capitalised and then written off in-year.

1.13 Inventories and Long Term Contracts

Inventories are included in the Balance Sheet at the lower of cost or net realisable value.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

1.14 Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

1.15 Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are

considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Council as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:-

- a charge for the acquisition of the interest in the property, plant or equipment — applied to write down the lease liability; and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

The Council as Lessor

Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property — applied to write down the lease debtor (together with any premiums received); and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

1.16 Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2014/15 (SERCOP). The total absorption costing principle is used — the full cost of overheads and support services are shared

between users in proportion to the benefits received, with the exception of:-

- Corporate and Democratic Core — costs relating to the Council's status as a multi-functional, democratic organisation
- Non-Distributed Costs — the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in SERCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

1.17 Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the

General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

It should be noted that at present the Council has no donated assets.

Assets are then carried in the Balance Sheet using the following measurement bases:

- Infrastructure, community assets and assets under construction — depreciated historical cost
- All other assets — fair value, determined as the amount that would be paid for the asset in its existing use (Existing Use Value — EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. In addition, should current valuations of a similar class of asset suggest material differences in valuations, the entire class to which the asset belongs would be revalued. The current valuers have undertaken a market review of individual asset types within the Council's portfolio at year end to identify any material changes to the fair value of assets. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

When decreases in value are identified:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

When impairment losses are identified:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:-

- *Buildings — straight-line allocation over the useful life of the asset as estimated by the valuer - up to 70 years*
- *Vehicles — straight-line over the estimated life of the asset - up to 20 years*
- *Plant, furniture and equipment — straight-line over the estimated life of the asset - up to 20 years*
- *Infrastructure — straight-line over the estimated life of the asset - up to 25 years*
- *Finance leases — straight-line over the term of the lease*

Depreciation commences in the year following acquisition.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately, in order to ensure the depreciation charge is realistic.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Construction Contracts (for Group Accounts)

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date. This is normally measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred where it is probable they will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

1.18 Heritage Assets

Heritage Assets are held with the objective of increasing knowledge, understanding and the appreciation of the Council's history and local area. Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses)

in accordance with the Council's accounting policies on property, plant and equipment. However, some of the measurement rules **have been simplified** in relation to heritage assets as detailed below.

The Heritage Assets are relatively static and acquisitions, donations and disposals are rare. Where acquisitions do occur, they are initially recognised at cost and donations are recognised at valuation ascertained by insurance officers, museum curators or external valuers. Proceeds from the disposal of Heritage Assets are accounted for in accordance with the Council's general policies relating to the disposals of property, plant and equipment. The Council has a rolling programme of major repair and restoration of its heritage assets and therefore the assets are deemed to have indefinite lives and the Council does not consider it necessary to charge depreciation.

The Council's collection of Heritage Assets, which includes works of art, musical equipment, sculptures, statues, war memorials and civic regalia, are reported at insurance valuations, which are based on market values, internal or external valuations. These insurance valuations are reviewed and updated on an annual basis. The carrying amounts of heritage assets are reviewed where there is evidence of impairment or where an item has suffered physical deterioration or breakage. Any impairment is recognised and measured in accordance with the Council's general policy on impairment.

1.19 Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year — where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

The levels of provisions are reviewed annually by the Council.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

1.20 Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council — these reserves are explained in the relevant policies.

1.21 Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

1.22 Value Added Tax (VAT)

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

1.23 Jointly Controlled Operations and Jointly Controlled Assets

Jointly controlled operations are activities undertaken by the Council in conjunction with other organisations, that involve the use of assets and resources of the Council and organisations without the establishment of a separate legal entity.

The Council recognises the assets and liabilities it controls on the Council's balance sheet. Expenditure incurred by the Council and income it earns from the operation is included in the Council's CI&E.

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Council and other organisations. The assets being used to obtain benefit to the Council and organisations. The arrangement does not involve the formation of a legal entity.

The Council accounts for only its share of jointly controlled assets, liabilities and expenses incurred in respect of its interest in the arrangement.

An agreement exists between Dacorum Borough Council, Hertsmere Borough Council, St Albans City & District Council, Three Rivers District Council and Watford Borough Council to constitute a West Herts Crematorium Joint Committee under the Local Government Act 2000.

The Joint Committee has one member from each of the constituent Councils. Councillor Ian Brown represents the Council on the Joint Committee. The Council's Managing Director is the Clerk to the Joint Committee. Three Rivers District Council provide the Treasurer.

1.24 Single Entity Financial Statements

The financial statements presented by a parent, an investor in an associate or a venturer in a joint venture (jointly controlled entity) in which the investments are accounted for on the basis of the direct equity interest (i.e. at cost) rather than on the basis of the reported results and net assets of the investees. In the context of the Code, an Authority's single entity financial statements are deemed to be separate financial statements.

1.25 Group Accounts - Recognition of Group Entities and Basis of Consolidation

Group Accounts are the financial statements of an entity together with:-

- its subsidiary undertakings,
- its investments in associates, and

- its interests in joint ventures (jointly controlled entities); presented as a single economic entity.

Subsidiary undertakings are accounted for in accordance with the implementation of IAS27 (International Accounting Standard 27) in the 2015/16 Code. The 2014/15 Code requires consolidation of subsidiaries. Consolidation is a method of accounting whereby an entity combines the financial statements of the parent and its subsidiaries line by line by adding together like items of assets, liabilities, reserves, income and expenses. In order that the consolidated financial statements present financial information about the group as that of a single economic entity, the following steps are then taken:-

- the carrying amount of the parent's investment in each subsidiary and the parent's portion of reserves of each subsidiary are eliminated;
- any non controlling interest is identified and separately disclosed;
- intragroup balances and transactions, including income, expenses and dividends, are eliminated in full.

Investments in associates are accounted for in accordance with the implementation of IAS28 in the 2015/16 Code. The 2015/16 Code requires the consolidation of an entity's interest in associates. Joint ventures are accounted for in accordance with the implementation of IAS31 in the 2015/16 Code. The 2015/16 Code requires use of the "equity method" of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post acquisition change in the investor's share of the net assets of the investee. The profit or loss of the investor includes the investor's share of the profit or loss of the investee.

1.26 Taxation (for Group Accounts)

Taxation on all profits is solely the personal liability of individual members. Consequently neither taxation nor related deferred taxation arising in respect of Watford Health Campus Partnership LLP are accounted for in these financial statements.

1.27 Subscription and repayment of members' capital (for Group Accounts)

The capital requirements of the LLP are reviewed from time to time by the Board and further capital contributions may be made at the discretion of the members. No interest is charged on capital except pursuant to a dissolution, no capital can be withdrawn by a member unless agreed by all members.

1.28 Allocation of profits and drawings (for Group Accounts)

The allocation of profits to those who were members during the financial period occurs following the finalisation of the annual financial statements.

The allocation of profits between members is determined by entitlements outlined in the Members' Agreement and is dependent on certain profit criteria being achieved. In accordance with the SORP as a consequence of the LLPs profits being automatically divided in line with the entitlements outlined in the Members' Agreement these profits are treated as an expense in the profit and loss account.

1.29 Work in progress (for Group Accounts)

Development land and work in progress is included at cost less any losses foreseen in completing and disposing of the development less any amounts received or receivable as progress payments or part disposals. Where a property is being developed, cost includes cost of acquisition and development to date, including directly attributable fees, expenses and finance charges net of rental or other income attributable to the development. Where development property is not being actively developed, net rental income and finance costs are taken to the profit and loss account.

