

AUDIT COMMITTEE

27 JUNE 2012

Present: Councillor A Burtenshaw (Chair)

Councillors I Brandon, G Derbyshire, A Khan and P Taylor

Also present: Councillor Malcolm Meerabux
Richard Lawson (Grant Thornton)
Negat Sultan (Grant Thornton)

Officers: Head of Strategic Finance and Shared Services
Head of Finance (Shared Services)
Head of Legal and Property Services
Audit Manager
Fraud Manager Shared Services
Committee and Scrutiny Officer

1 APOLOGIES FOR ABSENCE/COMMITTEE MEMBERSHIP

There was a change of membership for this meeting: Councillor Derbyshire replaced Councillor I Brown.

The Committee and Scrutiny Officer advised that Councillor Watkin, Portfolio Holder for Finance and Shared Services, had sent his apologies as he was unable to attend the meeting.

2 DISCLOSURE OF INTERESTS (IF ANY)

There were no disclosures of interest.

3 MINUTES

The minutes of the meeting held on 14 March 2012 were submitted and signed.

4 REQUESTS MADE UNDER THE FREEDOM OF INFORMATION ACT 2000

The Committee received a report of the Head of Legal and Property Services setting out the half year report of requests made under the Freedom of Information Act 2000, covering the period 1 October 2011 to 31 March 2012.

The Head of Legal and Property Services responded to a question asking whether any requests had been referred to the Information Commissioner Office

(ICO). She advised that she was unaware of any late responses being referred to the ICO. She confirmed that the Council's Communications Team saw any responses to media groups prior to them being issued. The Council refused to respond to those requests which involved an excessive amount of staff time and resources. The Council did not charge a fee, even though it was permissible if a request took a long time to complete. She added that the Government was considering putting a charging scheme in place and that this may deter some of the repetitive requests. She finished by advising that it is possible to charge for photocopying, which was limited to 10p per sheet.

The Head of Legal and Property Services informed the Committee that there were repeated requests for information and these could be seen in the appendices attached to the report.

The half yearly update was presented to Audit Committee at its request when the Freedom of Information Act had been introduced. There were potential penalties if the Council did not respond to requests for information and it was therefore part of the overall governance of the Council.

The Committee requested further information on two cases where information had not been provided. The Head of Legal and Property Services advised that she was unable to provide the information at the meeting but would contact the Customer Service Improvement Officer for full details and then forward it to the Committee.

The Head of Strategic Finance added that he would ask the Head of Finance Shared Services to enquire about the request related to the 2012/13 budget.

The Head of Legal and Property Services responded to questions about benchmarking. She explained that the Council was part of an informal group which monitored requests. The group was managed by St Albans District Council and she would contact the lead officer for the latest data, which would be circulated to the Committee. She cautioned Members that the Council did not do as well as some other authorities. She advised that some authorities had dedicated officers to manage and respond to requests. At Watford each department responded to requests about their service through their Customer Liaison Officer. The Customer Service Improvement Officer maintained the database and responses. A dedicated officer would mean that there would be financial implications. In comparison there was a dedicated officer for data requests made under the Data Protection Act; in this case it was easier to have one officer controlling the information issued as requests often involved more than one department.

RESOLVED –

that the contents of the report be noted.

5

EXTERNAL AUDITOR'S REPORT - ICT SHARED SERVICES UPDATE

The Committee received a report of the Head of Strategic Finance which accompanied the report from Grant Thornton regarding the ICT Shared Services Update.

Ms Negat Sultan provided an explanation of the Auditor's report. She outlined the main concerns which still needed to be resolved.

The Head of Strategic Finance advised the Committee and Auditors that the Head of ICT had returned to work. Both he and the Head of ICT would be interviewing candidates on Monday for the deputy position. He acknowledged that it was important to ensure the officer was in post prior to the current officer leaving to go on maternity leave. He advised that the evaluation team had been agreed and the Consultants who had reviewed the service would be part of that team.

Ms Sultan thanked the officer for the latest update.

Councillor Derbyshire sought to reassure the Committee that the Shared Services Joint Committee, which both he and Councillor Khan attended as Watford's representatives, had been apprised of the staffing issues and would be monitoring progress at the next meeting. The issues raised by the External Auditor were the same as those expressed at the Joint Committee. If it was agreed to outsource ICT and it was to start at the end of the Financial Year, then he would raise this at the Joint Committee for discussion.

Councillor Khan confirmed that he had spoken of the same concerns at the Joint Committee. He was pleased to hear that the Head of ICT had returned to work. He did not want any changes rushed as it was more important that the software worked rather than trying to meet a particular timeframe.

The Chair thanked Ms Sultan for attending the meeting and presenting Grant Thornton's report.

RESOLVED –

that the reports be noted.

6

EXTERNAL AUDITOR APPOINTMENT

The Committee received a report of the Head of Strategic Finance which informed Members of the continued appointment of Grant Thornton as the Council's external auditor for a further five years.

Following a question about the winding up of the Audit Commission, Richard Lawson, from Grant Thornton, advised that from 2013/14 it would be an open tender process.

RESOLVED –

that the Committee notes the appointment of Grant Thornton as external auditor until 1 September 2017.

7 STATEMENT OF ACCOUNTS 2011/2012

The Committee received a report of the Head of Strategic Finance which informed Members of the production of information for Grant Thornton in respect of the Statement of Accounts for 2011/2012.

The Head of Strategic Finance advised that the three sets of accounts were currently being forwarded to Grant Thornton. He had signed the Watford draft statement that evening.

Richard Lawson confirmed that he had received all documents prior to the meeting.

The Head of Finance Shared Services informed the Committee that the draft accounts would be published on the councils' websites as in previous years. He understood, however, that Members had not been made aware of this fact previously. The draft accounts were open for public inspection.

The Committee welcomed the fact that the deadlines had been met this year.

The Head of Strategic Finance confirmed that the potential risks table was incorrect. The last column in the second row should have read '4'.

RESOLVED –

that the report be noted.

8 ANNUAL GOVERNANCE STATEMENT 2011/2012

The Committee received a report of the Head of Strategic Finance regarding the Annual Governance Statement, which would be included in the Statement of Accounts.

The Head of Strategic Finance informed the Committee that the draft version had been sent to Grant Thornton and there had been one comment on the document. It had been discussed at the Leadership meeting in May. At the end of the report it listed the significant issues identified as a result of the review of effectiveness.

The Head of Strategic Finance explained that the delay in the completion of the recommendations from the Revenues and Benefits health check had been due to a number of reasons. He noted that the demand for the service was still

increasing and due to the nature of the work the service was highly dependent on its software.

In response to a question about the fourth concern in the list, the Head of Strategic Finance explained the problem which had occurred during the previous Financial Year. The Fraud Manager had been instrumental in ensuring the money was recovered. New procedures had been put in place to ensure the problem would not happen again.

The Head of Strategic Finance advised that he would arrange for a copy of the ICT action plan to be provided to Members.

In response to a question from Councillor Brandon, the Head of Strategic Finance commented that initially there had not been sufficient resources in Revenues and Benefits. Additional funding was put in place to resolve the problems within the service. The Council had to make cuts in budgets but the costs for Revenues and Benefits were increasing. He felt that the service did not make sufficient use of ICT and e-forms. This would help balance the costs for the service, where the workload was increasing.

With regard to ICT, the Head of Strategic Finance said that financial resources were in place, for example capital funding had been available for the replacement servers. The councils would consider whether to outsource this service.

Councillor Derbyshire advised that the Shared Services Joint Committee was concerned about the Revenues and Benefits service. He was encouraged that recently more top managerial resources had been allocated to it.

Councillor Khan stated that he was concerned whether both councils' ICT systems were robust enough. He felt it was vital that a proper health check was carried out and particularly in relation to hacking. He suggested the Committee should request that an investigation was carried out to discover whether any ICT vulnerabilities existed.

The Audit Manager responded that the annual penetration test made recommendations how to improve processes. He would ensure that issues identified during testing were reported to managers immediately. An audit of the infrastructure was to be carried out. He confirmed that the annual test did include access from outside the authority. When considering any contract for the ICT service, security aspects should be built into it.

The Head of Strategic Finance stated that a report could be presented to the Committee at the next meeting. The Committee agreed with this suggestion.

RESOLVED –

that the Annual Governance Statement as set out as Appendix A to the report be approved and that a report regarding the robustness of the Council's ICT systems be presented to the next meeting.

TREASURY MANAGEMENT QUARTERLY REPORT

The Committee received a report of the Head of Strategic Finance which provided the regular update of the Council's Treasury Management Strategy and investment performance.

The Head of Strategic Finance advised that all companies included in the Council's investment portfolio continued to meet the criteria in the Council's investment policy, despite being downgraded by a ratings agency.

Members asked whether the Council had been affected by the recent problems at Nat West Bank. There was concern that council taxpayers would be penalised for not paying their Council Tax in time due to these problems.

The Head of Strategic Finance advised that he was not aware of any effects, but would contact the relevant officers for further information and circulate it to the Committee.

Councillor Brandon said that he had noted that Watford only invested in the UK whereas the County Council did not. He asked whether the Council would consider investing in other markets, initially in the short term and then possibly in the long term in the future.

The Head of Strategic Finance replied that there was a distinction between the county pension fund and the county's cash fund. He believed the cash fund used AAA rated Money Market Funds but was not aware that it used non UK registered financial institutions. He added that it was important to consider the risks and whether they were worth taking. Santander UK had the same credit rating as other UK financial institutions. He would however keep the situation under daily review and was keeping the Portfolio on a short maturity for the time being.

RESOLVED –

that the report be noted.

INTERNAL AUDIT ANNUAL REPORT

The Committee received a report of the Audit Manager including his Annual Report on the work of the Internal Audit Service for 2011/2012.

The Audit Manager explained how the service reviewed which areas to audit.

RESOLVED –

that the contents of the annual internal audit report be noted.

11 **INTERNAL AUDIT RECOMMENDATIONS**

The Committee received a report of the Audit Manager setting out the progress on the implementation of the Internal Audit recommendations. The appendix included an update since the last meeting.

Following a question about the BACS payments, the Audit Manager advised that ICT was still carrying out some of the payments. Those services where the transfer had not been completed as training needed to be provided to the appropriate officers. He was aware the transfer had not progressed as quickly as it should and that Members were not satisfied.

The Audit Manager explained that it was the responsibility of services to implement Internal Audit's recommendations. The report highlighted the risks if the recommendations were not completed. It was possible that Internal Audit could remind services more. He added that at Three Rivers the Audit Committee called officers to a meeting to account for any delay.

The Head of Strategic Finance informed the Committee that the recommendations had been presented to the Leadership Team and therefore senior officers were aware of any delays. He said that he was aware that Three Rivers wanted to reduce the amount of audit work carried out; however he considered Internal Audit to be an important aspect of governance arrangements.

RESOLVED –

that the contents of the report be noted.

12 **INTERNAL AUDIT PROGRESS REPORT**

The Committee received a report of the Audit Manager updating Members on the work undertaken by Internal Audit on the 2011/12 and 2012/13 Audit Plans.

The Audit Manager stated that he had noted that since the problems with the closure of the 2010/2011 accounts, processes had been improved and the deadlines for the 2011/2012 accounts had been met.

RESOLVED –

that the contents of the report be noted.

13 **AUTHORISED SIGNATORIES**

The Committee received a report of the Head of Strategic Finance requesting approval to increase the number of signatories managing the day to day treasury management functions.

RESOLVED –

that the authorised signatories who also have authority to confirm details by telephone with the Council's bankers, as detailed in Appendix A to the report, be approved.

14 FRAUD ANNUAL REPORT

The Committee received a report of the Fraud Manager Shared Services informing Members of the work of the Fraud Section for the 2011/2012 financial year. The report also sought approval for a revised Anti Fraud and Corruption Strategy and Money Laundering Guidance.

Fraud Annual report

Following a question about benchmarking data with other authorities, the Fraud Manager Shared Services advised that there was no benchmarking data available. The Department for Works and Pensions (DWP) assessed Revenues and Benefits and benefit fraud was integral to the process. The DWP was satisfied with the team's performance. The performance indicators had been taken from benchmark data several years ago. They were increased each year.

In response to a question about resolving large frauds instead of smaller cases, the Fraud Manager Shared Services explained that until investigations had commenced the team were not aware of the scale of the fraud. When a case was received it was risk assessed and then allocated to one of the officers. Officers were not encouraged to complete easier cases in order to increase the number of sanctions.

With regard to the target set for 2011/12 and the higher outturn for 2010/11, the Fraud Manager replied that the 2011/12 target had been set prior to the final outturn for the previous year.

Whistleblowing Policy

The Committee discussed the Whistleblowing policy which formed part of the Anti-Fraud and Corruption Strategy. Councillor Brandon asked whether officers had considered a different title. He felt that the term 'whistleblower' was beginning to become a derogatory name.

The Fraud Manager Shared Services stated that there had been no discussion about changing the name. The policy had been derived from the external auditor's guidance. He was of the opinion that there would not be an increase in referrals if the name were to be changed.

Following a question about concerns being reported to the Managing Director or Head of Strategic Finance, the Fraud Manager Shared Services explained that the policy had not been changed. The first report should be made to the line

manager, but if that was not felt to be possible then the whistleblower could approach the Managing Director. He recognised that people felt comfortable talking to different people.

The Head of Strategic Finance added that within a small district council, both he and the Managing Director were known to many officers across the Council as being approachable and fair minded.

RESOLVED –

1. that the Annual Report for the 2011/12 financial year be noted.
2. that the revised Anti Fraud and Corruption Strategy shown at Appendix A to the report be approved.
3. the Money Laundering Guidance document shown at Appendix B to the report be noted.

Chair

The Meeting started at 7.00 pm
and finished at 9.20 pm