



AUDIT COMMITTEE

Wednesday, 27 June 2012

7.00 pm

Town Hall, Watford

Publication date: 19 June 2012

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 Legal and Property Services on 01923 278377 or by email to legalanddemocratic@watford.gov.uk .

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

ACCESS

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- Do not stop to collect personal belongings
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- Do not re-enter the building until authorised to do so.

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COMMITTEE MEMBERSHIP

Councillor I Brown (Chair) and A Burtenshaw (Chair)
Councillor
Councillors I Brandon and A Khan

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 March 2012 to be submitted and signed.

4. REQUESTS MADE UNDER THE FREEDOM OF INFORMATION ACT 2000

(Pages 5 - 39)

This is a half year report of requests made under the Freedom of Information Act 2000.

5. EXTERNAL AUDITOR'S REPORT - ICT SHARED SERVICES UPDATE (Pages 40 - 46)

This report provides a response to the External Auditor's update which is attached.

6. EXTERNAL AUDITOR APPOINTMENT (Page 47)

The report asks the Committee to note the appointment of the External Auditors until 2017.

7. STATEMENT OF ACCOUNTS 2011/2012 (Pages 48 - 49)

This report informs the Committee of the production of information to Grant Thornton in respect of the Statement of Accounts for 2011/2012.

8. ANNUAL GOVERNANCE STATEMENT 2011/2012 (Pages 50 - 65)

This report sets out the Annual Governance Statement that the council is required to produce annually, for inclusion in the Statement of Accounts.

9. TREASURY MANAGEMENT QUARTERLY REPORT (Pages 66 - 71)

This report provides the regular review of the Council's Treasury Management Strategy and investment performance.

10. INTERNAL AUDIT ANNUAL REPORT (Pages 72 - 84)

This report introduces the Audit Manager's Annual Report on the work of the Internal Audit Service for 2011/2012.

11. INTERNAL AUDIT RECOMMENDATIONS (Pages 85 - 120)

This report provides an update on progress with the implementation of Internal Audit recommendations.

12. INTERNAL AUDIT PROGRESS REPORT (Pages 121 - 128)

The report and appendices provide updated information on the work undertaken by Internal Audit on the 2011/2012 and 20112/2013 Audit Plans.

13. AUTHORISED SIGNATORIES (Pages 129 - 130)

This report requests approval to increase the number of authorised signatories in managing the day to day treasury management functions.

Appendix A is not for publications (paragraph 3, Schedule 12A)

14. FRAUD ANNUAL REPORT (Pages 131 - 167)

This report informs Members of the work of the Fraud Section for the financial year 2011/2012. It also seeks approval for a new strategy and harmonised guidance.

PART A

Report to: Audit Committee
Date of Meeting 27 June 2012
Report of: Head of Legal and Property Services
Title: Requests made under the Freedom of Information Act 2000

1. **SUMMARY**

This is a half year report of requests made under the Freedom of Information Act 2000.

From 1 October 2011 until 31 March 2012 the Council received 175 requests all but 33 of which were replied to in the required time. A list of the requests is attached at appendices 1 and 2 for information

2. **RECOMMENDATIONS**

To note the contents of this report.

Contact Officer:

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

Report approved by Managing Director

3.0 DETAILED PROPOSAL

- 3.1 The Freedom of Information Act 2000 came fully into force on 1st January 2005. As a public authority we are obliged to answer written requests for information under the Act within 20 working days.
- 3.2 This report covers the periods 1 October 2011 until 31 March 2012.
- 3.3 In this period the Council recorded receiving 175 requests for information under the Act all but 33 were replied to within the statutory 20 working days.
- 3.4 The requests have been varied. Appendices 1 and 2 give a brief summary of each request.
- 3.5 Unfortunately as with my previous report there are a number of requests that have not been replied to within the ambit of Revenues and Benefits. This has primarily been due to pressure on the service to reduce the backlog of claims as a result of implementing the new computer system, and staff who previously dealt with FOI requests leaving the Council's employment.
- 3.6 The Customer Service Improvement Officer continues to emphasise to departments the need to respond to requests within the statutory time frame. The Head of Legal and Property Services is continuing with her quarterly lunch and learn sessions on the Act to provide a refresher and they are proving very popular.
- 3.7 The Mayor and Managing Director continue to receive a weekly list of all new FOI requests that are received.

4.0 IMPLICATIONS

4.1 Financial

The Head of Strategic Finance comments that this report indicates that information is found using existing staff resources. If, in the future, the requests increase in number and/or complexity then it may become necessary to review this situation.

4.2 Legal Issues (Monitoring Officer)

The Head of Legal & Property Services comments that ongoing training will be provided across the council to ensure officers are aware of the Council's responsibilities under the Act.

4.3 Staffing

Requests are currently being managed within existing resources.

4.4 Accommodation

No implications

4.5 Equalities

No implications

4.6 Community Safety

No implications

4.7 Sustainability

No implications

4.8

Potential Risks

Potential Risk	Likelihood	Impact	Overall score
Request not replied to within statutory time limit	2	2	4
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.			

Appendix 1 – Summary of FOI requests October to December 2011

Appendix 2 – Summary of FOI requests January to March 2012

Background papers:

The following background papers were used in the preparation of this report. If you wish to inspect or take copies of background papers please contact the officer named on the front page of the report.

Lagan database

SUMMARY OF FOI REQUESTS OCT- DEC 2011 (TOTAL 78)**Category codes:**

I (Individual no address/not WBC resident) **IWB** (individual WBC resident) **C** (campaign group) **M** (Media) **O** (Organisation)

REASON FOR REQUEST	RESPONDED WITHIN TIMESCALE?	INFORMATION PROVIDED?	CUSTOMER ADVISED ON ALTERNATIVE LOCATION OF INFORMATION	CAT
People who have died with no next of kin	Yes	Yes	No	I
Details of expense claims made by the elected Mayor	Yes	Yes	No	M
Fees paid for use of Holyrood School for elections	Yes	Yes	No	I
Details of non-domestic rates assessments in your authority area in excess of £30,000	No	Yes	No	I
Details relating to Section 106 money since 2001	Yes	Yes	No	M
Information relating to collection of parking fees	Yes	Yes	No	I

REASON FOR REQUEST	RESPONDED WITHIN TIMESCALE?	INFORMATION PROVIDED?	CUSTOMER ADVISED ON ALTERNATIVE LOCATION OF INFORMATION	CAT
Details of all genuine credits that are held on your business rates system, to include: credits written away to suspense/ control accounts Amounts written off during the last 12 months Credits which are due to non individuals	No - unresolved			O
Does your council offer recycling credits to charities?	Yes	Yes	Yes in part - HCC	O
Details of your current recruitment services contract(s)	No	Yes	No	I
Details relating to municipal clocks within the council	Yes	Yes	No	M
Number of allotment plots and waiting list	Yes	Yes	No	I
Details of any breach of licence by Oceana Nightclub and inspections carried out by WBC	Yes	Yes	No	M

REASON FOR REQUEST	RESPONDED WITHIN TIMESCALE?	INFORMATION PROVIDED?	CUSTOMER ADVISED ON ALTERNATIVE LOCATION OF INFORMATION	CAT
Information relating to operation garden waste service	No	Yes	No	I
Money received through the New Homes Bonus scheme and expenditure	Yes	Yes	No	M
Details of all the firms that have bid for the tenders for various services	Yes	Yes	No	O
Amount of legal costs incurred by your council as a result of appeals arising from the council's planning decisions.	No	Yes	No	M
Details of rateable values and credits of all properties that have any historic credit on their account	No	Yes	No	O
Details relating to youth clubs, sports clubs and school clubs and and cuts in funding	Yes	No	HCC	I

REASON FOR REQUEST	RESPONDED WITHIN TIMESCALE?	INFORMATION PROVIDED?	CUSTOMER ADVISED ON ALTERNATIVE LOCATION OF INFORMATION	CAT
Is Waste Collection for your authority carried out by in-house resources or outsourced to a third party? Details of any contracts	Yes	Yes	No	O
Details of current HMO list	Yes	Yes	No	O
Budget, income and expenditure pest control services	Yes	Yes	No	I
Income and fees charged for various services	No	Yes	No	I
Details of redundancies 2010/11 and age grouping	Yes	Yes	No	M
Amount your authority has spent on its CCTV network in the past four years. How many mobile and fixed surveillance cameras are controlled by your authority.	Yes	Yes	No	C
If any elected members are part of LGPS	Yes	Yes	No	C

REASON FOR REQUEST	RESPONDED WITHIN TIMESCALE?	INFORMATION PROVIDED?	CUSTOMER ADVISED ON ALTERNATIVE LOCATION OF INFORMATION	CAT
Since January 1 2011 has the council been contacted by or been in contact with any theatrical and entertainment producer about the possibility of staging a Christmas pantomime and or similar type of Christmas entertainment?	Yes	Yes	No	M
Information on local authority enforcement of waste issues.	Yes	Yes	No	I
How many public health funeral cases you have referred, or are due to refer, to the Treasury Solicitors from Aug 2011 and the date of your response.	Yes	Yes	No	O
Details (including projected costs) of any plans you have to mark the Queen's diamond jubilee in 2012	Yes	Yes - none	No	I

REASON FOR REQUEST	RESPONDED WITHIN TIMESCALE?	INFORMATION PROVIDED?	CUSTOMER ADVISED ON ALTERNATIVE LOCATION OF INFORMATION	CAT
In 2009/10 2010/11 how much was spent by your organisation on providing foreign language translation services (i.) for written communications (ii.) for verbal communications	Yes	Yes	No	MP
Information on redundancies and payments	Yes	Yes	No	I
Does your company use e-discovery software?	Yes	Yes	No	I
Information relating to ICT budgets and projects	No	Yes	No	O
Has your LA experienced developers not completing a housing development/estate/road to an agreed standard and therefore leading to a delay in adoption by your LA?	Yes	No	Yes - HCC	MP

REASON FOR REQUEST	RESPONDED WITHIN TIMESCALE?	INFORMATION PROVIDED?	CUSTOMER ADVISED ON ALTERNATIVE LOCATION OF INFORMATION	CAT
All properties within your billing area which are currently vacant with rateable values in excess £250,000	Yes	Yes	No	O
List of non-domestic rates assessments in your authority area in excess of £30,000	No	Yes	No	I
How many companies are liable for more than one rating assessment/account within your jurisdiction.	No - unresolved			O
List of all empty residential derelict properties	No	Yes	No	IWB
Minutes of the meetings between Watford Football Clubs charity trust and Watford Council in relation to the Meriden community centre and draft version of the proposed contract between the council and the charity	Yes	Yes – in part	No	I

REASON FOR REQUEST	RESPONDED WITHIN TIMESCALE?	INFORMATION PROVIDED?	CUSTOMER ADVISED ON ALTERNATIVE LOCATION OF INFORMATION	CAT
How much money, in total did Watford Council spend on Christmas/seasonal lights in winter 2009/10, 2010/2011 and 2011/12?	Yes	Yes	No	I
Information in last five years relating to so-called paupers' funerals	Yes	Yes	No	M
Information relating to crematoria and charges	Yes	Yes	No	I
How many employees are councillors and how much paid time allowed for carrying out duties	Yes	Yes	No	MP
Information regarding childcare voucher scheme	Yes	Yes	No	O
Information regarding various ICT contracts	No	Yes	No	I
How many residents permits issued in zone G and number of spaces available	Yes	Yes	No	M
List of all residential empty derelict properties	No	Yes	No	I

REASON FOR REQUEST	RESPONDED WITHIN TIMESCALE?	INFORMATION PROVIDED?	CUSTOMER ADVISED ON ALTERNATIVE LOCATION OF INFORMATION	CAT
Long term empty properties in the area	No - unresolved			M
Copy of the latest health and safety inspection, trading standards and food hygiene for specified premises	Yes	Yes	Yes in part – Hertsmere BC	I
Exemptions relating to private hire vehicles	Yes	Yes	No	O
Whether the Local Authority currently or in the past has funded coroners for the payment of GP reports?	Yes	Yes	No	I
Anyone who has died with no known next of kin	Yes	Yes	No	I
Council's use of private investigators since 2008	Yes	Yes	No	M
Details relating to owner of private road and issuing of car parking fines	Yes	Yes	No	IWB

REASON FOR REQUEST	RESPONDED WITHIN TIMESCALE?	INFORMATION PROVIDED?	CUSTOMER ADVISED ON ALTERNATIVE LOCATION OF INFORMATION	CAT
Number of personal searches carried out so far this year in each month beginning with Jan 2011 and the names of the organisations that carried out the searches. Including number of 'official' searches carried out in the same period by the local authority	Yes	No	No	O
How many hours CCTV cameras are manned	Yes	Yes – in part	Yes in part – Herts Police	M
Whether another company have requested details of all personal search company names	Yes	Yes	No	O
Details regarding Section 106 monies	Yes	Yes	No	M
All NDR accounts in your billing authority area that still have a credit balance (in excess of £500) shown on them from any time from 1 April 1990 to date.	No	Yes	No	O

REASON FOR REQUEST	RESPONDED WITHIN TIMESCALE?	INFORMATION PROVIDED?	CUSTOMER ADVISED ON ALTERNATIVE LOCATION OF INFORMATION	CAT
Premises operating as shisha bars	Yes	Yes	No	O
How many staff were paid via the PAYE system last month?	Yes	Yes	No	I
Is your council planning to cut back on the funding and/or ceremonial duties of your mayor in the budget proposals being finalised for the financial year 2012/13.	Yes	Yes	No	I
All the privately owned and council / public body or company owned empty properties in Watford (minimum 6 months empty)	No	Yes	No	O

REASON FOR REQUEST	RESPONDED WITHIN TIMESCALE?	INFORMATION PROVIDED?	CUSTOMER ADVISED ON ALTERNATIVE LOCATION OF INFORMATION	CAT
88-110 The Parade, Watford Is the site registered, or likely to be registered in the future, as contaminated land by the Council under Part IIA of the Environmental Protection Act 1990? Any pollution or contamination incidents or issues that have occurred or are occurring at or near the site	Yes	Yes – in part	No	0
How many adverse possession land claims in the borough which have been lodged via the Land Registry as possessory titles or absolute titles in last 10 years?	Yes	No – further clarification not received from requestor	No	1

REASON FOR REQUEST	RESPONDED WITHIN TIMESCALE?	INFORMATION PROVIDED?	CUSTOMER ADVISED ON ALTERNATIVE LOCATION OF INFORMATION	CAT
Monmouth House, Lower High Street Who owns the property and why has it been empty for so long and not investigated by WBC Empty Homes Team?	Yes	Yes- in part	Yes – land Registry	IWB
Top ten most visited websites by council staff	Yes	Yes- in part	No	M
Information relating to grounds maintenance contracts and arboriculture contracts.	Yes	Yes	No	O
Number of Public Health funeral cases you have referred, or are due to refer, to the Treasury Solicitor from October 2011	Yes	Yes	No	O
People dying with no next of kin	Yes	Yes	No	I
How many staff made/being made redundant 2010-2015. Total budget and any services closing during same period	Yes	Yes	No	M

REASON FOR REQUEST	RESPONDED WITHIN TIMESCALE?	INFORMATION PROVIDED?	CUSTOMER ADVISED ON ALTERNATIVE LOCATION OF INFORMATION	CAT
If any staff paid on strike day and total saving. What council intends to do with the 'windfall'	Yes	Yes – in part	No	IWB
All documentation relating to any council-owned property that is currently rented and/or leased to any political party, trade union or Member of Parliament.	Yes	Yes	No	I
How many times has local authority authorised investigations under the RIPA Act 2000 in the periods: a) 1st December 2008? 30th November 2009? b) 1st December 2009? 30th November 2010? c) 1st December 2010? 30th November 2011	Yes	Yes	No	C

REASON FOR REQUEST	RESPONDED WITHIN TIMESCALE?	INFORMATION PROVIDED?	CUSTOMER ADVISED ON ALTERNATIVE LOCATION OF INFORMATION	CAT
Current planning applications which, if successful, would result in the development of land on the Metropolitan Green Belt/greenfield site/brownfield site	Yes	Yes	No	M
How much the council has spent on accommodating statutory homeless people in B&B and hotel accommodation in (i) 2010 and (ii) 2011 and which hotels are used	Yes	Yes	No	O
How much was spent/is projected to be spent for electoral registration and electoral services within your authority.	Yes	Yes	No	C
Total complaints received about staff and Members in each year since 2006, including names, reason and outcome	Yes	Yes	No	M

SUMMARY OF FOI REQUESTS JAN-MARCH 2012 (TOTAL 97)**Category codes:**

I (Individual no address/not WBC resident) **IWB** (individual WBC resident) **C** (campaign group) **M** (Media) **O** (Organisation)

REASON FOR REQUEST	RESPONDED WITHIN TIMESCALE?	INFORMATION PROVIDED?	CUSTOMER ADVISED ON ALTERNATIVE LOCATION OF INFORMATION	CAT
Information relating to number of homeless people 2010/11	Yes	Yes	No	IWB
Any celebrities who have been paid to attend Council meetings or events	Yes	Yes – none	No	I
How many public health funerals referred to Treasury solicitor	Yes	Yes	No	O
Information relating to licensed taxi drivers who hold criminal convictions	Yes	No – not available	No	I
Licensing and enforcement of displays lasers for entertainment purposes.	Yes	Yes	No	I

REASON FOR REQUEST	RESPONDED WITHIN TIMESCALE?	INFORMATION PROVIDED?	CUSTOMER ADVISED ON ALTERNATIVE LOCATION OF INFORMATION	CAT
Information regarding each building in the authority which is used primarily as office space for council employees	Yes	Yes	No	M
Information relating to machines for car parking charges	Yes	Yes	No	I
All properties with your billing authority area with a credit held on the account over £2000	No	Yes	No	I
From August 2011 until present day how many public health funerals has your organisation performed or will be performing	Yes	Yes	No	I
Has the council identified savings from its budget on services (revenue) for the next three financial years re staff and consultants	Yes	Yes	No	M
How much has been cut from your budget for 2012/2013 and where the Council will find the savings.	Yes	No – info not yet available	No	I

REASON FOR REQUEST	RESPONDED WITHIN TIMESCALE?	INFORMATION PROVIDED?	CUSTOMER ADVISED ON ALTERNATIVE LOCATION OF INFORMATION	CAT
For each of the last five years, headcount of Council staff, in post at the beginning of the relevant year, who have moved out of the council by the end of the year?	Yes	Yes – in part	No	I
Details of any attempted refunds of accounts in credit that have been returned or not presented for payment	No – unresolved			O
Current NNDR overpayment/credit shown for any financial year if credit balance hasn't been carried forward And where a 'write on' has been used since 1st April 2000	No	Yes	No	O
Cost of calls made to speaking clock and directory enquiries	Yes	Yes – in part	No	M
Persons who have died with no next of kin	Yes	Yes	No	I

REASON FOR REQUEST	RESPONDED WITHIN TIMESCALE?	INFORMATION PROVIDED?	CUSTOMER ADVISED ON ALTERNATIVE LOCATION OF INFORMATION	CAT
Information on costs for early and ill health retirement	Yes	Yes	No	M
Information relating to ICT contracts	Yes	Yes	No	I
The Land Use Class of meat processing in general terms and of boning & cutting of carcasses?	Yes	No – response requested further clarification of request as not strictly FOI – no response from requestor	No	O
Information held with regards to sewer issues 76 High St	Yes	Yes	No	I
Details of staff and budgets relating specifically with energy saving and also with sustainability	Yes	Yes	No	I
Details relating to ICT hardware and maintenance costs	No	Yes	No	I
Details relating to contractors appointed in 1980's	Yes	Yes	No	O

REASON FOR REQUEST	RESPONDED WITHIN TIMESCALE?	INFORMATION PROVIDED?	CUSTOMER ADVISED ON ALTERNATIVE LOCATION OF INFORMATION	CAT
Expenditure relating to removal of travellers from illegal sites	Yes	Yes	No	M
Public access buildings which have been reported as haunted	Yes	Yes– in part	Yes WCHT	O
List of non-domestic rates assessments in your authority area in excess of £10,000	No - unresolved			I
Amounts for Council Tax Band C for the last 10 years	No	Yes	No	I
Details of organisation who carries out the household waste collection for residual (black bag) waste and recycling waste	Yes	Yes	No	O
How many public health funeral cases you have referred, or are due to refer, to the Treasury Solicitor, Duchy, Queen's and Lord Treasurer's Remembrance (QLTR) or Crown Solicitor from November 2011	Yes	Yes	No	O

REASON FOR REQUEST	RESPONDED WITHIN TIMESCALE?	INFORMATION PROVIDED?	CUSTOMER ADVISED ON ALTERNATIVE LOCATION OF INFORMATION	CAT
Number of registered tattoo artists in the area	Yes	Yes	No	I
Charges for various services in last 3 year	Yes	Yes in part	Yes in part - HCC	M
Number of Non Domestic Rate Paying premises in the Watford Council Area that claiming small business rate relief	No	Yes	No	O
Empty commercial properties rates payable of £40,000 and above.	No	Yes	No	I
Properties that have any historic credit on their account	No	Yes	No	O
Enquiry concerning your Council and its use, or otherwise, of Acceptable Behaviour Contracts.	Yes	No	No	C
Persons who have died with no known next of kin	Yes	Yes	No	I
Details relating to changes in pay and effects on budget	Yes	Yes	Yes in part - HCC	M
Any staff attending Queens Diamond Jubilee pageant in June 2012	Yes	Yes in part	Yes in part - HCC	M

REASON FOR REQUEST	RESPONDED WITHIN TIMESCALE?	INFORMATION PROVIDED?	CUSTOMER ADVISED ON ALTERNATIVE LOCATION OF INFORMATION	CAT
List of empty homes where council tax has not been paid	No	Yes	No	IWB
Amount paid by your authority by way of business rates in relation to your vacant property/accommodation for 2007/8, 2008/9, 2009/10, 2010/11 and 2011/12.	No - unresolved			M
Information relating to swimming participation and swimming pools in your local area	Yes	No	Yes - HCC	O
Complaints relating to noise caused by engineering works being undertaken by Network Rail.	Yes	Yes	No	I
Information relating to vacant property case and associated environmental issues	No	Yes	No	I

REASON FOR REQUEST	RESPONDED WITHIN TIMESCALE?	INFORMATION PROVIDED?	CUSTOMER ADVISED ON ALTERNATIVE LOCATION OF INFORMATION	CAT
How many individuals employed in permanent posts at your local authority were paid through companies rather than through PAYE?	Yes	Yes	No	M
Information with regards to mobile phone contracts	Yes	Yes	No	I
Research into Local Authorities management, ownership, and maintenance of all public buildings	Yes	Yes	No	I
Use of private enforcement contractors (bailiffs) to collect Council Tax/NNDR/parking fines	Yes	Yes	No	O
How many automatic wash/dry toilets you provided via Disabled Facility Grants in 2010/11, and how many so far in this current year?	Yes	Yes	No	I

REASON FOR REQUEST	RESPONDED WITHIN TIMESCALE?	INFORMATION PROVIDED?	CUSTOMER ADVISED ON ALTERNATIVE LOCATION OF INFORMATION	CAT
Information relating to land that is or was last used for the following three categories -outdoor sports facilities -amenity greenspace - provision for children and teenagers	Yes	Yes	No	M
Information regarding contracts and use of Serco and subsidiary companies	Yes	Yes	No	I
Primates licences issued under the Dangerous Wild Animals Act 1976	Yes	Yes	No	C
Highway inspection records together with all opening/closing notices regarding an accident on the 24 June 2011	Yes	No	Yes - Herts Highways	O
How much the council has spent since and including 2010 refurbishing/repairing two buildings it owns in Exchange Road and The Harebreaks, which were occupied by the charity Age UK Hertfordshire.	Yes	Yes	No	I

REASON FOR REQUEST	RESPONDED WITHIN TIMESCALE?	INFORMATION PROVIDED?	CUSTOMER ADVISED ON ALTERNATIVE LOCATION OF INFORMATION	CAT
Details of empty properties paying a current rateable value in the councils district above £50,000,	No - unresolved			O
List of all the empty commercial properties within the Council area	No	Yes	No	I
List of all long term empty properties owned by companies in the borough	No	Yes	No	I
Any current contaminated land notices, or entries on the register maintained under section 78R of the Environmental Protection Act 1990, or consultations with any owners or occupiers conducted under section 78G(3) of the Environmental Protection Act 1990	Yes	Yes - none	No	O
Is coaching made available to staff and to whom	No	Yes	No	I

REASON FOR REQUEST	RESPONDED WITHIN TIMESCALE?	INFORMATION PROVIDED?	CUSTOMER ADVISED ON ALTERNATIVE LOCATION OF INFORMATION	CAT
Minutes of meetings re Meriden Community Centre and any discussions with WCHT regarding old doctors surgery	No	Yes – in part	No	I
Planning applications received in the following categories (minor, major and other) for the years 2009, 2010 and 2011 and time taken for decisions	Yes	Yes – in part	Yes – in part	I
Planning applications 2010-11 and those that fell within greenbelt were approved	Yes	Yes	No	I
105A North Western Avenue - specifically records containing the information necessary to answer questions 3.1 3.7(a) to (f), 3.8, 3.9(a) to (n), 3.11 of the CON29R form.	Yes	No	No	O
Current empty homes list	Yes	Yes	No	I

REASON FOR REQUEST	RESPONDED WITHIN TIMESCALE?	INFORMATION PROVIDED?	CUSTOMER ADVISED ON ALTERNATIVE LOCATION OF INFORMATION	CAT
Any third sector services and/or projects across all departments that your council commissions, awards grants and/or provides contracts for, that are targeted at or primarily used by women/men?	Yes	Yes	No	M
Premises licensed to sell alcohol for consumption on premises	Yes	Yes	No	I
How many public health funeral cases you have referred, or are due to refer, to the Treasury Solicitor	Yes	Yes	No	O
Questionnaire regarding pet shop licences	Yes	Yes	No	O
Contract for road and street signs maintenance awarded to PGM Signs	Yes	Yes	No	I
Anyone who has died with no known next of kin from my last request of 16/11/2011 to the present	Yes	Yes	No	I

REASON FOR REQUEST	RESPONDED WITHIN TIMESCALE?	INFORMATION PROVIDED?	CUSTOMER ADVISED ON ALTERNATIVE LOCATION OF INFORMATION	CAT
Name of each interim member of staff employed in the financial year 2011/12 at a cost of 400 per day or more	Yes	Yes – none	No	O
Contract for Civil Engineering Works with D R Hansard & Sons	Yes	Yes	No	I
Cost of employers contributions to LGPS. Percentage spent from C/Tax. How many Members contribute to LGPS	Yes	Yes	No	MP
Whether any employees have lone worker protection devices.	Yes	Yes	No	I
How many planning applications have been granted since 1 January 2007, which resulted in the development of land on the metropolitan green belt? How many applications are pending?	Yes	Yes	No	O
Noise Abatement / Noise Enforcement against pianos in the last 5 years	Yes	Yes	No	I

REASON FOR REQUEST	RESPONDED WITHIN TIMESCALE?	INFORMATION PROVIDED?	CUSTOMER ADVISED ON ALTERNATIVE LOCATION OF INFORMATION	CAT
How many stray dogs entered pounds between 1st January 2010 and 31st December 2010?	Yes	Yes	No	I
Has the Council had to reach a settlement with HM Revenue & Customs (HMRC) in the past 4 years (or if possible to research, 6 years) to pay arrears of National Insurance Contributions under the NIC Aggregation of Earnings rules?	Yes	Yes	No	I
a) The average number of days taken as sick leave by staff directly employed by the council for this and the last financial year b) The total number of staff directly employed by the council c) The average salary of a full time employee	Yes	Yes	No	I

REASON FOR REQUEST	RESPONDED WITHIN TIMESCALE?	INFORMATION PROVIDED?	CUSTOMER ADVISED ON ALTERNATIVE LOCATION OF INFORMATION	CAT
1. How many councillors does your council have at full strength? 2. How many vacancies are there currently on your council? 3. How many councillors are currently married? 4. How many councillors are currently in a Civil Partnership?	Yes	Yes – in part	No	I
Has the council bought any tickets for Olympic events?	Yes	Yes	No	O
List of all Non-Domestic rate accounts that are currently in receipt of mandatory relief.	No	Yes	No	O
Does the Council have a cross departmental strategy/action plan on human trafficking?	Yes	Yes – in part	Yes – in part	O
Premises with zoo licences	Yes	Yes – none	No	O
People dying with no next of kin	Yes	Yes	No	I

REASON FOR REQUEST	RESPONDED WITHIN TIMESCALE?	INFORMATION PROVIDED?	CUSTOMER ADVISED ON ALTERNATIVE LOCATION OF INFORMATION	CAT
How many staff are currently paid less than the nationwide living wage of £7.20 per hour as set out by the Living Wage Foundation	Yes	Yes	No	I
Information about New Homes Bonus funding being spent by your local authority	Yes	Yes	No	M
Operations with third-party providers for Waste management/street cleaning and managing social housing	Yes	Yes – in part	Yes – in part	I
Planning applications received for developments in areas identified by the Environment Agency as Flood Risk Areas (under ss13 and 14 of the 2009 Flood Risk Regulations) in each of the financial years 2007-8, 2008-9, 2009-10, 2010-11, and 2011-2	Yes	Yes	No	M
All Non-Domestic rate accounts that are currently overpaid or in credit.	Yes	Yes	No	O

REASON FOR REQUEST	RESPONDED WITHIN TIMESCALE?	INFORMATION PROVIDED?	CUSTOMER ADVISED ON ALTERNATIVE LOCATION OF INFORMATION	CAT
List of empty homes that are currently vacant in and around the Watford area	Yes	Yes	No	I
List of licensed dog breeding establishments	Yes	Yes	No	I
details of CCTV systems as they relate to taxis and private hire vehicles	Yes	Yes	No	C
Food standard and hygiene reports carried out for all the hospitals within your area since January 1, 2011.	Yes	Yes	No	I
Amount that WBC have set aside for employee team building programmes for the fiscal year commencing April 2012.	Yes	Yes	No	I
Details of childcare voucher scheme	Yes	Yes	No	O
Procurement that took place in late 2009 / early 2010 for a Property Management System.	Yes	Yes	No	O
Name of ratepayer 23 St Johns Rd if limited company	Yes	Yes	No	O

Agenda Item 5

PART A

Report to: Audit Committee
Date of meeting: 27th June 2012
Report of: Head of Strategic Finance
Title: ICT Shared Services Update

1.0 **SUMMARY**

1.1 This report is a very short response to the Grant Thornton attached report.

2.0 **RECOMMENDATIONS**

2.1 That the Committee considers this report in conjunction with the Grant Thornton ICT Shared Services update.

Contact Officer:

For further information on this report please contact: Bernard Clarke, Head of Strategic Finance
telephone extension: 8189 email: bernard.clarke@watford.gov.uk

3.0 **Detail**

This report responds to the attached Grant Thornton report.

3.1 The closing date for return of tender submissions has been extended until 9th July. This was at the request of a number of potential interested companies and was agreed because it is important that both councils obtain as comprehensive selection field as possible. The evaluation process will commence immediately after that date.

3.2 The evaluation team has been chosen and comprises 10 officers from both councils and will be split into three component parts:

- service delivery (40% score ranking)
- price (30% score ranking)
- ICT platform (30% score ranking)

3.3 A few officers will be involved in all three parts. The project will be co-ordinated by the Head of Strategic Finance from Watford. The Head of ICT is due to return to work on 25th June and will play a major part in the evaluation exercise along with a consultant from Actica (the ICT advisers to this contract).

3.4 The recommendation from the evaluation panel will be considered by the Shared Services Joint Committee on 23rd September. Whilst deadlines appear tight, a degree of due diligence has already commenced whereby all interested potential outsource companies have had a series of meetings with the Procurement Officer and the ICT Business Manager. In reality this is not a big contract for all parties to obtain due comfort. A target date of 1st April (at the latest) is not unrealistic.

3.5 All issues within the Risk management section of the report have either been dealt with or are actively being considered. The length of the contract is a primary period of 5 years with an option for both councils of a further 2 years. The contract is extremely detailed and includes performance targets and penalty processes. All members of the Shared Service Joint Committee have received a complete set of tender documents which were discussed at the Joint Committee Meeting on 28th May 2012.

4.0 **IMPLICATIONS**

4.1 **Financial Issues**

The Head of Strategic Finance comments that there are no financial implications arising directly out of this report.

4.2 **Legal Issues** (Monitoring Officer)

The Head of Legal and Property Services comments that there are no legal implications arising directly out of this report.

4.3 **Potential Risks**

Potential Risk	Likelihood	Impact	Overall score
That no tenders are received (an extension of time has tried to reduce this risk)	2	4	8
That all tenders exceed current in house cost of the service	2	4	8
That finalisation of contract slips beyond 1 st April 2013	2	2	4

4.4 **Staffing and Equalities**

None Directly

4.5 **Accommodation**

None Directly

Attachment: External Audit 2011/12 – ICT Shared Services Update



Three Rivers DC/Watford BC

External Audit 2011-12

ICT Shared Services Update

June 2012

Status of IT Shared Services - for presentation to Audit Committee June 2012

SCOPE AND BACKGROUND

As part of our 2011-12 audit plan we have identified the need to review the arrangements in respect of the ICT Shared Service for both Watford BC ('WBC') and Three Rivers DC ('TRDC'), in particular to understand the plans for implementing recommendations from external consultants and audit, internal and external, and to assess the proposed scope for reviewing the future viability of the service. This work will inform our opinion for the 2011-12 accounts.

In February 2012, we presented to Audit Committee a paper summarising key activity within the ICT Shared Service, as well as progress to date with the options to outsource the service. This summary report provides an update on further progress, in particular with regard to the on-going activity for the future provision of the service.

Our summary below is based on a number of key documents from both Councils. We have discussed progress with the ICT Business Manager, in the absence of the Head of ICT, but we have not performed any additional work to date to test the operating effectiveness of the controls in place to manage the service nor the project plans to help deliver the future of the service.

PROGRESS WITH INFRASTRUCTURE UPGRADE

The ICT Shared Service completed a twelve week infrastructure programme in January 2012, to deal with urgent change/maintenance requests. Approximately £123,000 was spent on Phase 1 to complete this work. This included infrastructure improvements made around performance, problem management and security. Phase 2 was planned and work outlined included further work to make similar improvements and to bring older technologies up to date by upgrading or replacing. This has also now been completed. Work has commenced on further infrastructure improvements.

FUTURE OF THE SERVICE

The independent review of ICT Shared Services in May 2011 recommended that improvements were required to Shared Services governance arrangements, the ICT infrastructure, service delivery and the future ICT strategy. In November 2011, the Shared Services Joint Committee recommended that the Councils further explore the option of fully outsourcing the ICT service through advertisement on the following framework agreements:

- HCC (Hertfordshire County Council) framework – with a single supplier, SERCO
- GPS (Government Procurement Services) framework – with up to twelve potential suppliers

The parallel procurement exercises are now on-going, with bids due for return on the 25th of June 2012. The tender exercises involve the following:

- the Councils conducted a capability assessment on both framework agreements. We are informed that from the twelve potential suppliers, eight have responded with an expression of interest from the GPS framework and SERCO also responded from the HCC framework
- the Councils, with the help of external consultants, have developed an ICT requirement specification from the information gathered from the both Councils
- the Councils have supplied the same tender information on both framework agreements, and requested that suppliers respond to the ICT proposal accordingly
- the Councils have retained the right not to make an award.

TIMETABLE

The ITT was issued on 11th May 2012 and responses are expected on 25 June 2012. The original timetable indicated that the evaluation of tenders and selection of preferred supplier would take place in July 2012, with the award of contract anticipated to be in September 2012. The service with the third party was to take effect from beginning of 2013. However, this has now been subject to change and the evaluation exercise and award of contract will not now take place until 10th September 2012 via the Joint Committee. This will have an impact on the awarding of the contract, if that is agreed.

Based on current plans, the earliest that any new service can go live will be from March 2013. However, this is dependent on the timeframe for due diligence and transition which is currently estimated at four weeks and twelve weeks respectively. These timescales would be negotiated with any prospective supplier. Mid-March onwards is traditionally a very busy period in the year for authorities and the risks around resources being stretched should be considered carefully.

The Joint Management Board are to finalise the evaluation process and revised timescales in early June 2012. Evaluation criteria has been agreed and included within the ITT, but the officers to be involved and the revised timescales have yet to be agreed.

We are informed that ICT staff were briefed on the change of the procurement approach in a team meeting on 8 March 2012. Consultation with staff is underway and will run for forty two days from 30 April until Friday 8 June 2012.

KEY STAFF

The Head of ICT Shared Services is currently on long term sick leave. Her role as overall project lead has been overseen in the past few weeks by the ICT Business Manager, who in turn will herself be on maternity leave from early July. The Councils have not yet taken a decision as to who will oversee the evaluation of tenders and, if the decision is taken to award a contract, liaise with the successful bidder as part of the transition work, should the Head of ICT not be available. We are informed that this risk is, however, currently being investigated as a priority.

RISK MANAGEMENT

We bring to the attention of the Audit Committee, following on from our update in February 2012, the following areas that we believe need to be actively managed, should the Councils decide to use a third party to manage its ICT service:

- 1 Ensure that there is sufficient representation, at the most appropriate level, from ICT to assess the tender submissions
- 2 Make a decision around whether an interim Head of ICT Shared Service will be appointed to provide a strategic lead over the next few months. This will be a critical time and ICT expertise will be essential in liaising with third parties
- 3 Ensure that the timescales for commencement of contract, should this be agreed, are considered carefully to ensure key resources are available to oversee this project in addition to other critical work for the Councils
- 4 The Councils should ensure that specialist advice on drawing up IT contracts is sought before the contract (s) is signed to assess their needs and responsibilities, including the right to audit.
- 5 Consideration should also be given to the length of the contract(s) and the inclusion of penalties, in addition to the Councils' exit strategy
- 6 The contract(s) should clearly stipulate how the proposed benefits will be measured and realised and how would this will be detailed via contractual terms
- 7 The contract(s) should also outline the type of governance arrangements needed for contract review and monitoring purposes
- 8 The contract should clearly stipulate the information security requirements as mandated by external regulatory bodies.

We propose to carry out the regular updates between spring and the autumn 2012 and will report to the respective Audit Committee meetings for both Three Rivers DC and Watford BC.

The work has been performed by Negat Sultan, a Senior Manager within our Technology Risk Services team and has been overseen by Paul Dossett, Partner.

Grant Thornton UK LLP

June 2012

PART A

Report to: Audit Committee
Date of meeting: 27th June 2012
Report of: Head of Strategic Finance
Title: External Auditor Appointment

1.0 **SUMMARY**

1.1 Notification has been received from the Audit Commission that Grant Thornton will continue to be Watford's external auditors for a further 5 years until 1 September 2017.

2.0 **RECOMMENDATIONS**

2.1 That the Committee notes the appointment of Grant Thornton as external auditor until 1st September 2017.

Contact Officer:

For further information on this report please contact: Bernard Clarke, Head of Strategic Finance, telephone extension: 8189 email: bernard.clarke@watford.gov.uk

Agenda Item 7

PART A

Report to: Audit Committee
Date of meeting: 27th June 2012
Report of: Head of Strategic Finance
Title: Statement of Accounts 2011/2012

1.0 **SUMMARY**

1.1 This report informs the Committee of the production of information to Grant Thornton in respect of the Statement of Accounts for 2011/2012.

2.0 **RECOMMENDATIONS**

2.1 That the Committee notes the report.

Contact Officer:

For further information on this report please contact: Bernard Clarke, Head of Strategic Finance
telephone extension: 8189 email: bernard.clarke@watford.gov.uk

3.0 **Detail**

3.1 The Accounts and Audit (England) Regulations 2011 makes provision for the Statement of Accounts not to be presented to this Committee until they have been formally audited. As a consequence the full set of accounts will be considered at the next meeting on 25th September 2012.

3.2 The statutory accounts still need to be signed off by the Head of Strategic Finance (as the statutory Section 151 Officer) and the achievement of this will be reported verbally to the Audit Committee at its meeting. Failure to complete the accounts by the statutory deadline would be formally reported by the Council's External Auditor and would result in the authority being 'named and shamed' by the Secretary of State for Communities and Local Government.

3.3 Regular closing account meetings have been held with all key stakeholders throughout the closure period. The latest meeting was on 15th June and indicated a very successful outcome. It is anticipated that a full set of Statement of Account papers (and an electronic version) will have been prepared by the 30th June statutory date.

4.0 **IMPLICATIONS**

4.1 **Financial Issues**

The Head of Strategic Finance comments that there are no financial implications arising directly out of this report.

4.2 **Legal Issues** (Monitoring Officer)

The Head of Legal and Property Services comments that there are no legal implications arising directly out of this report.

4.3 **Potential Risks**

Potential Risk	Likelihood	Impact	Overall score
That the accounts are not statutorily finalised by 30 th June 2011	1	4	4
That the Accounts are found to be materially misstated when audited by Grant Thornton.	1	4	8

4.4 **Staffing and Equalities**

None Directly

4.5 **Accommodation**

None Directly

Agenda Item 8

PART A

Report to: Audit Committee
Date of meeting: 27th June 2012
Report of: Head of Strategic Finance
Title: Annual Governance Statement 2011/2012

1.0 **SUMMARY**

1.1 This report sets out the Annual Governance Statement (Appendix A) that the council is required to produce annually, for inclusion in the Statement of Accounts. Best practice requires that Members consider this separately before inclusion within the accounts.

2.0 **RECOMMENDATIONS**

2.1 That the Annual Governance Statement set out as Appendix A be approved,

Contact Officer:

For further information on this report please contact: Bernard Clarke, Head of Strategic Finance, telephone extension: 8189 email: bernard.clarke@watford.gov.uk

3.0 **DETAILED PROPOSAL**

3.1 It is a statutory requirement that all authorities are required to produce an Annual Governance Statement (AGS). The purpose of the Statement is to demonstrate that the council has put in place proper arrangements for the governance of its affairs and for their continued effectiveness.

3.2 Recent guidance has been received from the Council's External Auditors, Grant Thornton, regarding what they deem to be best practice and includes:

- the AGS should clearly highlight what issues are significant (and exclude those of a minor nature)
- have only significant weaknesses recorded with SMART action planning
- provides a robust, transparent and honest assessment of the governance framework for the year.
- needs to indicate clear ownership and challenge

Sections 12 & 13 at Appendix A has attempted to follow this guidance and has focused upon the 'big picture'.

3.3 Its main conclusions were:

- Councils need to have more transparent and accessible public reporting, particularly the Annual Governance Statement
- Councils need to ensure that they invest in people to ensure effective governance arrangements when risk is increasing but resource is reducing
- Councils should do more to review and challenge the effectiveness of the components of their governance frameworks (eg audit and scrutiny committees).

These conclusions do not necessarily apply fully to Watford as its current reporting of the AGS includes its availability on the Council's website. A very relevant issue, however, relates to the need to ensure effective governance arrangements whilst simultaneously reducing levels of staffing to meet public expenditure reductions. In that respect it is incumbent upon all levels of government to reduce the amount of bureaucracy and unnecessary reporting that is all too prevalent at the present time. The continuous production of 'incomprehensible international audit standards' also does not help in achieving lean and effective governance.

3.4 The Grant Thornton review also indicated that 25% of Governance Statements did not appear within the Statement of Accounts and, where they did, 62% were not prominently displayed. In this respect, Watford's Annual Governance Statement appears at the very beginning of the Annual Statement of Accounts and must be deemed best practice.

3.5 With regard to the detailed Governance Statement at Appendix A, the Audit Committee's attention is particularly drawn to the section on Significant Governance issues, which sets out priority areas for improvement. The guidance on the AGS is very clear that an AGS with no such issues to report is likely to be a sign of an ineffective governance culture. The Governance Statement is based on a format compiled by CIPFA as a good practice example.

3.6 In accordance with recommended practice, the Governance Statement has been reviewed by Leadership Team on 15th May 2012.

4.0 **IMPLICATIONS**

4.1 **Financial**

4.1.1 The Head of Strategic Finance comments that there are no financial implications arising directly from this report.

4.2 **Legal Issues** (Monitoring Officer)

4.2.1 The Head of Legal and Property Services comments that the requirement to publish an Annual Governance Statement arises from the Accounts and Audit (Amended) Regulations (England) 2006.

4.3 **Equalities**

4.3.1 The Council’s commitment to equalities is reflected in its values and hence in this Statement.

4.4 **Potential Risks**

Potential Risk	Likelihood	Impact	Overall score
Failure to correctly identify key issues	2	4	8
The ongoing review of the Governance Statement is designed to minimise the risk of over-looking important issues. Failure to do so could lead to problems for the council, including financial loss, reputational risk and adverse comment from the external auditor.			

Appendix A - Annual Governance Statement

Background Papers

If you wish to inspect or take copies of the background papers, please contact the officer named on the front page of the report.”

Delivering Good Governance in Local Government – SOLACE/CIPFA
The Annual Governance Statement – CIPFA Finance Advisory Network

File Reference

None

Annual Governance Statement 2011/2012

1.0 Scope of responsibility

- 1.1 Watford Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for. Watford Borough Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, Watford Borough Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the exercise of its functions, which includes arrangements for the management of risk.
- 1.3 Watford Borough Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE framework *Delivering Good Governance in Local Government*. A copy of the code is on our website at www.watford.gov.uk or can be obtained from the Head of Legal and Property Services.
- 1.4 This Governance Statement explains how Watford Borough Council has complied with the code and also meets the requirements of Regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

2.0 The purpose of the governance framework

- 2.1 The governance framework comprises the systems and processes, culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community and enables the authority to monitor the achievement of its vision and strategic objectives.
- 2.2 The framework needs to add real value with a corporate ownership at the very highest levels of management and needs to respond to evolving governance issues as they occur. The framework has been fundamentally reviewed and highlights significant issues and weaknesses that have and need to be addressed.
- 2.3 A key component of the Governance framework is the underlying system of internal control which is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.
- 2.4 The governance framework has been in place at Watford Borough Council for the year ended 31 March 2012 and up to the date of approval of the Statement of Accounts for the 2011/2012 financial year

3.0 Strategic Aims and Objectives

- 3.1 The governance framework enables the Council's key objectives to be met and these can be summarised as follows:

VISION:

A successful town in which people are proud to live, work, study and visit

OUR OBJECTIVES:

- Improve the health of the town and enhance its heritage
- Enhance the town's 'clean and green' environment

- Enhance the town's sustainability
- Enhance the town's economic prosperity and potential
- Supporting individuals and the community
- Securing an efficient, effective, value for money council
- Influence and partnership delivery

3.2 Underpinning these over arching priorities are a series of measurable, SMART objectives so that every member of staff and our community can feel fully engaged in the process. These objectives were reviewed by Cabinet on 20th March 2012 within the Council's Corporate Plan and covers the period up to 2016 (and can be accessed on the Council's web site).

3.3 The Council, under its statutory duty, also plays a major role in the Local Strategic Partnership, **One Watford**, which is made up of key stakeholders such as Hertfordshire County Council, Hertfordshire Police Authority, West Herts College, Watford and West Herts Chamber of Commerce, Watford Council for Voluntary Service, Hertfordshire NHS, Watford Community Safety Partnership, Watford's Children and Young People's Forum (formerly District Children's Trust Partnership), John Lewis plc, Wenta, Watford Community Housing Trust and Herts Valleys Clinical Commissioning Group. One Watford has produced the borough's Sustainable Community Strategy which cascades down to the Council's Corporate Plan.

4.0 Decision Making Structures

4.1 Watford Borough Council has a directly elected Mayor, which means that the community elect the person to lead the Council. The Mayor is supported by a Cabinet that plays a key role in determining the overall budget and policy framework of the Council. Each member of the Cabinet has a Portfolio for which they are responsible and they can make decisions within their area of responsibility.

4.2 The major check upon executive decisions taken by the Mayor and Cabinet is the Council and key decisions such as setting the Annual Budget and establishing the Constitutional Framework can only be approved by Council.

4.3 In addition the Council has an overarching Overview and Scrutiny Committee which, amongst other responsibilities, oversees the work of Budget Panel and any task groups set up to scrutinise a particular service area. There are also five further committees covering development control, licensing, audit, functions and standards.

4.4 At an officer level, the senior management comprises the Managing Director and two Executive Directors (to be reduced to one in 2012/2013) and is supported by Heads of Service. This combined management comprise the Leadership Team who meet fortnightly to review and progress the key objectives of the Council. There is also an Executive Group comprising the Managing Director, Executive Director and Head of Strategic Finance which meets regularly to review the strategic aims and ambitions of the Council. The Council has two statutory officers (both Heads of Service) with responsibility for monitoring all governance and financial matters.

5.0 The governance framework

5.1 The Council has approved a Code of Corporate Governance which identifies community focus, service delivery arrangements, structures and processes, risk management, internal control arrangements and standards of conduct.

5.2 The key documents driving the governance framework are included in the council's Constitution (published in full on the Council's website www.watford.gov.uk). This sets out how the Council takes decisions, roles and responsibilities of members and officers, codes of conduct and procedure rules and also sets out the rights of citizens. A wide range of detailed policy and procedure documents supplement this for operational use by officers.

Both the Constitution and these supplementary documents are kept under review and updated as necessary. Training is provided for Members and staff on relevant changes.

- 5.3 Council, Cabinet and Committee/ Scrutiny meetings are open to the public and written reports are available to the public through the website. Information is only treated as confidential when it is necessary to do so for legal/ commercial reasons or as a matter of proper practice in accordance with the legal constraints of the Local Government Act 1972 (as amended).
- 5.4 Each year, Council meetings review the Constitution and set key policies and objectives, including the corporate plan and the budget, as well as individual strategies for key activities.
- 5.5 The Council publishes its Corporate Plan annually, which sets out key service improvement priorities for the medium term, with targets for performance and deadlines for achievement. This has been informed by public consultation on the Sustainable Community Strategy and agreed by the Local Strategic Partnership, One Watford, and by consultation and surveys carried out on a range of topics. It is also informed by a detailed analysis and understanding of Watford in terms of what are the key issues and factors influencing the context of the borough. Feedback from members and external review organisations is also taken into account as is the Council's budget and financial planning.
- 5.6 The Corporate Plan is publicised and published on the council's website and distributed in hard copy to various premises. Progress on the Plan is reported to the public through About Watford, including an 'annual report' on the Council's achievements and how well it has delivered its commitments within the Plan.
- 5.7 Councillors are assisted in their policy and decision-making roles by the advice of staff with suitable qualifications and experience, under the leadership of the Managing Director. All reports requiring a decision from Members include comments on financial, legal, equalities, sustainability, community safety and other appropriate issues such as potential risks to non achievement, all of which ensures that comprehensive advice is provided.
- 5.8 The scrutiny function within a local authority provides a necessary check upon the role of the Executive and is a key component of corporate governance. At Watford it is co-ordinated through the Overview and Scrutiny Committee, which can review Cabinet decisions and service performance. In addition the Standards Committee was chaired by an Independent representative during 2011/2012 (but will need to change in 2012/2013 as a consequence of the Localism Act), and the Budget Panel is chaired by a member of an opposition party. The Panel considers many financial issues at the request of, and prior to consideration by, Cabinet. In addition, the Audit Committee reviews the overall governance arrangements including the service related control and risk management environment. The Audit Committee also considers the response to Freedom of Information requests as well as Annual Accounts and Treasury Management policies.
- 5.9 The Council's protocols and procedures are reviewed and updated on a regular basis for standing orders, financial regulations, a scheme of delegation and supporting procedure notes/ manuals clearly defining how decisions are taken and the process and controls required to manage risks. Compliance with established policies, procedures, laws and regulations is achieved through a combination of: training events, written policy and procedural documentation, authorisation procedures, managerial supervision, review by internal and external audit and use of the disciplinary procedure where appropriate.
- 5.10 Codes of Conduct defining the standards of behaviour for members, staff, our partners and the community have been developed and communicated and are available on the Council's website. These include:
 - Members Code of Conduct
 - Code of Conduct for staff
 - Anti fraud and corruption policy

- Money Laundering detection guidance
 - Members and officer protocols
 - Regular performance appraisals, linked to service and corporate objectives.
 - Service standards that define the behaviour of officers
 - A Standards Committee which has a key role in promoting and maintaining high standards of conduct for members.
 - Officers are subject to the standards of any professional bodies to which they belong.
- 5.11 The Head of Legal & Property Services is the Council's Monitoring Officer and her duties include: maintaining the Council's Constitution; reporting on any potential or actual illegality or maladministration; and giving advice to the Mayor and councillors on the Constitution or issues of maladministration, financial impropriety or probity.
- 5.12 The Head of Strategic Finance is the statutory Chief Finance Officer. His duties include: overall responsibility for financial administration; reporting on any actual or potential instances of illegality in expenditure, including unlawful loss or deficiency or illegal items of account; and giving advice to the Mayor, councillors and officers on the Budget and Medium Term Financial Strategy or issues of maladministration, financial impropriety or probity.

6.0 Operational Issues

- 6.1 The Council is committed to delivering value for money, and has published its Value for Money Strategy and Action Plan 2008/2014. The principles underpinning this Strategy were applied in developing a detailed Service Prioritisation budgeting process during 2010/11 which identified £3m of efficiencies over a 3 year period (£2.6m is anticipated to be delivered). This work has been further developed with the production of a 'Roadmap' to identify what the Council will look like in the future and which seeks to anticipate and manage change. Service Reviews have commenced and will be used to identify a further £2m of efficiencies which includes exposing some services to potential external providers. The outcomes of this review programme will be used to deliver real improvements in the efficient, effective and economic delivery of services and to inform the development of future budget proposals and the Medium Term Financial Strategy for 2012/2016.
- 6.2 The Council seeks to ensure continuous improvement through:
- work carried out as part of the annual budget process
 - project appraisal and formal project management for all improvement projects and major investment programmes.
 - undertaking Best Value/Value for Money and managerial reviews
 - implementing the recommendations of Internal Audit
 - implementing the recommendations of external auditors and inspectors
 - the adoption of best practice where cost-effective
 - increasing use of technology to deliver services that customers want
 - market testing of services where appropriate
 - consultation with the public and staff
 - partnership working with companies and other public bodies
 - setting challenging targets for improvement
- 6.3 Budget monitoring reports are produced monthly as a Finance Digest and distributed to all members of the Council. They are also submitted quarterly to Cabinet and six times a year to the Budget Panel and are discussed at quarterly review meetings between Executive Directors, Portfolio Holders and Heads of Service. These reports also include performance data which is also considered monthly by Leadership Team under a 'managing the business' agenda.
- 6.4 The Council has a complaints procedure, and reports on complaints and compliments are circulated to senior officers and discussed at quarterly review meetings and annually at

Leadership Team. Similarly a record is kept of all Freedom Of Information requests and this is continuously monitored to ensure compliance and reported to the Audit Committee.

- 6.5 A revised anti-fraud and corruption strategy (including the whistle blowing policy) was reviewed by Watford's Audit Committee in January 2010 and has subsequently been 'complemented' by a report from the Council's Fraud Manager which was considered by Leadership Team on 17th April 2012 and Audit Committee on 27th June 2012. Both papers bring together best practice and also includes reference to fraud in partnering organisations and the voluntary sector. The Intranet (under Learning and Development) include E Learning modules for Anti Fraud, Money Laundering, and Fraud Awareness. Hard copies are available at Wiggshall Road Depot for staff without access to the intranet and are referred to in the Council's Induction Training Programmes. Fraud reporting arrangements for residents have been improved with new entries in an updated version of the A to Z of Council services which has been distributed to all homes in the Borough.
- 6.6 The development needs of senior officers in relation to their strategic roles are identified within a learning and development process including a comprehensive 'Step Up To Leadership' programme and is supplemented with one to one interviews and review by HR managers. Similarly, member training is well advanced with an individual personal development planning process for every member having been established. The Council continue to meet the IDeA criteria for member development..

7.0 Performance Management

- 7.1 The Council has developed an effective performance management system that underpins the delivery of its priorities and improved outcomes for residents. The development, implementation and review of the Council's key plans and strategies is a key element of its performance management system. As part of this process the Council develops a four year medium term strategy, which it reviews annually and which is published in its Corporate Plan. This, in turn informs the four year service delivery plans for all its services, which are developed through workshop sessions and in discussion with relevant portfolio holders. Performance targets are identified in the Corporate Plan to reflect corporate priorities and disseminated through the service delivery plans, unit plans to individual performance appraisals.
- 7.2 During the year performance is monitored regularly through a number of channels. The council services not within the shared services programme, report performance quarterly as part of the Council's Quarterly Review process when progress against service plans is evaluated with the relevant portfolio holder and Executive Director. Performance of key indicators is also discussed along with financial performance. These reviews include consideration of complaints and progress against the Council's equalities agenda. For those services within shared services, this quarterly monitoring is achieved through reports to a fortnightly meeting of a Shared Services Officer Management Board, regular meetings of lead officers and shared services portfolio holders and more formally through the Shared Services Joint Committee.
- 7.3 Leadership Team receives quarterly updates on progress against the Council's key performance indicators and monthly against 'managing the business' indicators, which are identified each year to measure key priorities and areas relating to the corporate health of the organisation. Quarterly performance reports with updates on all corporate projects and indicators have been reported to Overview and Scrutiny Committee for discussion and, where necessary, relevant heads of service and portfolio holders are invited to attend.
- 7.4 The Council keeps residents and stakeholders informed of its progress through an Annual Report. This is published at the end of the financial year in the Council's magazine so that local people are kept well-informed as to how their Council is performing.

8.0 Data Quality and Risk Management

- 8.1 The need to develop policies and guidance on data quality and assurance is essential in order to promote consistency and awareness across the organisation. To that end, the Council has a senior member of staff who acts as the Senior Information Risk Officer (SIRO) who is concerned with identifying and managing the information risks to the organisation and with its business partners.
- 8.2 There is a Council wide Data Quality Champions Group which meets periodically and adopts a risk based approach to data quality recognising that poor quality can seriously hinder the decision making process. The Council also has a Data Quality Policy and an Information Security Policy (both of which are held on the intranet). A data asset register is in place which provides a framework to monitor the councils information assets and assess risk in relation to these assets against loss, quality and/or achievement of targets. Information management training modules are also available for staff on the intranet.
- 8.3 All senior managers, staff responsible for Key Performance Indicators (KPIs) and staff with a strong information focus have received information governance training which has very much focussed upon accuracy, validity, reliability, timeliness, relevance and completeness. Members of the scrutiny committees have also received this training.
- 8.4 The Council's approach to risk management is governed by its Risk Management Strategy which was updated and reviewed and approved by Leadership Team on 22 February 2011 and by the Audit Committee on 16 March 2011. This Strategy underpins the Strategic Risk register which was updated in March 2012 following approval by Leadership Team and the Audit Committee. This process is overseen by the Risk Management and Business Continuity Steering Group which meets six times a year and ensures a consistent approach to risk management across the Council.
- 8.5 Business Continuity is another key aspect within the corporate governance framework and this again falls within the remit of the Risk Management Corporate group. A revised Business Continuity Plan was approved by this Group at its meeting in June 2012 and is now deposited on the Council's intranet. Disaster 'scenarios' test the efficiency of continuity and emergency planning with the most recent being 'Exercise Brigg' held on 28th February 2012. The report and recommendations of that exercise appear on the Council's intranet along with the Risk Management Strategy; Risk Registers and minutes of each Steering Group Meeting.
- 8.6 Training has been provided in the past for the Audit Committee and key staff in which risk management and the Whistle blowing Policy were presented. The Fraud manager has reported to the Audit Committee on 27th June upon latest guidance relating to the prevention of fraud.
- 8.7 The risk management section within the Partnership Framework has been revised and all committee reports contain a 'risk implications' section as an aid to decision taking.

9.0 Shared Services with Three Rivers District Council

- 9.1 Watford Borough Council has been a leading authority in developing a shared service for revenues, benefits, ICT, financial services, and human resources with the neighbouring district council. In order to monitor and control this arrangement a Shared Services Joint Committee has been formed and comprises members from both councils.
- 9.2 The Joint Committee is required to produce its own statutory Statement of Accounts which are subject to audit by Watford Borough Council's external auditors. This process clearly provides a degree of comfort to both constituent authorities that good governance practices are being followed.

- 9.3 Reliance upon external audit scrutiny is insufficient however and the constituent bodies have put in place:
- a detailed joint agreement which includes all aspects of best practice financial administration and risk management.
 - detailed estimates to be approved by the constituent authorities prior to each financial year. Budget monitoring information provided to the constituent authorities on a regular basis.
 - the Joint Committee to receive detailed quarterly performance management monitoring reports.
 - the draft Statutory Statement of Accounts to be considered and approved by the Joint Committee.
- 9.4 In addition to these embedded controls an assessment of key risks is considered as part of the fortnightly meetings of the officer Shared Services Management Board which also considers Internal Audit reports affecting shared services.
- 9.5 During 2011/12 Internal Audit carried out 198 days of planned audits into the activities of Shared Services and anticipates within the Internal Audit Plan for 2012/2013 allocating 202 audit days in auditing systems and financial administration within the Shared Services operations.

10.0 Community Engagement

- 10.1 The Council exercises community leadership and effectively engages with local people and stakeholders, including partnerships, to ensure accountability, encourage community involvement in decision-making and to strengthen relationships and a sense of belonging within the community. The directly elected Mayor takes the lead in ensuring there is open and effective community leadership and provides an effective means for people, communities, businesses and organisations to engage with the Council. The Mayor is also the Chair of the borough's Local Strategic Partnership, One Watford, which developed the Sustainable Community Strategy through extensive consultation and engagement and which is communicated through its own website and that of the Council. The Community Engagement Strategy provides an overarching framework and key principles for effective engagement.
- 10.2 The Council has established twelve Neighbourhood Forums, which mirror the borough's ward boundaries and each have a devolved budget of £2,500. These are organised and managed by the relevant local councillors as part of their commitment to community leadership and engagement.
- 10.3 The Council has established clear channels of communication with all sections of the community and other stakeholders. It provides citizens and business with information about the Council and its spending through a leaflet that is distributed with council tax and business rate bills and the publication of a summary of its key financial information through the Council magazine 'About Watford', which is distributed to every home in the borough. The magazine is published four times a year and one edition includes an 'Annual Report' so local people can see how well the Council is doing in terms of delivering against its priorities.
- 10.4 The Council's Corporate Plan, which runs for four years, is published both on the website and in paper format and articulates its purpose and vision and shows how consultation and engagement with the local community has shaped its priorities.
- 10.5 The Council has established the 'One Watford Equality Panel', which provides an opportunity for traditionally harder to reach groups to take an active part in Council decision-making and feedback on areas and issues that might impact on their quality of life.
- 10.6 A range of consultation and engagement projects are undertaken annually. This includes a regular 'Community Survey' with the borough's Citizens' Panel, which incorporates the

Council's annual budget survey. The Citizens Panel has been completely refreshed to ensure it is representative of the Watford community. Local residents are also invited to attend the Mayor's annual information seminars, which help build understanding about Council finances and the implications for future service delivery. A young people's online forum has been set up to support the Council's engagement with what is often a harder to reach group. The Watford Compact provides an agreement between the statutory and voluntary sectors in Watford to clarify and strengthen their relationship and to achieve better outcomes for individuals and for the Watford community. All signatories to this document adhere to the national Compact standards.

10.7 The Council has a strong track record of working in partnership and is increasingly acting in partnership with other organisations in delivering its services and in pursuing its strategic objectives and efficiency targets. It has identified its strategic partnerships and its work within these is supported with a partnership framework, which ensures there are clear and robust governance and management arrangements and accountabilities. The framework ensures that any partnership arrangements are proportionate and strike the right balance between delivering value for money, protecting public funds and minimising risks and ensuring that benefits from organisations collaborating such as innovation and flexibility are realised.

10.8 Other community engagement activities undertaken in 2011/2012 include working with the Police and Watford Community Housing Trust to progress Neighbourhood Agreements; the Environmental Services Service Improvement Group; the Friends of Parks Groups; various Pub Watch and Off (license) Watch Groups, the Cultural Leaders Forum and the Business Advisory Group.

11.0 The Role of Audit

11.1 It is essential to appreciate that the governance framework and its compliance mechanisms must be distinguished from the role of audit which is to review the effectiveness of the compliance framework, not to be a substitute for it.

11.2 The Council's internal audit team carry out a programme of reviews during the year which are based upon a fraud risk assessment. As part of these audits, any failures to comply with legislation, council policy and practice or best practice guidance issued by a relevant body is identified and reported. Circulation of reports to senior officers, reports to the Audit Committee and follow-up procedures ensure action is taken on priority improvements. Progress on implementing internal audit recommendations is reported to quarterly reviews and to Leadership Team.

11.3 The Annual Report of the Audit Manager has been reported to the Audit Committee at its meeting on 27th June 2012 and included the following statement... "Audit Opinion: Having reviewed the work undertaken by Internal Audit to date I am able to give a satisfactory assurance of the adequacy and effectiveness of the internal control environment. There have been no significant new concerns arising from the majority of the audits undertaken in 2011/2012 that would necessitate an adverse overall opinion".

11.4 External auditors, appointed by the Audit Commission, provide an external review function through the audit of the annual accounts, assessment of value for money, certification of grant claims and through periodic inspection of services. The Annual Audit and Inspection Letter is circulated to all Members and formally reported to Cabinet and the Audit Committee.

11.5 The Audit Committee's terms of reference are consistent with CIPFA's guidance. It approved the annual plan of internal audit, and receives the quarterly and annual reports of the Audit Manager. It approves the Statement of Accounts, the annual governance statement and the review of the effectiveness of the internal audit system. It receives reports on risk management and reviews the operation of Treasury Management. It also received the annual letter from the Ombudsman and considers regular reports upon Freedom of Information requests.

11.6 The 2011/12 Statement of Accounts is due to be formally approved by the Audit Committee on 25th September 2012 (the Draft Accounts having been considered on 27th June).

12.0 Review of effectiveness

- 12.1 In accordance with recent external audit guidance, the review of the effectiveness of the governance framework will focus upon significant weaknesses and the 'big picture'. If issues have not been highlighted then that is because current governance arrangements have proved fit for purpose.
- 12.2 The review of effectiveness is informed by the work of the executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the Audit Manager's annual report and also by comments made by the external auditors and other review agencies and inspectorates. The Mayor and Portfolio Holders maintain a continuous review of the Council's policies, activities and performance of officers both through quarterly reviews and on a day to day basis. The subsequent paragraphs in this section of the report highlight those issues where there are potential governance issues.
- 12.3 The governance of special projects has raised a number of issues both relating to procurement and evaluation of financial and service offers. In these cases external specialist advice has been sought in order to protect the Council's interests. These projects include the Watford Health Campus, Charter Place re-development, and market testing of waste, refuse, street cleansing, parks and open spaces. All of these projects are ongoing in 2012/2013 when market testing of property and facilities management and the ICT Shared Service will also take place.
- 12.4 The majority of administrative processes occur within the Shared Services environment and it is not surprising that the majority of potential governance issues have arisen in this area and include attempted fraud by an external party, the need for up to date bank reconciliations, and the recording of all government changes to the benefits system and as notified through the 'ATLAS' process. These are all covered in more detail within the next section of the Governance Statement.
- 12.5 It is worthy of note however that Shared Services introduced a new Income Management System without issue and received the plaudits of Internal Audit. In addition the processes for the production of Final Accounts are far advanced than in the previous year. Finally Watford and Three Rivers are the first authorities within Hertfordshire to carry out a comprehensive review of those individuals claiming single persons council tax discount. Early indications are that 5% of claimants were in fact making fraudulent claims.
- 12.6 Outside of the shared services arena, Watford BC has successfully re-tendered its utilities contracts until 2016 with a large consortium (and so should achieve economies relating to bulk purchasing). Vehicle maintenance and treasury management have also been successfully re-tendered and telecoms contracts are currently out to tender. These processes do help to demonstrate that value for money is being sought.

13.0 Significant Governance Issues

13.1 The following significant issues have been identified as a result of review, with target dates for correction:

No.	Issue	Action	Lead	Update
1	Revenues and Benefits reconciliations within Academy and between Academy and the Cedar Finance Management System need to be completed for 2011/2012.	External help has been engaged to bring this up to date. BY: Immediate	Head of Revenues and Benefits Shared Services.	This was an issue in 2010/2011. Great progress has been made and it just requires one last effort to remove this as a governance issue.
2	Revenues and Benefits received a detailed Health Check report in Summer 2010. A few recommendations have still to be achieved.	Solid progress has been made but the Revenues and Benefits health check should continue to be revisited until all accepted recommendations are completed. BY: 31 st December 2012.	Head of Revenue and Benefits Shared Services	Until all recommendations have been actioned the service will continue to be 'average' at too high a cost.

No.	Issue	Action	Lead	Update
3	<p>Revenues and Benefits received an Inspection from the Department of Works and Pensions at year end. The report indicated good progress had been made but highlighted two issues of concern. The first issue related to the fact that notification of regulation amendments from the DWP (ATLAS) have not been actioned since July 2011. This will increase the probability of overpayments being made. The second issue relates to the fact that the Shared Services 'local authority error' for Watford is higher than acceptable levels.</p>	<p>Retrospective action needs to be taken to action all ATLAS notifications.</p> <p>BY: Immediate</p> <p>Improvements in timescales for dealing with outstanding benefit claimants should result in the level of local authority error falling to acceptable levels.</p> <p>BY: September 2012.</p>	<p>Head of Revenues and Benefits Shared Services</p>	<p>ATLAS work has now commenced. Improvement in turn around times for claimants is being maintained.</p>
4	<p>The incidence of Fraud has increased across the economy generally. This fraud includes false supplier details, syndicates submitting fictitious benefits claims, cyber crime by hacking into ICT systems, and the lack of proper vetting procedures relating to key staff appointments.</p>	<p>The most vulnerable areas of Council activity have been reviewed but all financial procedure rules need to be reviewed. ICT security systems need a 'health check' to ensure they are robust to cyber hacking. Additional staff vetting procedures should be introduced when appointing ICT or Benefits staff in particular.</p> <p>BY: 30/9/12</p>	<p>Head of Finance Shared Services</p> <p>Head of ICT Shared Services</p> <p>Head of HR Shared Services</p>	<p>Immediate vulnerable areas such as payment of creditors has been addressed. A comprehensive review now needs to take place.</p>

No.	Issue	Action	Lead	Update
5	Issues relating to the ICT operating platforms need to continue to be addressed so that there is greater resilience for all users.	Progress has been made in improving server resilience and issues relating to the 'thin client' environment. This progress needs to continue. BY: October 2012	Head of ICT Shared Services	An Action Plan has been developed. The service is being market tested during 2012/2013 with the evaluation criteria having a heavy emphasis on 'quality of product'.

13.2 We propose over the coming year to liaise with Three Rivers District Council in order to take steps to address the above matters. Subject to the necessary approvals from TRDC, we are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

.....
Mayor

.....
Managing Director

Date

Date

Agenda Item 9

PART A

Report to: Audit Committee
Date of meeting: 27th June 2012
Report of: Head of Strategic Finance
Title: Treasury Management Update Report

1.0 **SUMMARY**

1.1 This report provides the regular review of the Council's Treasury Management Strategy and investment performance.

2.0 **RECOMMENDATIONS**

2.1 That the Committee notes the report.

Contact Officer:

For further information on this report please contact: Bernard Clarke, Head of Strategic Finance, telephone extension: 8189 email: bernard.clarke@watford.gov.uk

3.0 Background

3.1 In my last report to the Committee on 14th March the continuing problems in the Eurozone were highlighted and included:

“To some extent the announcement by the European Central Bank (ECB) in December 2011 that it would make an unlimited three year lending facility available to all eurozone banks @ 1% rates of interest has relieved a considerable amount of pressure from the financial system. To date, the ECB has loaned 1 trillion euros to European banks. The size of the funding already taken up reveals the extent of the problems within the euro zone where there is a strong suspicion that a lot of losses within the banks have yet to be reported / covered by alternative funding. The ECB bail out whilst apparently attractive (1% rate of interest for up to three years) does mean that the ECB becomes the ‘preferred creditor’ and all other depositors/ shareholders are effectively down graded to junior status.”

3.2 Further: “Problems continue in Greece where social and political unrest are likely to reach breaking point in the near future. The latest ‘bail out’ package to Greece of circa 130 billion euros will only exacerbate the situation as the conditions for such a loan imposed principally by Germany/ Holland/ Finland/ and Austria will increase resentment. The Greek general election in April is likely to return a socialist government and a reversal of current austerity measures may well be the result. Private holders of Greek sovereign debt will probably be required to write off 70% of their holdings (and includes French and German banks; UK banks having very limited exposure)”. In fact the write down was in excess of 80%

3.3 And further: “The probability of Greece being forced out of the eurozone remains high as the northern European countries now believe that any consequent ‘contagion’ can be contained.”

3.4 And again: “As a consequence of all the activity over the past 3 months (and particularly the lending facility made available by the ECB) it is less likely that a wider banking crash will now occur and it is opportune for the Council to reconsider its current investment strategy for 2012/2013.”

3.5 And finally: “It is probably the case that the situation has stabilised and a slightly longer maturity profile can be considered for 2012/2013. The portfolio will therefore be structured whereby circa 33% of funds will be invested up to 12 months duration; 33% of medium term duration—up to six months; and 33% will be kept with a maturity of less than two months. Counterparty limits may also revert to up to £5m with any one financial institution and £3m with any of the top 5 building societies. The use of Nat West and the Co-operative Bank for overnight facilities of £10m and £5m respectively will continue to be utilised.”

4.0 Current Situation in Spain

4.1 For a short period of time the markets remained relatively calm with the focus very much being on the political events in Greece and France. The ECB loan facility was heavily utilised by Spanish Banks who borrowed at 1% rates of interest and onloaned to the Spanish Government at circa 4% rates of interest (and thereby

believed they would make a 'turn' on the transaction). The problem however is that Spanish Sovereign debt can now only be raised at circa 6-7% rates of interest so that all those Spanish banks are now sitting on losses. This, of course, is in addition to the (in many cases) undeclared losses related to their property loan portfolios.

- 4.2 As a consequence Spanish Banks have had their credit ratings drastically down graded, there is a steady transfer of foreign capital out of Spain and available funding has virtually dried up. Over the weekend of 9/10th June it was announced that 'Spain' would have a 100 billion euro loan facility available at 3% rates of interest. There appears however to be a marked contrast in statements emanating from Madrid and Berlin with the Spanish Premier stating it is simply a line of credit with no strings attached. The German Finance Minister, Wolfgang Schaeuble, stating however that the loan would be subject to the same monitoring regime as Portugal, Ireland and Greece.
- 4.3 The larger issue however is whether the loan will be advanced from the European Financial Stability Facility (EFSF) or the European Stability Mechanism (ESM). The difference between the two being that the EFSF has identical creditor rights as all other loans; the ESM has preferential status and all other creditors would then be downgraded to junior status. If it is the latter case then it is likely that all remaining foreign capital in Spanish banks will be repatriated elsewhere (many creditors having already taken a 80% write down on their Greek Debt).
- 4.4 There is now a knock on situation that of the 100 billion euro loan, 17.9% is being underwritten by Italy where difficulties in raising capital continues to be experienced. In effect Italy will have to borrow at 5.5% rates of interest in order to loan to Spain at 3% rates of interest. Is this reasonably sustainable ? Further, other countries such as Ireland & Portugal have received financial support from the ECB geared to 5-6% rates of interest and are starting to question why Spain should be given preferential treatment.
- 4.5 On 18th May, one of the three credit rating agencies, Moody's cut the credit rating of 16 Spanish banks (and included the two largest Spanish banks, Santander and Banco Bilbao Vizcaya Argentaria (BBVA) who had their credit rating reduced to a single A rating). Most of the other banks were local regional banks, heavily influenced by the local authorities, and which were effectively downgraded to virtual junk status. Since that date another major Spanish bank, Bankia, has had to receive support from the Spanish Government to meet a 'black hole' in its accounts. Finally, on 12th June, another of the big three credit rating agencies, Fitch, downgraded Santander and BBVA from a single A credit rating to BBB+ status.

5.0 Current Situation In Europe

- 5.1 Greece has another general election on 17th June and, should the anti austerity parties be elected, then it could signal the final act in the demise of continued membership of the eurozone.
- 5.2 Portugal may need to apply for further funding in the near future and may well be joined by Cyprus (although Russian funding is a possibility). Ireland is experiencing a recession and increased unemployment. Belgium, whilst not on the radar at present, has serious funding problems. Italian and French banks have all been downgraded.

- 5.3 German and Austrian banking institutions have also had their credit ratings cut within the last month (including Commerzbank, the second largest bank in Germany; and also the three largest Austrian banks). It has been signalled that UK banking institutions are likely to suffer downgrades in the near future. Tensions also exist within the Dutch banking system.
- 5.4 Recent research indicates that the combined exposure of UK lenders to debt in Greece, Portugal, Spain, Italy and Ireland fell during 2011 by 13 per cent to £195billion (exposure of UK financial institutions to Ireland is the greatest risk). This level of indebtedness can be compared with £350 billion for Germany and £270billion for France.
- 5.5 In conclusion, my forecast at the Audit Committee's last meeting that ... "it is less likely that a wider banking crash will now occur " (paragraph 3.4 earlier refers), suggests that I need a new crystal ball. In my defence, Chancellor Merkel is furious because she was assured that the 1 trillion euro bailout (referred to earlier at paragraph 3.1) would prevent a new banking crisis for 3 years.

6.0 The Council's Current Investment Portfolio

- 6.1 The Council's portfolio is attached at **Appendix 1**. It continues to focus upon the major UK Banks and the five largest Building Societies. The Portfolio's maturity has been lengthened (as indicated at the 14th March Audit Committee Meeting). Maximum exposure with any one financial institution has remained at £3m per bank and £2m with individual building societies. The exceptions to this being the overnight/ call accounts with Nat West and the Co-operative bank. The advantage in lengthening the maturity profile can be clearly appreciated by the rates of interest on offer –ranging from 1.5% to 3% (as compared to the average rate of interest accrued throughout 2011/2012 of 1.2%).
- 6.2 In the light of the uncertainties referred to at Sections 4 and 5 of this report, the Council's investment policy will be to keep its maturity profile of short duration (probably for the remainder of the year) and will affect rates of interest on offer. Those loans that effectively still have an over 6 month maturity profile will need to run their course. The maximum maturity is £2m with Lloyds which will mature in April 2013 (at a 3% rate of interest) and it is inconceivable that a bank 42% owned by the Government will be at risk.
- 6.3 A final comment about Santander UK Ltd which was downgraded by Moody's on 18th May as part of its cull of Spanish Banks. This was unfortunate and shows a degree of ignorance on the part of Moody's. Audit Committee has previously considered a detailed report at a previous meeting on the status of Santander UK Ltd which included:
- * It is ring fenced from its parent and it would be illegal for Santander Spain to transfer funds from its UK entity.
 - * It is one of the best capitalised banks in the UK.
 - * It is regulated by the Financial Services Authority (and effectively the Bank of England).
- Even after the Moody's downgrade it still meets the Council's credit criteria of F1/ P1/ A1 for short term investments up to 6 months. Nevertheless, when the loan matures on 7th September, the situation will be reviewed.

7.0 IMPLICATIONS

7.1 Financial Issues

The Head of Strategic Finance comments that the revenue estimates for 2012/2013 has assumed £325k of investment interest will be achieved (based upon a 1.3% rate of return). It is anticipated that this will be achieved due to an increased rate of return from the early part of the financial year (and is obviously predicated upon no financial institution defaulting).

7.2 Legal Issues (Monitoring Officer)

The Head of Legal and Property Services comments that there are statutory limitations governing cash fund investments and all proposals within this report ensure continued compliance.

7.3 Potential Risks

Potential Risk	Likelihood	Impact	Overall score
Investment with non approved body	1	3	3
Investment with an approved counterparty that subsequently defaults	1	4	4
Failure to achieve investment interest budget targets	2	2	4
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.			

7.4 Staffing

None Directly

7.5 Accommodation

None Directly

Appendix 1 -

Loan Ref	Lenders Ref	Loan type	Brokers	Profile	Fix/Var	Notice	Start date	Maturity Date	Principal	Rate
1005	CLYDESDA	D		V	V		06-Apr-10	- -	-3,000,000.00	0.85
1010	NATWESTS	D		V	V		27-Apr-10	- -	-10,000,000.00	0.90
1025	CO-OP	D		V	V	C	01-Jul-10	- -	-6,520,000.00	0.56
1039	SKIPTON	D	STER	M	F		27-Jul-11	25-Jul-12	-2,000,000.00	2.00
1042	YORKSHIR	D	PREB	M	F		05-Sep-11	03-Sep-12	-2,000,000.00	1.50
1053	LEEDS BS	D		M	F		16-Feb-12	16-Aug-12	-1,000,000.00	1.38
1054	NATIONWI	D	STER	M	F		23-Feb-12	21-Feb-13	-2,000,000.00	1.85
1055	LEEDS BS	D		M	F		06-Mar-12	05-Sep-12	-1,000,000.00	1.37
1056	BARCLAYS	D	PREB	M	F		06-Mar-12	05-Mar-13	-2,000,000.00	1.82
1057	SANTAND	D	PREB	M	F		07-Mar-12	07-Sep-12	-3,000,000.00	1.67
1058	COVENTRY	D	TRAD	M	F		09-Mar-12	10-Sep-12	-2,000,000.00	1.31
1059	LLOYDSTS	D		M	F		13-Apr-12	11-Apr-13	-2,000,000.00	3.00
1060	LLOYDSTS	D		M	F		18-May-12	20-Aug-12	-1,000,000.00	1.40
									<u>-37,520,000.00</u>	

Appendix 1

As at 15 June 2012

Please note £2.8m will leave Co-op Account on Tuesday 19 June

Likely to place £1m with Barclays on Monday 18 June for 3 months

Agenda Item 10

PART A

Report to: Audit Committee
Date of meeting: 27 June 2012
Report of: Audit Manager
Title: Internal Audit Annual Report 2011/2012

1.0 **SUMMARY**

1.1 This report introduces the Audit Manager's Annual Report on the work of the Internal Audit Service for 2011/2012 and his opinion of the adequacy and effectiveness of the Council's control environment (attached).

2.0 **RECOMMENDATIONS**

2.1 That the contents of the annual internal audit report be noted.

Contact Officer:

For further information on this report please contact: Mark Allen, Audit Manager, Telephone (01923) 278401 or 727463, email: mark.allen@watford.gov.uk

Report approved by: Bernard Clarke, Head of Strategic Finance

3.0 **DETAILED PROPOSAL**

3.1 Members are invited to discuss the contents of the Audit Manager's annual report.

3.2 CIPFA's *Code of Practice for Internal Audit* requires that the Head of Internal Audit must provide an annual report to those charged with governance which must:

- Include an opinion on the overall adequacy and effectiveness of the control environment
- Disclose any qualifications to that opinion together with the reasons for the qualification
- Present a summary of the audit work from which the opinion is derived, including reliance placed on work by other assurance bodies
- Draw attention to any issues the Head of Internal Audit judges particularly relevant to the preparation of the Annual Governance Statement
- Compare the work actually undertaken with the work that was planned and summarise the performance of the internal audit function against its performance measures and targets
- Comment on compliance with the CIPFA standards and communicate the results of the Internal Audit quality assurance programme.

3.3 The Audit Manager's opinion on the adequacy of the control environment is required for the production of the Annual Governance Statement. There are still a number of audits underway. In the event that, once they are completed, there is a need to revise the interim opinion, a revised opinion will be submitted to the next meeting of the Audit Committee.

4.0 **IMPLICATIONS**

4.1 **Financial**

4.1.1 The Head of Strategic Finance comments that there are no immediate implications arising from this report.

4.2 **Legal Issues** (Monitoring Officer)

4.2.1 The Head of Legal and Property Services comments that the legal implications are dealt with in the body of the report. The Council is under a duty to undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control. The Audit Manager is required to present an annual report, including an opinion on the adequacy and effectiveness of the control environment, to those charged with governance.

4.3 Potential Risks

4.3.1

Potential Risk	Likelihood	Impact	Overall score
The most significant potential risk relates to the possibility that Internal Audit is of poor quality and ineffective. This could lead to an increase in control weaknesses, in greater risks to the Council and to a loss of confidence by the external auditors in Internal Audit and the Council's control environment.	1	3	3

Appendix

Annual Report 2011-2012

Background Papers

The following background papers were used in the preparation of this report. If you wish to inspect or take copies of the background papers, please contact the officer named on the front page of the report:

Internal Audit Files.

File Reference

None.

**WATFORD BOROUGH COUNCIL
ANNUAL INTERNAL AUDIT REPORT 2011/2012**

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1 Introduction

This report summarises the work undertaken by Internal Audit in relation to the 2011/2012 audit plan to the end of May 2012. It covers functions performed directly by Watford Borough Council and by Shared Services on its behalf. The report meets the requirements of the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006 by:

- (i) including an opinion on the overall adequacy and effectiveness of the Council's control environment
- (ii) disclosing any qualifications to that opinion, together with the reasons for the qualification
- (iii) presenting a summary of audit work undertaken to formulate the opinion, including reliance placed on the work of other assurance bodies
- (iv) drawing attention to any issue the Head of Internal Audit judges particularly relevant to the production of the Annual Governance Statement
- (v) comparing the work actually undertaken with the work that was planned and summarising the performance of the Internal Audit team against its performance measures and
- (vi) commenting on compliance with the CIPFA standards and communicating the results of the Internal Audit quality assurance programme.

The Accounts and Audit (Amendment) (England) Regulations 2006 require the Council to maintain an adequate and effective system of internal audit of its accounting records and of its systems of internal control in accordance with proper practices in relation to internal control.

The Council is responsible for ensuring its business is conducted in accordance with the law and proper standards and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. The work undertaken by Internal Audit must not be seen as a substitute for management's responsibility for maintaining sound management practices, including robust controls.

The report is one of the key sources of assurance used in the production of the Annual Governance Statement.

2 Audit Opinion

Having reviewed the work undertaken by Internal Audit to date I am able to give a satisfactory assurance of the adequacy and effectiveness of the internal control environment.

There have been no significant new concerns arising from the majority of the audits undertaken in 2011/12 that would necessitate an adverse overall opinion. However, some of the concerns reported in the previous Annual Report have remained a concern in 2011/12. I list these concerns in Section 3 of this report. Reference to these must be considered for inclusion in the Annual Governance Statement.

The factors taken into account in forming the opinion are set out in more detail in sections 3, 4 and 5 below.

Every internal audit report contains an audit opinion on the effectiveness of controls within the system/function/activity reviewed, highlighting any significant weaknesses which could affect the Council's control environment. The opinion provided in each report falls into one of the following categories:-

Full Assurance – sound controls that are consistently applied.

Qualified Assurance – a satisfactory report - basically sound controls but some inconsistent application puts some control objectives at risk.

Limited Assurance – unsatisfactory controls or their application puts some control objectives at risk.

No Assurance – fundamental failure of control.

These individual opinions feed into the overall opinion provided in this report.

3 Audit Qualifications

It is the practice to carry out audits of the key financial systems towards the end of the financial year in order to be able to give an opinion on the effectiveness of controls within each system throughout the whole year. This allows assurance to be given not only to service heads but also to the external auditors when they carry out their final accounts work. Consequently, shortcomings associated with those systems are now being identified/verified by Internal Audit.

- **Recovery of Overpaid Benefits**

Internal Audit work in January 2012 identified that repeated failure of the scheduler within the Academy system had prevented the production of recovery letters for overpayments of Housing and Council Tax benefits since March 2011 and prevented the printing of invoices for benefit overpayments since August 2011. Whilst good rates of recovery of overpaid benefit have continued to be achieved through deductions to ongoing benefits wherever possible, the scheduler failures within Academy have hindered the recovery of overpaid benefit.

The scheduler issues are now reported to have been resolved but this situation must be closely monitored during 2012/13 to ensure that the system remains stable and that any recurrence of the problems is resolved promptly.

The Council is allowed to keep any recovered overpayments in addition to any benefit subsidy it receives from the government on those overpayments. It is in the Council's interest therefore to consistently use the full range of processes at its disposal to undertake recovery of those overpayments promptly.

- **Reconciliations to the Financial Management System (eFinancials)**

An audit of reconciliations between the various feeder systems (revenues, benefits, payroll etc) and eFinancials was in progress at the conclusion of 2011/2012.

The implementation of a new income management system (Axis) has, understandably, required significant input from the Finance Managers throughout 2011/2012. Axis automates a number of processes that previously required significant manual input and it is anticipated that the efficiency benefits of this new harmonised system will be fully realised in 2012/13. Ultimately, this will have a positive impact on the production of regular reconciliations for cash and banking through the automation of many elements of the reconciliation process. For 2011/12, the prioritisation of the income management system implementation work has limited the resource available for producing in-year reconciliations of both cash/banking systems and the revenues and benefits systems to the general ledger.

It was noted that there had been no full reconciliation carried out between the Academy Revenues and Benefits systems (for Council Tax, NNDR and Housing and Council Tax Benefits) and eFinancials during 2011/12. This is a similar position to that reported last year.

A significant piece of work has been undertaken within Revenues & Benefits to develop reporting routines that will provide expenditure data from the Academy system in a format that will simplify the updating of the general ledger and also demonstrate data integrity between the components of the Academy suite.

The importance of in-year reconciliations as a source of assurance is fully recognised and an action plan has been developed within Finance to ensure that in-year reconciliations will be produced between the general ledger (eFinancials) and all associated feeder systems throughout 2012/13 and beyond.

- **ICT**

An external consultant's report (Actica Consulting) produced in May 2011 identified a range of significant infrastructure and governance changes that are required to ensure that the capacity, security and resilience of hardware, software and service delivery are adequate for current and future requirements. These changes have started to be implemented.

The Joint ICT Steering Group now has responsibility for prioritising the project work of ICT, defining technical standards and supporting development of the ICT strategy.

Investigations into alternative models of service delivery were started in July 2011, with the intention to go live with the new service model from early 2013.

Pending a decision on the future provision model for ICT services, an Infrastructure Improvement Programme was initiated in October 2011 to stabilise and strengthen the existing infrastructure. The first phase of this programme ended in January 2012 and included improvements to back-up arrangements and network monitoring, development of a new virtual server farm and the replacement of some critical hardware.

The success of the ongoing Infrastructure Improvement Programme is central to ensuring that the capacity, security and resilience of the infrastructure reach the required levels regardless of how the service is provided in the future.

Delivery of future phases of the Infrastructure Improvement Programme, and the transition to the future model of service provision will require continued strong management to maintain the improvement momentum and manage the risk of significant disruption to ICT availability that would affect delivery of other Council services.

- **Separation of Duties**

Separation of duties in the processing of financial transactions is a key element of a strong control environment. Reductions in staffing levels brought about by the ongoing requirement to find savings makes it increasingly difficult to maintain previously enjoyed levels of separation. Heads of Services and Service Managers must ensure that where staff numbers are reduced, appropriate compensating controls are put in place to mitigate the additional risk of error or fraud that may arise from increasing reliance on individuals to perform all or the majority of stages of transactions that were previously performed by separate officers.

4 Basis of Opinion

4.1 Work Undertaken

The work undertaken by Internal Audit during the 2011/2012 financial year was in accordance with the Audit Plan as approved by the Audit Committee. This has been a transitional year for Internal Audit and although this has resulted in a number of planned audits currently remaining at draft stage or as work in progress, the work completed has been sufficient to enable me to provide a reasoned opinion on the overall adequacy and effectiveness of the control environment.

Should the completion of work on the Audit Plan for 2011/2012 identify any issues that affect my opinion, I will issue a revised Annual Report to the September 2012 Audit Committee accordingly. On the basis of the work performed to date however, it is my opinion that this step will not be necessary.

Details of the audits undertaken and a note of the progress on each one are shown in Appendix 1.

4.2 The Scope of the Audit Plan

The 2011/2012 Audit Plan was prepared by the previous Audit Manager after reviewing service plans and risk registers, completing a fraud risk assessment and consulting with senior officers. It was based on an assessment of the risks facing both councils and was designed to meet the requirements of the external auditors.

The draft plan was approved by the Audit Committee in March 2011.

The planning process should therefore help ensure that all key systems and significant risks have been taken into account.

4.3 Implementation of Recommendations

When an audit is completed weaknesses/areas requiring improvement are discussed with senior management. This leads to an action plan being drawn up which shows agreed measures to be taken and the timescales within which they will be implemented.

All recommendations are followed up to ensure that action has been taken, or where not, that there is an acceptable reason. Occasional follow up visits are carried out and all recommendations relating to key systems are routinely followed up during the next planned audit. The results of the follow up process, and in particular any failure to implement recommendations, is reported to each meeting of the Audit Committee.

These arrangements should ensure that action is taken to remedy any issues identified during the year.

4.4 Other Factors

- My observations arising from requests to Internal Audit for assistance, attendance at meetings, committee agendas and minutes etc
- Internal Audit has had sufficient resource to enable it to complete the majority of its work programme.
- The absence of material changes in the Council's objectives or activities in the year under review.
- There have been no limitations placed on the scope of work undertaken by Internal Audit, on its access to records and information or on the provision of explanations as necessary.

4.5 External Assurance

I have also taken into account the outcome of work undertaken by the external auditors and where appropriate I have ensured that the scope of individual Internal Audit assignments incorporates any concerns raised by the external auditors.

5 Fraud Investigations/Awareness

With the exception of benefit fraud, which is investigated solely by the Benefit Fraud Team, Internal Audit is responsible for investigating suspected cases of fraud and corruption in collaboration with the Fraud Team.

It is management's responsibility to ensure that adequate control procedures are in place to deter and detect fraudulent activity, not Internal Audit's or the Fraud Team's. Internal Audit's responsibility includes providing an opinion on the effectiveness of the Council's arrangements to prevent and detect fraud, remaining vigilant on the potential for fraud in all areas audited and making recommendations to address weaknesses in controls that could give (or have given) rise to frauds.

One significant fraud attempt was made during 2012/2013 that affected the payment of creditors by the Shared Finance Service. Fraudulent documents were submitted requesting changes to bank account details for a large supplier on the payments system. These changes were processed and a large payment was sent to the fraudulent bank account by BACS. On discovery of the loss, prompt action by the Fraud Manager led to the full recovery of the diverted funds.

An Internal Audit report on the circumstances surrounding the fraud made recommendations to bring the procedures for controlling changes to payment details into line with best practice. These recommendations have been implemented by Finance, significantly reducing the risk of a similar attempt being successful.

There are no other frauds of which Internal Audit is aware that should be reported to the Audit Committee.

6 Internal Audit - Quality Assurance

The Internal Audit team seeks to operate in accordance with the standards laid down by CIPFA in the Code of Practice for Internal Audit in Local Government in the UK (2006) which sets out auditing standards under the following eleven headings:

- Scope of Internal Audit
- Independence
- Ethics for Internal Auditors
- Audit Committees
- Relationships
- Staffing, Training and Continuing Professional Development
- Audit Strategy and Planning
- Undertaking Audit Work
- Due Professional Care
- Reporting
- Performance, Quality and Effectiveness.

Based on reviews undertaken to date, I am satisfied that there are no material areas of non-compliance with the Code.

Internal Audit's work is subject to review by the external auditors on an annual basis. There has been no criticism of our work over the past year.

Internal Audit has its own quality assurance controls. Standard procedures and working papers are used. For every audit I review the working papers and all versions of the audit report. Any concerns/queries are discussed with individual auditors.

Work on individual audits is carried out by auditors with the appropriate level of skill and experience.

Use is made of customer satisfaction questionnaires as a means of gaining independent comment on our service. Any issues raised are discussed with the customer and the auditor. We try to learn from any mistakes we may make or from suggestions for improvement.

Mark Allen
Audit Manager
29th May 2012

Internal Audit Plan 2011/12

Position as at 29th May 2012

INTERIM ANNUAL PLAN 2011/2012

Audit	Progress
Shared Audits	
Payroll	Work in progress
Recruitment	Draft report stage
NNDR	Draft report stage
Council Tax	Draft report stage
Benefits	Work in progress
Creditors	Draft report stage
Debtors	Draft report stage
FMS Reconciliations	Draft report stage
Insurance	Final report 09 12 11
IT - Network Controls – follow up	Moved to 2012/13 Audit Plan
IT - Disaster Recovery and Back-up	Draft report stage
IT – Project Management	Final report 15 11 11
IT - Asset Management	Draft report stage
IT - Virus Protection	Draft report stage
COA – Post Implementation Review	Final report 30 03 12
WBC	
Income Collection	Work in progress
Benefits Subsidy Claim	Final report - 17 10 11
Benefits Overpayments	Management letter issued 29 02 12
Treasury Management	Work in progress
Budget Monitoring	Work in progress
CIS	Final report - 03 01 12
S. 106	Final report - 14 11 11
Financial Procedure Rules	Draft report stage
Hospitality	Final report - 12 03 12
Money laundering	Final report - 11 01 12
Current Contracts	Final report - 15 02 12
Home Improvement Grants	Final report - 02 09 11
Museum	Final report - 12 08 11
CSC	Final report - 14 03 12
External Audit Recommendations follow up	Moved to 2012/13 as part of Corporate Governance audit
ADDITIONAL AUDIT:	
West Herts Crematorium	Final report - 14 07 11

Appendix 2

LOCAL PERFORMANCE MEASURES 2011/2012

Criteria	Target p.a. (as per Audit Plan)	To 31 st March 2012	Comment
% of annual audit plan achieved. Based on number of audits.	92%	83%	Output was affected during this transitional year with staff reducing from 4 to 3 and adapting to new management arrangements. The outstanding audits will be finalised.
Sickness – average days per employee.	4	2.52	
Training – average days	4	10.36	Time includes for internal and external seminars/training. All auditors hold a relevant qualification and two are studying for a higher qualification.

Criteria	Target p.a.	Actual To 31 st March 2012	Comment
Final audit reports issued within 10 available working days of agreement to draft report.	100%	100%	
Level of customer satisfaction	94%	97.11%	Based on 8 satisfaction surveys received.

PART A

Report to: Audit Committee

Date of meeting: 27th June 2012

Report of: Audit Manager

Title: Implementation of Internal Audit Recommendations

1.0 **SUMMARY**

This is the Audit Manager's regular report on progress with the implementation of Internal Audit recommendations. It provides an update on those recommendations reported to Audit Committee as outstanding in March with information from the second round of follow up using a new follow up process.

2.0 **RECOMMENDATIONS**

2.1 That the contents of the report be noted.

Contact Officer:

For further information on this report please contact: Mark Allen – Audit Manager telephone extension 8104 (Watford) or (01923) 727463 (Three Rivers) email: mark.allen@watford.gov.uk

Report approved by: Bernard Clarke – Head of Strategic Finance.

3.0 **DETAILS**

3.1 The majority of responses to the follow up requests were received promptly. However, one non-response to requests for written confirmation of the latest position has contributed to the number of recommendations shown as "outstanding" in the analysis at 3.2 below.

3.2 The table summarises progress in implementation of the recommendations for 2010/11 and 2011/12 to date.

Year	Total Recommendations made	Implemented	Not yet due	Request for extended time	Outstanding	% age Implemented
2010/11	213	196	1	13	3	92%
2011/12	64	43	11	9	1	67%

3.3 The 13 requests for extended time for 2010/2011 audits are broken down as follows (the page numbers in brackets relate to the corresponding page of Appendix 1 which details all current recommendations):

- IT Service Desk/Change Management = 2 on hold (page 1)
- Payroll = 1 (page 4)
- Health & Safety = 2 (page 7)
- Asset Management = 1 (page 9)
- IT Remote Working = 7 (page 16)

3.4 The 9 requests for extended time for 2011/2012 audits are broken down as follows:

- Museum = 2 (page 22)
- Money Laundering = 5 (page 23)
- Vehicle Maintenance = 1 (page 27)
- Gifts & Hospitality = 1 (page 29)

3.5 The 3 recommendations recorded as outstanding for 2010/11 are broken down as follows:

- Financial Management System (Reconciliations) = 2 (page 5)
- IT Remote Working = 1 (page 16)

3.6 The 1 recommendation recorded as outstanding for 2011/12 is broken down as follows:

- eFinancials – Post Implementation Review = 1 (page 31)

3.7 Internal Audit Reports for 2011/2012

Final reports have been issued for Section 106, Benefit Subsidy Claims, Watford Museum, IT Project Management, Decent Homes Assistance, Construction Industry Scheme, Money Laundering, Vehicle Maintenance, Insurance, Gifts & Hospitality, CSC Income, eFinancials Post Implementation Review. The remaining audits from the 2011/12 plan are either at draft report stage or are work in progress.

3.8 Appendix 1 provides the detail of the current status of recommendations reflecting responses to the follow up exercise conducted in May 2012.

4.0 **IMPLICATIONS**

4.1 **Financial**

4.1.1 The Head of Strategic Finance comments that there are no financial implications in this report.

4.2 **Legal Issues** (Monitoring Officer)

4.2.1 The Head of Legal and Property Services comments that there are no legal issues in the report. The Council has a responsibility to ensure that it maintains an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with proper practices in relation to internal control.

4.3 **Potential Risks**

4.3.1 Potential Risk	Likelihood	Impact	Overall score
Progress in implementing Internal Audit recommendations is not monitored, recommendations are not implemented and as a consequence, internal controls are weakened.	1	3	3

Background Papers

The following background papers were used in the preparation of this report. If you wish to inspect or take copies of the background papers, please contact the officer named on the front page of the report.

Internal Audit Files

File Reference

None.

Audit Plan 2010/2011

IT Service Desk and Change Management Audit							
Final report issued March 2011							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
01	<p>The Service Catalogue should be updated and finalised to ensure it contains a listing of all the current services being provided by ICT.</p> <p>Once finalised, the Service Desk contact details and fault reporting procedures should be made available to all Watford and Three Rivers staff on the intranet.</p>	Important	<p>Agreed.</p> <p>Position (August 2011) This work has been placed on hold and priority has been given to other work streams and projects. ICT is currently conducting an options appraisal of alternative models of service delivery, which may mean that staff interact with the service desk differently from 1 Oct 2012.</p> <p>Position (October 2011) As at August 2011 above.</p> <p>Position February 2012 As at October 2011</p> <p>Position (June 2012) Update regarding IT Tender is that any potential transition to an outsourced provider would be early 2013.</p>	Avni Patel, Head of ICT	June 2011	x	On Hold
03	<p>Management should review the priority settings and the associated response times within the LanDesk system to ensure that they correspond to the defined agreed SLA.</p> <p>Management should ensure that procedures and processes are documented to escalate calls to Service Desk management when the</p>	Important	<p>Agreed. To be investigated and rectified.</p> <p>Position (May 2011): This has been investigated. Remedial work to correct this will form an outcome once the existing Touchpaper system is upgraded in early June 2011.</p> <p>Position (August 2011) The LANDesk system was upgraded in July 2011 but further work has been placed on hold</p>	Avni Patel, Head of ICT	June 2011	x	On Hold

NOTE: Items in Bold Italics represent updates since the last report to Audit Committee

IT Service Desk and Change Management Audit							
Final report issued March 2011							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
	incident is approaching the SLA to help identify if remedial action is required.		and priority has been given to other work streams and projects. ICT is currently conducting an options appraisal of alternative models of service delivery, which may mean that staff interact with the service desk differently from 1 Oct 2012. Position (October 2011) As at August 2011 above. Position February 2012 As at October 2011 <i>Position (June 2012)</i> <i>Update regarding IT Tender is that any potential transition to an outsourced provider would be early 2013.</i>				

BACS Procedures							
Final report issued March 2011							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
4.29	Consideration should be given to transferring the responsibility for transmitting BACS payment and DD request files to the Services responsible for the corresponding expenditure and income transactions following the principles set out in the "Draft BACS Procedure – Payments" and "Draft BACS Procedure – Direct Debit" documents. Such a transfer would have to be supported by an in-	HIGH	Responsibility is being transferred to Services. Finance have the necessary hardware but staff require training. Revs and Bens will follow. Position (August 2011): This has been delayed due to technical problems. Revs & Bens rollout has been planned to	Head of ICT	June 2011	✓ (partly met)	December 2011

BACS Procedures							
Final report issued March 2011							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
	depth handover process by ICT.		occur by the end of December 2011 Position (October 2011) As at August 2011 above. Position (February 2012) Transfer of BACS to Finance has been completed. Transfer to Revs & Bens is in progress and due to be completed by the time the Audit Committee meets. <i>Position (June 2012)</i> <i>Transfer to revs and bens is in progress. Slight delay due to additional licenses required across WBC and TRDC sites. Due to be completed by the time audit committee meet.</i>				
4.31	ICT staff should supervise Service staff for an initial period of 1 month or until confidence is gained in the transmission of files to BACS and the subsequent downloading of reports and movement of transmitted files.	HIGH	Will follow on from above. Position (October 2011) As at August 2011 above. Position (February 2012) Has followed on from above. <i>Position (June 2012)</i> <i>Ongoing support has been occurring.</i>	Head of ICT	Will follow on from above.	✓	
4.33	A designated officer within ICT should retain the facility to transmit BACS files in the event of an emergency.	HIGH	Transmission by ICT will be from the relevant Service's dedicated PC. Position (October 2011) As at August 2011 above. Position (February 2012) Has followed on from above.	Head of ICT	Will follow on from above.	✓	

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NOTE: Items in Bold Italics represent updates since the last report to Audit Committee

BACS Procedures							
Final report issued March 2011							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
			<i>Position (June 2012) This is in place</i>				

Payroll							
Final report issued March 2011							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
4.10.5	Arrangements should be made to harmonise the process for making third party payments.	Medium	<p>Position May 2011: Discussions have taken place with Finance, who are not in favour of harmonising third party payments until the Finance system has been upgraded to allow automatic logging of data. Finance are resolving this directly with Northgate</p> <p>Position August 2011: This requires rewriting the interfaces between Payroll and COA. This is not a major priority as the current arrangements are satisfactory to meet the operational needs.</p> <p>Position October 2011: As at August 2011 above.</p> <p>Position February 2012: We have received a quote from Northgate to update their payroll codes which was approved in January 2012. We anticipate the work will be completed in March 2012. When the coding issue has been resolved</p>	Finance Manager (Dot Reynolds)	April 2011	x	<p>April 2012</p> <p>July 2012</p> <p><i>July/ August 2012</i></p>

Payroll							
Final report issued March 2011							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
			<p>successfully, it will be possible to harmonise feeders to the GL, and the third party payment procedures will be harmonised as part of that process. Proposed Revised Deadline July 2012.</p> <p><i>Position May 2012: Northgate have started work on updating their payroll codes, this is being tested on the May 2012 pay run (expected to go live in June 2012). When the coding issue has been resolved successfully, it will be possible to harmonise feeders to the GL, and the third party payment procedures will be harmonised as part of that process. Proposed Revised Deadline July/August 2012 depending on closing of accounts progress and leave.</i></p>				

Reconciliations							
Final report issued April 2011							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
4.4.4	A review should be undertaken of the formats and working papers for all current reconciliations for Watford Borough Council and Three Rivers District Council with a view to harmonising to agreed standards that build on the best of both Councils' approaches.	MEDIUM	<p>Agreed. Systems, interfaces and organisational responsibility is under review and changes will be effective from September 2011 – see 4.3.11</p> <p><i>Position October 2011: The AXIS income management went live on 12 October. This will enable the two councils to harmonise procedures for income and expenditure management and standardise reconciliations and working papers.</i></p>	Finance Manager – Dot Reynolds	August 2011	*	<p>November/December 2011</p> <p>March 2012</p>

Reconciliations							
Final report issued April 2011							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved x or ✓	Revised Deadline
			Position February 2012: Many of the reconciliations have been harmonised where possible. A timetable for completing this work in February has been agreed between Finance and Revs and bens.				
4.5.11	Responsibility for performance and review of the reconciliations between Axis, COA and systems that receive income information from Axis must be formally allocated and agreed prior to going live in September. Sufficient resource must then be allocated by the responsible service to ensure that all reconciliations are performed promptly.	HIGH	<p>Agreed. Systems, interfaces and organisational responsibility is under review and changes will be effective from September 2011 – see 4.3.11</p> <p>Position August 2011: The AXIS income management system will go live October 2011. Implementation depends on this position.</p> <p>Position October 2011: The AXIS income management went live on 12 October, but certain transactions are currently being processed through the old systems. Finance is performing daily reconciliations to the new and old systems and checking totals with Rev and Bens systems.</p> <p>Position February 2012: Daily cash reconciliations are being performed in both Revs and Bens and Finance. The organisational responsibility for some high level reconciliations is still under review, but will be resolved on completion of harmonised procedures.</p>	Finance Manager – Dot Reynolds	August 2011	x	<p>October /November 2011</p> <p>March 2012</p>

Health & Safety Follow Up							
Final report issued November 2010							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
5.1.31	The guidance provided for the "Potential Risks" element of the 'Implications' section of the standard report format for all reports to Cabinet and Council should be updated to include specific reference to the need to consider health and safety risks. This will demonstrate that health and safety considerations will have been taken into account as appropriate for all strategic and policy decisions.	HIGH	<p>Update Aug 2011 Discussions have taken place, however, report format has not been updated. Recommendation is still under review.</p> <p>Update December 2011 Recommendation is still under review.</p> <p>Update January 2012. To be reviewed and resolved by 31 March 2012</p> <p><i>Update May 2012 Item to be discussed at next LT on 15 May. Do not believe report format is due to be updated.</i></p>	Shared Services Head of Human Resources	December 2010.	*	<p>31 March 2012</p> <p>15 May 2012</p>
5.4.26	Effective systems for storing and accessing evidence of the performance of statutory health and safety related inspections and assessments of operational buildings; plant and equipment should be agreed and implemented as a matter of urgency.	HIGH	<p>November 2010. Responsibility of Legal & Property Services. H&S Advisor to comment on via risk based audits</p> <p>Update December 2011 Site logs currently being rolled out by Buildings and Projects. Asset Management Database still progressing following a number of data capture issues. All current legislative compliance requirements are managed in site logs or relevant contract file . Where possible electronic files have been created for viewing or web links created for on line access. New asset database is now not likely to be ready in the very near future.</p> <p>Update Jan 2012. New asset management database modules for Asset Assessment will be commenced by end of financial year. Design of this module will enable the recording</p>	Health & Safety Advisor/ Buildings and Projects Team	November 2010. (via risk based audits)	* <i>(Partly resolved)</i>	Position to be reviewed again in March 2012

Health & Safety Follow Up							
Final report issued November 2010							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
			<p>of essential data to ensure compliance under a central depository. Additional features are already being tested to deliver plant & equipment monitoring facilities with improved drawings and visual aides/unique referencing methods .</p> <p><i>Position May 2012</i> <i>Risk Management Policies for control of Asbestos, Control of Legionella, Control of Fire are all now complete and adopted by the Authority. Site logs are all completed and will be distributed during a training session to building managers (during Q1 2012/13 subject to availability of managers). All hard copy files have now been scanned and are ready for input into the Atrium Asset Management Database. (human resource dependant possible option to front load as required). On line accessibility now exists for Asbestos and Portable Appliance Testing compliance. All other statutory requirements are held electronically in Buildings and Projects awaiting input into new asset management database. Final Phase of the project that will allow this information to be accessed by all has commenced and a meeting with the service provider has been scheduled for 30 May to scope the final requirements for delivery of this module.</i></p> <p><i>A new spreadsheet for capturing roles and responsibilities for WBC & Tenants Operators has been drafted and circulated to majority portfolio stakeholders for comment. Includes all statutory requirements for avoidance of doubt.</i></p>				<p>June 2012</p> <p>July – September 2012</p>

Health & Safety Follow Up							
Final report issued November 2010							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
			<i>Implementation to commence Q2 2012/13 once final layout approved.</i>				

Asset Management							
Final report issued March 2011							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
5.4.7	There should be detailed procedures in place for administering the fixed asset registers.	High	<p>Agreed</p> <p>The procedures will be compiled to take account of the IFRS standard.</p> <p>The IFRS compliant module was installed late in the closing of accounts process. Existing assets have been updated on the system, but no new assets have yet been added New assets acquired during 2010/11 will be added to the register during the 2011/12 financial year. Procedures will be written as the asset register is updated.</p> <p>Position February 2012: This is the first full year with a fully operational integrated fixed asset module. Fixed asset / capital procedure notes will be prepared during the 2012 closing period as the work is undertaken. Proposed Revised Deadline July 2012</p> <p><i>Position May 2012: Closing of accounts in progress. Deadline remains July 2012.</i></p>	Finance Manager	June 2011	*	July 2012

Data Quality							
Final report issued August 2011							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
4.2.4	The Data Quality Policy should be reviewed and updated if necessary to ensure that it reflects the current requirements for the management of performance data within the Council. This should then be reviewed annually to ensure that it always reflects current best practice.	Low	Currently under review. Position (January/February 2012) - Currently under review, revised review date March 2012 <i>Position May 2012</i> <i>The Data Quality has been updated and is due to be published on the intranet in the week beginning 14/05/12.</i>	Danielle Negrello, Customer Services Section Head	January 2012	✓	March 2012

Benefit Administration Systems 2010/2011							
Final report issued July 2011							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
4.37	The access requirements to the Academy system for all staff should be reviewed and an access policy developed. This would define the appropriate level of access for staff at different levels that could be applied as a standard profile whenever new staff are employed. As new requirements become apparent, they should be applied to all staff at that level to ensure that access rights remain consistent.	MEDIUM	Agreed. We are currently in the process of having both authorities using Academy on the same operating platform (Windows). This is scheduled for completion by 22 August 2011. Once this has been done, we will review the access requirements. Position (October 2011) Recommended levels of access have been supplied by Capita and this will be implemented over the next month with a scheduled completion of November 2011 Position (February 2012) Officer appointed to role of Policy, Quality & Training Team Leader (end January 2012) and	Benefits Manager	31/10/11	✓	30 November 2011 31 May 2012

Benefit Administration Systems 2010/2011							
Final report issued July 2011							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
			will be tasked to complete this recommendation. <i>Position (May 2012). Policy now in place and access levels determined</i>				

NNDR Systems 2010/2011							
Final report issued July 2011							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
5.3.2	Evidence should be maintained of the checks performed by Senior Management on the accuracy of updates to the system parameters.	High	Agreed It is agreed that more controls should be placed on amending parameters. The Revenues Manager will be working with the Temporary Systems Team Leader to try to comply with this proposed action point. Position (October 2011) Recommended access and permission levels have been provided by Capita and these shall be implemented by 31 December Position (February 2012) Officer appointed to role of Policy, Quality & Training Team Leader (end January 2012) and will be tasked to complete this recommendation <i>Position (May 2012). Policy now in place and access levels determined</i>	Revenues Manager Temporary Systems Team Leader	31 December 2011	✓	31 May 2012

NNDR Systems 2010/2011							
Final report issued July 2011							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
5.4.3	There should be adequate documentation available for management review purposes of the reconciliation of the number of expected bills to bills produced as part of the annual billing process. Also this reconciliation should be reviewed by a senior officer and this control check should be evidenced (signed and dated).	High	Agreed It is agreed that this should be in place and fully documented from next years main billing. Position (October 2011) Annual billing will be conducted in March 2012 at which stage the documentation will be completed <i>Position (May 2012) Annual billing completed in March 2012 and documentation retained</i>	Revenues Manager	31 March 2012	✓	
5.4.7	The manual re-performing of annual bills to ensure accuracy should be reviewed and evidenced (signed and dated) by a senior officer.	High	Agreed See above no.5.4.3. Position (October 2011) See 5.4.3 above. <i>Position (May 2012) Annual billing completed in March 2012 and documentation retained</i>	Revenues Manager	31 March 2012	✓	
5.6.2	There should be formal systems put in place which require a standardised form to be completed and authorised by the Revenues Manager when officers are set-up on the system, access rights are amended and user accounts are deleted in the event of staff leavers.	High	Agreed It is agreed that more controls should be placed on amending user accounts. The Revenues Manager will be working with the Temporary Systems Team Leader to try to comply with this proposed action point. Position (October 2011) Recommended access and permission levels have been provided by Capita and these shall be implemented by 31 December	Revenues Manager Temporary Systems Team Leader	31 December 2011	✓	<i>31 May 2012</i>

NNDR Systems 2010/2011							
Final report issued July 2011							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
			Position (February 2012) Officer appointed to role of Policy, Quality & Training Team Leader (end January 2012) and will be tasked to complete this recommendation <i>Position (May 2012). Policy now in place and access levels determined</i>				
5.6.5	Regular reviews (quarterly basis) of access rights should be carried out by matching job functionalities of officers to their access permissions. This check should be evidenced for Management review purposes.	High	Agreed See above no.5.6.2. Position (October 2011) See 5.6.2 above. Position (February 2012) Officer appointed to role of Policy, Quality & Training Team Leader (end January 2012) and will be tasked to complete this recommendation <i>Position (May 2012). Policy now in place and access levels determined</i>	Revenues Manager Temporary Systems Team Leader	31 December 2011	✓	31 May 2012

Council Tax Systems 2010/2011							
Final report issued July 2011							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
5.6.2	The access requirements to the Academy system for all staff should be developed in line with an access policy, so that the level of access for staff at different levels could be applied as a standard profile. Also there should be a formal systems put in place which require a standardised form to be completed and authorised by the Revenues Manager when officers are set-up on the system, access rights are amended and user accounts are deleted in the event of staff leavers.	Medium	<p>Agreed</p> <p>It is agreed that more controls should be placed on amending user accounts. The Revenues Manager will be working with the Temporary Systems Team Leader to try to comply with this proposed action point.</p> <p>Position (October 2011) Recommended access and permission levels have been provided by Capita and these shall be implemented by 31 December</p> <p>Position (February 2012) Officer appointed to role of Policy, Quality & Training Team Leader (end January 2012) and will be tasked to complete this recommendation</p> <p><i>Position (May 2012). Policy now in place and access levels determined</i></p>	Revenues Manager Temporary Systems Team Leader	31 December 2011	✓	31 May 2012
5.6.5	Regular reviews of access rights should be carried out by matching job functionalities of officers to their access permissions. This check should be evidenced for Management review purposes.	High	<p>Agreed</p> <p>See above no.5.6.2.</p> <p>Position (October 2011) See 5.6.2 above.</p> <p>Position (February 2012) Officer appointed to role of Policy, Quality & Training Team Leader (end January 2012) and will be tasked to complete this recommendation</p> <p><i>Position (May 2012). Policy now in place and access levels determined</i></p>	Revenues Manager Temporary Systems Team Leader	31 December 2011	✓	31 May 2012

Council Tax Systems 2010/2011							
Final report issued July 2011							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
5.8.6	There should be adequate documentation available for management review purposes of the reconciliation of the number of expected bills to bills produced as part of the annual billing process. Also this reconciliation should be reviewed by a senior officer and this control check should be evidenced (signed and dated).	High	<p>Agreed</p> <p>There will be a full review of controls in place for the 2012/13 annual billing process. This will include full audit controls such as reconciliations.</p> <p>Position (October 2011) A test year end billing run has been scheduled for 4 February 2012 to identify any issues. Records of this and the live year end will be kept.</p> <p><i>Position (May 2012) Annual billing completed March 2012 and documentation retained.</i></p>	Revenues Manager Billing Team Leader	31 March 2012	✓	
5.8.9	As part of the annual billing process a senior officer should review checks carried out of a sample of annual bills before being sent out and evidence (signed and dated) this control procedure for Management review purposes.	High	<p>Agreed</p> <p>It is agreed that this should be in place and fully documented from next years main billing. The Head of Revenues & Benefits will review the checks undertaken and evidence this control check being carried out.</p> <p>Position (October 2011) A test year end billing run has been scheduled for 4 February 2012 to identify any issues. Records of this and the live year end will be kept.</p> <p><i>Position (May 2012) Annual billing completed March 2012 and documentation retained</i></p>	Revenues Manager	31 March 2012	✓	

IT Remote Working 2010/2011							
Final report issued January 2012							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved x or ✓	Revised Deadline
01	A remote working policy and procedures should be developed. This should include all areas pertaining to remote working.	Important	Agreed. To be included within the IT Security Policy and Handbook for both WBC and TRDC. <i>Position June 2012 This has been delayed due to staff workload relating to the IT tender.</i>	Avni Patel, Head of ICT	March 2012	x	<i>December 2012</i>
02	All remote users should be issued with Terms and Conditions of Use for any laptops and mobile phone devices and should be required to confirm that they have read, understood and agree to comply with the stated policies.	Minor	Agreed. ICT will define the terms and conditions of use for laptops and mobile phone devices. Mobile phones are not within the remit of the ICT Shared Service, this will need to be managed by the relevant officer within each council. Position (February 2012) <ul style="list-style-type: none"> WBC T&C for mobile phone usage has been completed and sent out to all mobile phone users. T&C for all laptops and TRDC Mobile phones is pending. <i>Position June 2012 This has been delayed due to staff workload relating to the IT tender.</i>	Avni Patel, Head of ICT	March 2012	x (part resolved)	<i>December 2012</i>
03	Management should ensure that the risks associated with home and offsite working have been assessed and addressed within the Corporate and ICT risk registers. This should include in particular the increased risk of breaches in data security and confidentiality when Council information is accessed away from offices through loss, theft or mishandling. In particular the increased risk of breaches in data security and	Important	Agreed. A risk assessment as described will be carried out and identified risks will be recorded within the service risk register. However, it should be noted that the councils acknowledge that data can also be lost via attachments within emails and paper documents being mishandled, lost or stolen. <i>Position June 2012 This has been delayed due to staff workload relating to the IT tender.</i>	Avni Patel, Head of ICT	March 2012	x	<i>December 2012</i>

IT Remote Working 2010/2011							
Final report issued January 2012							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved x or ✓	Revised Deadline
	confidentiality when Council information is accessed using non-Council equipment should be evaluated and any necessary countermeasures developed.						
04	A procedure to review leavers and dormant remote access accounts should be developed to ensure that remote access is promptly removed for users on termination of their employment and that all IT equipment or mobile devices are returned to ICT.	Important	Agreed <i>Position (June 2012) Service desk act on notifications from HR related to leavers. A more formal process is currently being worked on. This has been delayed due to staff workload relating to the IT tender.</i>	Avni Patel, Head of ICT	March 2012	x	<i>December 2012</i>
05	The ICT Shared Service should ensure the two-factor user authentication solution is enabled for remote users to gain remote access to the Council networks.	Important	Agreed <i>Position (June 2012): This has been installed and we are in the process of testing this functionality</i>	Infrastructure Manager	June 2012	x	<i>December 2012</i>
07	The shared service should look to develop security arrangements over the WBC and TRDC network by ensuring the regular review of remote access logs and reviewing the need for an Intrusion Detection System (IDS).	Important	Agreed. The Appgate VPN solution in use at WBC has logs for intrusion attempts and will replace the Netilla system in use at TRDC. The potential of implementing a network IDS has been discussed as part of the Network Infrastructure Audit and it has been decided that we will focus on prevention rather than detection. Hence work has progressed to implement VLANs within the network in order to segregate desktops from servers and minimise potential risk of intrusion. <i>Position (June 2012): Appgate in place for both Watford and Three Rivers.</i>	Infrastructure Manager	June 2012	✓	
08	Management should ensure that mobile devices are recorded on the IT	Important	Agreed. However, mobile phones are not within the remit of ICT Shared Services, they	Avni Patel, Head of ICT	March 2012	x	

IT Remote Working 2010/2011							
Final report issued January 2012							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved x or ✓	Revised Deadline
	Asset Register when new stock is issued and when stock is returned from users.		are under the remit of Corporate Services. Hence need to determine responsibility for recording of mobile phone assets within WBC and TRDC.	Corporate Services			
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 sensitive data held on mobile device</p>	Important	<p>Agreed. Government Code of Connection stipulates that they have only approved Blackberrys 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>	Infrastructure Manager	March 2013	x	

IT Remote Working 2010/2011							
Final report issued January 2012							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved x or ✓	Revised Deadline
	handsets such as iPhones is adequately encrypted according to the sensitivity of the data						
10	Data stored on returned laptops or mobile devices should have all data removed prior to issuing the device to another user.	Minor	Agreed <i>Position (June 2012)</i> <i>New (and some old) laptops are configured to not allow the user to save information locally. If there is a requirement to save data offsite, users are given encrypted memory sticks for use.</i> <i>There is a wider desktop replacement and re-configuration project required to complete this fully. This is a large piece of work and would need to be prioritised in line with other priorities</i>	Infrastructure Manager	March 2012	<i>x</i> <i>(partly met)</i>	<i>March 2014</i>
11	The ICT Shared Service should ensure that any laptops issued to remote users are configured to receive Operating System and anti-virus updates	Important	Agreed <i>Position (June 2012)</i> <i>Laptops are configured to receive windows updates. New laptops are configured to receive anti-virus updates, however this only occurs when the laptops are plugged into the Council network. Finalising this work would tie into the wider desktop project as per ref 10 above.</i>	Infrastructure Manager	March 2012	<i>x</i> <i>(partly met)</i>	<i>March 2014</i>

Audit Plan 2011/2012

IT Project Management 2011/2012							
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	Agreed	Avni Patel, Head of ICT	October 2012	*	

Insurance 2011/2012							
Final report issued December 2011							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
4.1.10	Checks should be carried out on the renewal policies received from ZM to ensure that they are correct. Once this has been carried out the Insurance Officer should sign and date the copy of the policy to demonstrate that checks were carried out.	Low	Agreed Position at 31 January 2012 – recommendation not yet due for implementation	Veronica Griffin and Zoe Royden, Insurance Officers	April 2012 and at each renewal	✓	

Insurance 2011/2012							
Final report issued December 2011							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
4.1.21	Consideration should be given to promoting the insurance service proactively at both Councils to remind all staff of the support and advisory services that are provided by the insurance service.	Medium	<p><u>Summary of previously discussed option:</u> The Insurance Officers will send an email to all Heads of Services to inform them of the range of advisory and support services provided by the Insurance Officers. We would also suggest that other areas in the Council would benefit from promoting/outlining their service.</p> <p>Position at 31 January 2012 – recommendation not yet due for implementation</p>	Veronica Griffin and Zoe Royden, Insurance Officers	April 2012	✓	

Home Improvement Grants 2011/2012							
Final report issued September 2011							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
4.1.13	The service should design a form specifically for Decent homes Assistance. This will ensure that the total cost will be cut down for the service achieving value for money.	Low	<p>The PSRP is currently under review if this assistance continues the form will be reviewed. In plan for completion.</p> <p>Position (January/February 2012) Form currently under redesign, to be consulted on in Feb and implemented by end of March 2012.</p> <p><i>Position May 2012 Form revised and in use.</i></p>	Justine Hoy, Environmental Health and Licensing Section Head	Mar 12	✓	

Museum 2011/2012							
Final report issued August 2011							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
4.2.7	The Heritage Officer should pass the current catalogue of exhibits to the Insurance Officers and liaise with them to see how they can be adequately covered through the insurance.	Medium	<p>The Museum Officer is liaising with Insurance Officers about insurance arrangements for collection and making a priority list.</p> <p>Progress @ November 2011 This is still on-going as there are decisions to be made about the insurance of the collections. Victoria is in consultation with the Regional Conservation Officer.</p> <p>Progress at February 2011 This is still on-going as there are decisions to be made about the insurance of the collections. Victoria Jones and Sarah Priestley have prepared a priority list and are in the process of getting quotations for valuation of this list.</p> <p><i>Progress May 2012</i> <i>Valuations sought from Bonhams for 21 most significant items within the collection – total valuation £470,000</i> <i>Victoria has produced a Collections Risk Management Policy, Collection Risk Assessment and an Emergency Plan which all contribute to the safe-guarding of the collection.</i> <i>All information now with Insurance Officer for consideration. The Bonhams valuations have been sent to the insurers for their files and the values have been incorporated within the existing “All Risks” policy.</i></p> <p><i>Zurich Municipal are also to send details of their “Fine Art” policy and these will be reviewed to determine whether this would be of benefit to the Council.</i></p>	Victoria Jones	March 2012	*	July 2012

Museum 2011/2012							
Final report issued August 2011							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
4.2.8	The Insurance Officer should be contacted to see how the valuation of items could be carried out to achieve best results. Suggestions could include valuing certain groups of items per financial year.	Medium	Heritage Officer and Museum Officer to investigate. There is no museum budget available for valuation of items at present. Progress @ November 2011 As 4.2.7 above Progress at February 2012 As 4.2.7 above <i>Progress May 2012</i> <i>Valuations sort from Bonhams for 21 most significant items within the collection – total valuation £470,000.</i> <i>Further valuations to be sought on case by case basis when necessary. Insurance Officer to advise when valuations already sought will need to be updated.</i> <i>See also 4.2.7 above.</i>	Sarah Priestley/ Victoria Jones	March 2012	*	July 2012

Money Laundering 2011/2012							
Final report issued January 2012							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
4.1.7	Procedure notes should be updated to ensure that the correct agency's name is included on it. The notes should then be reviewed on a periodic basis to ensure they reflect the current requirements.	Low	Garry Turner/Nigel Pollard are drafting a new harmonised policy for TRDC and WBC which will include a new reporting form. The remaining recommendations will be addressed once these Policies have received approval. <i>Position May 2012</i> <i>We have drafted policy just need to finalise and circulate.</i>	Bernard Clarke, Head of Strategic Finance	End of June 2012	*	

Money Laundering 2011/2012							
Final report issued January 2012							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved x or ✓	Revised Deadline
4.1.14	A training session should be arranged in conjunction with Three Rivers District Council to ensure that key staff that need to be given further in-depth training are trained.	Medium	Garry Turner/Nigel Pollard are drafting a new harmonised policy for TRDC and WBC which will include a new reporting form. The remaining recommendations will be addressed once these Policies have received approval. <i>Position May 2012</i> <i>We have drafted policy just need to finalise and circulate.</i>	Bernard Clarke, Head of Strategic Finance	End of June 2012	x	
4.1.15	Refresher training should then be arranged for all key staff especially within 'CSC' and 'Revenues and Benefits' at regular intervals (e.g. every two years) to ensure that understanding of the practical requirements of the Money Laundering legislation remains current.	Medium	Garry Turner/Nigel Pollard are drafting a new harmonised policy for TRDC and WBC which will include a new reporting form. The remaining recommendations will be addressed once these Policies have received approval <i>Position May 2012</i> <i>We have drafted policy just need to finalise and circulate.</i>	Bernard Clarke, Head of Strategic Finance	End of June 2012	x	
4.1.16	The MLRO should liaise with Human Resources to include the Money Laundering policy on the induction packs for new starters to WBC.	Medium	Garry Turner/Nigel Pollard are drafting a new harmonised policy for TRDC and WBC which will include a new reporting form. The remaining recommendations will be addressed once these Policies have received approval. <i>Position May 2012</i> <i>We have drafted policy just need to finalise and circulate.</i>	Bernard Clarke, Head of Strategic Finance	End of June 2012	x	
4.1.20	The Deputy MLROs should be formally informed when they are appointed. When updating the procedure notes, the MLRO should ensure that the details of the Deputy MLRO's along with the MLRO's are on the procedure notes. (A recommendation has been made for this information to be included on the e-tool).	High	Garry Turner/Nigel Pollard are drafting a new harmonised policy for TRDC and WBC which will include a new reporting form. The remaining recommendations will be addressed once these Policies have received approval <i>Position May 2012</i> <i>We have drafted policy just need to finalise and circulate.</i>	Bernard Clarke, Head of Strategic Finance	End of March 2012	x	<i>June 2012</i>

Money Laundering 2011/2012							
Final report issued January 2012							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved x or ✓	Revised Deadline
4.1.22	The Deputy MLROs should also liaise with the Fraud Manager whenever suspected money laundering activity is reported to them. This would enhance the co-ordination of efforts against money laundering as the Fraud Manager has experience handling money laundering cases that are reported to both WBC and TRDC by outside organisations (like the Banks) who might be investigating a Watford business or resident.	Medium	Garry Turner/Nigel Pollard are drafting a new harmonised policy for TRDC and WBC which will include a new reporting form. The remaining recommendations will be addressed once these Policies have received approval. <i>Position May 2012</i> <i>We have drafted policy just need to finalise and circulate.</i>	Bernard Clarke, Head of Strategic Finance	End of June 2012	x	
4.1.26	Guidance should be issued by the MLRO to the Revenues Service to explain the process for dealing with cases where refunds are requested by consistent over-payers.	Medium	Garry Turner/Nigel Pollard are drafting a new harmonised policy for TRDC and WBC which will include a new reporting form. The remaining recommendations will be addressed once these Policies have received approval. <i>Position May 2012</i> <i>We have drafted policy just need to finalise and circulate.</i>	Bernard Clarke, Head of Strategic Finance	End of June 2012	x	
4.2.7	The procedure notes should ensure that the MLRO or the Deputy MLRO checks other Council systems whenever suspect activity is reported to them to ensure that the same person is not paying other amounts due to the Council by cash as well.	Medium	Garry Turner/Nigel Pollard are drafting a new harmonised policy for TRDC and WBC which will include a new reporting form. The remaining recommendations will be addressed once these Policies have received approval. <i>Position May 2012</i> <i>We have drafted policy just need to finalise and circulate.</i>	Bernard Clarke, Head of Strategic Finance	End of June 2012	x	
4.2.8	Paperwork gathered should be maintained by the MLRO to demonstrate the work carried out.	High	Garry Turner/Nigel Pollard are drafting a new harmonised policy for TRDC and WBC which will include a new reporting form. The remaining recommendations will be addressed once these Policies have received approval.	Bernard Clarke, Head of Strategic Finance	End of March 2012	x	<i>June 2012</i>

Money Laundering 2011/2012							
Final report issued January 2012							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
			<i>Position May 2012 We have drafted policy just need to finalise and circulate.</i>				
4.1.10	The dates of the Money Laundering regulations should be included on the e-tool. Other regulations that are relevant, namely the Terrorism Act 2000 and Proceeds of Crime Act 2002, should also be mentioned to make the tool fully inclusive.	High	Position is amendments drafted. Learning and Development make changes to the Learning Pool package. Carmel is the expert in this area and is on maternity leave. Linda Brooks is trying to progress the matter. We are therefore awaiting the updates. <i>Position May 2012 Still awaiting Carmel to update e learning and is scheduled as urgent on her return from maternity leave in 3 weeks</i>	Garry Turner, Fraud Manager	End of December 2011.	*	June 2012
4.1.11	Names and contact details for the MLRO and the Deputy MLRO(s) should also be included on the e-tool along with the limits of cash that would trigger the money laundering process.	High	Position is amendments drafted. Learning and Development make changes to the Learning Pool package. Carmel is the expert in this area and is on maternity leave. Linda Brooks is trying to progress the matter. We are therefore awaiting the updates. <i>Position May 2012 Still awaiting Carmel to update e learning and is scheduled as urgent on her return from maternity leave in 3 weeks</i>	Garry Turner, Fraud Manager	End of December 2011.	*	June 2012
4.1.12	The e-tool should also mention the Money Laundering procedure notes introduced in 2006 which would add to the information already included in the e-tool.	High	Position is amendments drafted. Learning and Development make changes to the Learning Pool package. Carmel is the expert in this area and is on maternity leave. Linda Brooks is trying to progress the matter. We are therefore awaiting the updates. <i>Position May 2012 Still awaiting Carmel to update e learning and is scheduled as urgent on her return from maternity leave in 3 weeks</i>	Garry Turner, Fraud Manager	End of December 2011.	*	June 2012

Vehicle Maintenance 2011/2012							
Final report issued February 2012							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
5.1.2	<i>Systems for monitoring the Serco contract should be fully documented and distributed to the relevant officer at the earliest opportunity.</i>	<i>High</i>	<i>Agreed</i> <i>Position May 2012: Draft on circulation for comment and will be finalised and adopted by 31 May 2012</i>	<i>Depot & Transport Manager</i>	<i>March 2012</i>	<i>*</i>	<i>May 2012</i>
5.2.2	<i>The Environmental Service should liaise with the Legal and Property service to ensure that a signed contract is in place between the Council and Serco for the maintenance contract.</i>	<i>High</i>	<i>Agreed</i> <i>The Service Improvement Manager is currently liaising with the Legal and Property Services on this matter.</i> <i>Position May 2012: Completed. Signed contract is now in place</i>	<i>Section Head Waste and Recycling</i>	<i>March 2012</i>	<i>✓</i>	
5.4.2	<i>Management should monitor the performance of the vehicle maintenance contract against key performance indicators and the following control procedures should be put in place (High) :</i> <ul style="list-style-type: none"> <i>• KPI's should be reviewed to ensure that they are accurately and completely compiled,</i> <i>• Corrective action should be taken in the event of poor performance identified as part of the KPI's reported,</i> 		<i>Agreed</i> <i>The Service are currently developing a suite of new KPIs which will be included as part of the new contract.</i> <i>The performance of the contract is reviewed as part of the monthly meetings with the current supplier.</i> <i>Position May 2012: A suite of new KPIs has been approved and will reported at the monthly contract meetings and any issues addressed</i> <i>A quarterly report will be provided through the quarterly review process.</i>	<i>Section Head Waste and Recycling</i>	<i>April 2012</i>	<i>✓</i>	

Vehicle Maintenance 2011/2012							
Final report issued February 2012							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
	<ul style="list-style-type: none"> <i>KPI's should be monitored and reported to the relevant Senior Officer/Member.</i> 						
5.5.2	<i>The Council should ensure that a copy of the new signed contract with the supplier (selecting at the time of the review) is kept by the Environmental service for performance monitoring purposes and reference for enforcing terms of the contract.</i>	<i>High</i>	<i>Agreed</i> <i>Position May 2012: Completed</i> <i>A signed copy is at Wiggshall Depot</i>	<i>Section Head Waste and Recycling</i>	<i>April 2012</i>	✓	
5.5.4	<i>The Environmental service should ensure that adequate arrangements are detailed in the new contract (current contract with Serco expiring on 31st March 2012) for enforcing corrections to or penalties for breaches in performance against the service level agreements.</i>	<i>High</i>	<i>Agreed</i> <i>The Service will ensure that the new contract will cover this area.</i> <i>Position May 2012: The contract includes dispute resolution and termination clauses.</i>	<i>Section Head Waste and Recycling</i>	<i>March 2012</i>	✓	

Gifts and Hospitality 2011/2012							
Final report issued March 2012							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved x or ✓	Revised Deadline
4.2.4	<i>The Head of Legal and Property service should remind staff to use the correct forms when declaring any gifts and/or hospitality.</i>	Low	<i>Will be done on a case by case basis if correct forms are not received.</i>	<i>Carol Chen, Head of Legal and Property Services</i>	<i>On an ongoing basis.</i>	✓	
4.2.6	<i>When the declaration form is next redesigned, space should be provided to allow the recipient and the line manager to print their names as well as sign the form to ensure that officers signing the document can be identified.</i>	Low	<i>Position May 2012 This has been done and put on the intranet.</i>	<i>Carol Chen, Head of Legal and Property Services</i>	<i>End of March 2012</i>	✓	
4.2.11	<i>The Shared Services and individual council intranets should be updated with the relevant amendments for Shared Services staff as well to ensure that all Shared Services staff are aware of their obligations. (this recommendation will also be included in the report for Three Rivers District Council).</i>	Medium	<i>WBC website will be updated by the Head of Legal and Property Services as this is the main website that is checked by all staff. (Similar action has been suggested for TRDC). Position May 2012 This has been done.</i>	<i>Carol Chen, Head of Legal and Property Services</i>	<i>End of March 2012</i>	✓	
4.3.6	<i>Should the decision be taken to retain the Code of Conduct for Members, the Head of Legal and Property Services should ensure that the Code is updated to reflect the implications of Bribery Act 2010.</i>	Medium	<i>This has already been added to the document that was presented at the Constitutional Working Party on the 23.02.12. This will then go to the full council in May 2012 for approval.</i>	<i>Carol Chen, Head of Legal and Property Services</i>	<i>Already Implemented.</i>	✓	
4.3.8	<i>When updates are made to the Codes of Conduct to reflect the implications of the Bribery Act 2010, it should be ensured that appropriate amendments are also made to the contract procedure</i>	Medium	<i>Contract procedure rules will be amended. Anti-fraud and corruption policy is being updated by the Fraud Manager. Position May 2012</i>	<i>Carol Chen, Head of Legal and Property Services</i>	<i>End of May 2012</i>	x	<i>Septembe r 2012</i>

Gifts and Hospitality 2011/2012							
Final report issued March 2012							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
	<i>rules and the Anti-Fraud and Corruption Policy.</i>		<i>Due to pressures of work on Procurement Manager the contract procedure rules will be updated for September Council</i> <i>Anti-fraud and corruption policy is being updated by the Fraud Manager.</i>				

CSC Income 2011/2012							
Final report issued March 2012							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
4.1.12	<i>The spreadsheet used for recording income by CSC staff should be password protected so that only authorised staff can make amendments.</i>	<i>Medium</i>	<i>Recommendation actioned on 12.03.12.</i>	<i>Michelle Carty, Customer Services Operations Manager</i>	<i>With immediate effect.</i>	✓	
4.2.8	<i>All CSC staff should be reminded to complete payment details in full. This will help the services when checking accuracy of the income allocations to the finance codes</i>	<i>Medium</i>	<i>Customer Services Operations Manager will check with the cash office which of the fields need to be populated and which ones are pre-populated for each of the service.</i> <i>The outcome will be put in the team bulletin for all CSC staff to action. Internal audit will also be notified of the outcome.</i> <i>Recommendation actioned on 13.03.12.</i>	<i>Michelle Carty, Customer Services Operations Manager</i>	<i>End of April 2012.</i>	✓	

eFinancials Post Implementation Review and Data Security 2011/2012							
Final report issued March 2012							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved x or ✓	Revised Deadline
5.3.4	<i>There should be adequate management trails in place which record remote access and changes to eFinancial systems by ABS and Well Data. Also these management trails should be reviewed by a senior officer to ensure that only valid access and changes are made to eFinancials and this control procedure should be evidenced for management review purposes. The review of the management trails may be achieved by using an automated software tool.</i>	High	<p><i>The servers log a certain amount of change and also remote access is logged by the AppGate system.</i></p> <p><i>ICT will investigate with ABS whether there is additional audit logging available at the application level and the potential cost to the councils of implementing this.</i></p> <p><i>It should be noted that ICT Service have a defined Change Management Control Procedure in place which has been reviewed by Internal Audit. Also all changes to e-financials system are filtered via Senior Accounts Assistant who logs the request with ICT Service Desk. Furthermore ICT Service have access to review ABS and Well Data helpdesk systems which record work done on our systems.</i></p>	Head of ICT	December 2012	x	
5.4.3	<i>There should be effective systems in place to ensure that when officers leave the Council their access to eFinancials system is disabled. This will be achieved by the HR Service sending monthly leaver reports and nil returns when there have been no cases, to the Senior Accounts Assistant.</i>	High	<p><i>The Senior Accounts Assistant will liaise with the Human Resources service regarding this issue.</i></p> <p><i>(Post Audit note : The HR service have e-mailed a WBC & TRDC list of leavers to the Senior Accounts Assistant).</i></p> <p><i>Position May 2012: This is in place now, the Senior Accounts Assistant receives notifications and disables users.</i></p>	Senior Accounts Assistant	Immediate	✓	

eFinancials Post Implementation Review and Data Security 2011/2012							
Final report issued March 2012							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved x or ✓	Revised Deadline
5.5.5	<i>The ICT service should allocate responsibility to a named senior officer for ensuring that penetration testing is carried out annually and that the issues raised in the report are addressed promptly. This Officer should report vulnerabilities identified as part of the penetration testing which relate to Service systems to the appropriate System Administrator. (High)</i>	High	<i>A quote for the next round of penetration tests has been requested from the supplier at our last meeting on 11th January 2012.</i>	<i>Infrastruct-ure Manager (or Service Provider if outsourced at time of ITHC).</i>	<i>December 2012</i>	x	
5.5.7	<i>There should be a process in place to address high risk issues identified at the time of the penetration test being carried out. These issues should be addressed by a senior officer at the earliest opportunity and the action taken should be recorded for management review purposes.</i>	High	<i>See 5.5.5 above.</i>	<i>Infrastructure Manager (or Service Provider if outsourced at time of ITHC).</i>	<i>December 2012</i>	x	
5.6.4	<i>The Treasury and Technical Officers should not be able to set-up or change bank details on the relevant CHAPS system (WBC or TRDC). A senior Finance officer independent from the Treasury Management section and who does not transmit CHAPS payments should be designated with the role of setting up and changing bank details.</i>	High	<i>The bank computer system (TRDC ; NAT West) has been set-up to require a second officer to authorise set-up or changes to bank details.</i> <i>The bank system (WBC : Co-operative) not possible to implement the above computer control. Therefore the System Administrator who is independent from the Treasury Management section will regularly review changes made on the CHAPS system to supporting documentation and will evidence this control procedure.</i>	<i>Finance Manager</i>	<i>Immediate</i>	✓	

eFinancials Post Implementation Review and Data Security 2011/2012							
Final report issued March 2012							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved x or ✓	Revised Deadline
5.6.6	<i>CHAPS payments (investments) should only be processed by a senior officer if there is a counterparty document to verify that the bank details i.e. account number and sort code as per the above documentation agree to the CHAPS system. This control check should be evidenced on the CHAPS request form (WBC) and Nat West Chaps payment form (TRDC).</i>	<i>High</i>	<i>The senior officer authorising payments will be required to sign a form as evidence of checking bank details to the counterparty documentation.</i>	<i>Treasury & Technical Officer</i>	<i>Immediate</i>	x	
5.6.8	<i>When payments to suppliers or staff are required by CHAPS the senior officer who authorises the payment on the CHAPS system should verify independently for payments over £1K that the bank account details provided on the CHAPS Request form are valid.</i>	<i>High</i>	<i>Supplier bank details will be checked to existing records kept by the creditors section. If details are not kept the supplier will be contacted using an independent source to confirm the accuracy and validity of bank account details.</i> <i>When payments to staff are required by CHAPS, the Human Resources Service will be instructed to append evidence of staff bank details (obtained from resourcelink : HR system) with the authorisation documentation.</i> <i>Position May 2012: This is now in operation.</i>	<i>Finance Manager</i>	<i>Immediate</i>	✓	
5.6.11	<i>Systems for processing and transmitting CHAPS payments should be fully documented and distributed to the relevant officer(s) at the earliest opportunity.</i>	<i>High</i>	<i>It was agreed that the systems will be fully documented.</i> <i>Position May 2012: This is now in operation.</i>	<i>Technical & Treasury Officers</i>	<i>April 2012</i>	✓	

PART A

Report to: Audit Committee
Date of meeting: 27th June 2012
Report of: Audit Manager
Title: Internal Audit Progress Report

1.0 **SUMMARY**

This report and appendices provide updated information on the work undertaken by Internal Audit on the 2011/2012 Audit Plan in the period 1st April 2011 to 28th May 2012 and on the 2012/2013 Audit Plan from 1st April 2012 to 28th May 2012.

2.0 **RECOMMENDATIONS**

2.1 That the contents of the report be noted.

Contact Officer:

For further information on this report please contact: Mark Allen – Audit Manager
telephone extension 8104 (Watford) or (01923) 727463 (Three Rivers) email:
mark.allen@watford.gov.uk

Report approved by: Bernard Clarke – Head of Strategic Finance.

3.0 **DETAILS**

3.1 This report covers the work undertaken by Internal Audit since the last report to Audit Committee in March 2012 to progress the Audit Plan for 2011/2012. Appendix (1) shows the position on individual audits from the 2011/2012 Audit Plan as at 31 March 2012 including cumulative time taken for the year compared to the time allocated in the annual audit plan. Appendix (2) shows the position on audits carried forward from 2011/12 and with audits from the 2012/13 Audit Plan, including cumulative time taken for the year compared to the time allocated in the annual audit plan. Appendix (3) shows the local performance measures for 2012/13 to 28th May 2012.

3.2 The work undertaken to 28 May 2012 on the planned audits for 2011/2012 and 2012/2013 as listed in Appendix 1 has not, at this stage, generated issues that need to be brought to the attention of the Audit Committee, other than as previously reported and as subsequently detailed below.

3.3 **COA (eFinancials) Post Implementation Review 2011/12** – the final report for this audit has now been issued.

Key recommendations relating to the taking of corrective action to address weaknesses identified through future penetration testing and in the separation of duties relating to CHAPS payments have been accepted and have started to be actioned.

3.4 **Reconciliations 2011/12**

Since the last report to Audit Committee, work has been focused within Finance on the preparation of the final accounts and associated working for 2011/12.

This work includes the preparation of end of year reconciliations for all systems to eFinancials.

Once this work has been completed, the plan is to roll out the production of in-year reconciliations to staff within Finance to ensure that there is appropriate coverage during 2012/13.

3.5 Members are also asked to note that to minimise the amount of time spent on 2011/12 audits during 2012/13, it is proposed that the audit of follow up of external audit recommendations has now been transferred into the audit plan for 2012/13 as part of the corporate governance arrangements audit.

3.6 **Preparations For Closing of 2011/12 Accounts (2012/13 Audit)**

This audit has almost reached completion. The initial conclusions from this work are that the arrangements for closure of the 2011/12 accounts are robust and that the key lessons from the 2010/11 closure and audit process have been learnt and incorporated into revised procedures – particularly in respect of clarifying exactly what documents are required and when they are required well in advance.

Progress with closure of the 2011/12 has been very closely monitored within the Shared Finance Service and by the Head of Strategic Finance with regular meetings that are followed up with chasing of appropriate services within the council to provide the required information promptly.

The closure process has now entered the preparation of working papers phase and processes are in place to ensure that the required working papers can be provided electronically at the expected time.

4.0 **IMPLICATIONS**

4.1 **Financial**

4.1.1 The Head of Strategic Finance comments that there are no financial implications in this report.

4.2 **Legal Issues** (Monitoring Officer)

4.2.1 The Head of Legal and Property Services comments that there are no legal issues in the report. The Council has a responsibility to ensure that it maintains an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with proper practices in relation to internal control.

4.3 **Potential Risks**

4.3.1	Potential Risk	Likelihood	Impact	Overall score
	The most significant potential risk is the possibility that Internal Audit work is of poor quality and the service ineffective. This could lead to an increase in control weaknesses, in greater risks to the Council and to a loss of confidence by the external auditors in Internal Audit and the Council's control environment.	1	3	3

Appendices

Appendix 1 – Progress on individual audits 2011/2012

Appendix 2 – Progress on individual audits 2012/2013

Appendix 3 – Local Performance Measures 2012/13

Background Papers

The following background papers were used in the preparation of this report. If you wish to inspect or take copies of the background papers, please contact the officer named on the front page of the report.

Audit Files

File Reference

None

**Work Progress on Individual Audits
2011/2012**

Project	Progress as at 31 March 2012	Days Allocated 2011/12	Days Taken 2011/12
2011/2012 Audits			
Shared Audits			
Payroll	Work in Progress	15	3
Recruitment	Work in Progress	8	9.9
NNDR	Work in Progress	15	13.6
Council Tax	Work in Progress	15	13.3
Benefits	Work in Progress	25	2.7
Creditors	Work in Progress	15	15.9
Debtors	Work in Progress	15	10.4
FMS Reconciliations	Work in Progress	25	3.6
Insurance	Final report – 09 12 11	10	12.4
IT - Network Controls – follow up	Audit Moved to 2012/13	5	
IT - Disaster Recovery and Back-up (Deloitte)	Work in Progress	10	
IT – Project Management (Deloitte)	Final report – 15 11 11	10	10.0
IT - Asset Management (Deloitte)	Work in Progress	5	
IT - Virus Protection (Deloitte)	Work in Progress	5	
COA – Post Implementation Review	Final report – 30 03 12	20	20.9
Watford BC			
Income Collection	Work in Progress	15	5.4
Benefits Subsidy Claim	Final report – 17 10 11	8	7.9
Benefits Overpayments	Management Letter issued 29 02 12	8	2.0
Treasury Management	Work in Progress	6	0.3

Project	Progress as at 31 March 2012	Days Allocated 2011/12	Days Taken 2011/12
Budget Monitoring	Work in Progress	8	0.6
Construction Industry Scheme (CIS)	Final report 03 01 12	5	6.3
Section 106	Final report – 14 11 11	8	13.2
Financial Procedure Rules	Draft report stage	4	4.6
Hospitality	Final report – 12 03 12	3	4.7
Money laundering	Final report – 11 01 12	5	6.1
Current Contracts (Vehicle Maintenance)	Final report – 22 02 12	10	18.6
Home Improvement Grants	Final report – 02 09 11	10	9.6
Museum	Final report – 12 08 11	10	10.2
CSC	Final report – 14 03 12	5	7.5
External Audit Recommendations follow up	Work in Progress	8	1.6
Additional Audit			
West Herts Crematorium	Final report – 14 07 11	0	1.9

**Work Progress on Individual Audits
2012/2013**

Project	Progress as at 28 May 2012	Days Allocated 2012/13	Days Taken 2012/13
2011/2012 Audits Carried Forward			
Shared Audits			
Payroll	Work in Progress	-	5.6
Recruitment	Draft report stage	-	2.0
NNDR	Draft report stage	-	5.5
Council Tax	Draft report stage	-	5.7
Benefits	Work in Progress	-	0.0
Creditors	Draft report stage	-	4.5
Debtors	Draft report stage	-	12.8
FMS Reconciliations	Draft report stage	-	2.6
IT - Disaster Recovery and Back-up (Deloitte)	Draft report stage	-	
IT - Asset Management (Deloitte)	Draft report stage	-	
IT - Virus Protection (Deloitte)	Draft report stage	-	
Watford BC 2011/12 Carried Forward:			
Income Collection	Work in Progress	-	6.3
Treasury Management	Work in Progress	-	0.0
Budget Monitoring	Work in Progress	-	0.0
Financial Procedure Rules	Draft report stage	-	0.0
2012/13 Audit Plan			
Shared Systems Audits:			
Payroll		14	
NNDR		12	
Council Tax		12	
Benefits Administration		15	
Creditors (Accounts Payable)		11	
Debtors (Accounts Receivable)		11	

Project	Progress as at 28 May 2012	Days Allocated 2012/13	Days Taken 2012/13
FMS - Reconciliations		14	
FMS – Journals and Internal Transfers		5	
Income Collection		16	
Recruitment – follow up		5	
eFinancials Upgrade		7	
Council Tax Support preparations		5	
Final Accounts 2011/12 preparations	Work In Progress	5	1.2
Implementation of new ICT arrangements	Work In Progress	7	0.5
Online expense claims		5	
West Herts Crematorium	Allocated	4	
IT – Network Infrastructure		10	
IT – Virtualisation	Due to commence July 2012	10	
IT – Governance		9	
Watford Audits 2012/13:			
Treasury Management		4.5	
Budget Monitoring		7	
Asset Management and Capital Accounting		6	
Benefits Subsidy Claim		5	
Cyber-crime awareness and prevention		10	
Bribery Act 2010 and Money Laundering		5	
Project and Change Management		6	
Risk Management		5	
Fraud Prevention & Detection Arrangements		8	
Channel Shift Programme		5	
Charter Place Market and Commercial Rent Income		5	
Emergency Planning Processes (Olympics Readiness)	Allocated	5	
Partnerships		5	
Carbon Management	Allocated	4	
Procurement		7	
Data Transparency		5	
Corporate Governance		5	
Commissioning framework for Community Services – advisory support		5	
Museum – Care of the collection		5	
Housing redesign – advisory support		5	
Colosseum – Post Implementation Review		5	

LOCAL PERFORMANCE MEASURES 2012/2013

<u>Criteria</u>	Target p.a. (as per Audit Plan)	Actual To 24 February 2012	Comment
% of annual audit plan achieved.	92%	N/A	This is monitored throughout the year but is not meaningful until towards the year end.
Sickness – average days per employee.	4	1	
Training – average days	4	1.6	Time includes internal and external seminars and training. All auditors hold a relevant qualification.

Criteria	<u>Target p.a.</u>	Actual To 28 May 2012	Comment
Final audit reports issued within 10 available working days of agreement to draft report.	100%	N/A	No final reports issued in respect of 2012/13 to date.
Level of customer satisfaction	94%	N/A	No final reports issued in respect of 2012/13 to date.

PART A

Report to: Audit Committee
Date of meeting: 27th June 2012
Report of: Head of Strategic Finance
Title: Authorised Signatories

1.0 **SUMMARY**

1.1 This report requests approval to increase the number of authorised signatories in managing the day to day treasury management functions. The recommended additional authorised signatories are detailed in Appendix A, which is confidential due to the need to maintain security in the management of the Council's assets.

2.0 **RECOMMENDATIONS**

2.1 That the Committee approves the authorised signatories who also have authority to confirm details by telephone with the Council's bankers and as detailed in Appendix A.

Contact Officer:

For further information on this report please contact: Bernard Clarke, Head of Strategic Finance
telephone extension: 8189 email: bernard.clarke@watford.gov.uk

3.0 **Detail**

3.1 On a day to day basis the Council's treasury management function is managed mainly by two officers within the Financial Services (Shared Services) Division. The principal function of these officers is to ensure the balance on the Council's 'overnight' account is in the black, but as close to zero as possible. This is due to the fact that overnight money earns no interest whereas the Council's two call accounts with the Co-operative Bank and Nat West earn interest at 0.56% and 0.90% respectively. Further, active treasury management seeks to ensure that the Nat West account is utilised as much as possible with frequent daily transfers between the Co-operative Bank and Nat West.

3.2 It is essential that these officers do not organise both the transfer of money and its authorisation and good audit practice insists there should be a separation of duties. In that respect two senior officers (named within Appendix A) are required to authorise/ confirm by telephone with the relevant bank that all transfer requests are genuine. It is frequently the case that the two officers may not be available and further cover is requested. The Audit Committee is therefore requested to approve the additional named officers in Appendix A.

4.0 **IMPLICATIONS**

4.1 **Financial Issues**

The Head of Strategic Finance comments that it is important that the council seek to obtain the optimum investment interest on all its cash surpluses. This needs to be achieved within a very tight system of financial administration.

4.2 **Legal Issues** (Monitoring Officer)

The Head of Legal and Property Services comments that there are no legal implications arising directly out of this report.

4.3 **Potential Risks**

Potential Risk	Likelihood	Impact	Overall score
That the transfer of surplus funds is fraudulently 'exported' to improper accounts.	1	4	4

4.4 **Staffing & Equalities**

None Directly

4.5 **Accommodation**

None Directly

Appendix

Appendix A – Current and proposed authorised signatories (*exempt information not for publication. The exempt information is under the following category, identified in amended schedule 12A of the Local Government Act 1972, paragraph 3 (information relating to the financial or business affairs of any particular persons including the authority holding the information).*)

PART A

Report to: Audit Committee
Date of meeting: 27 June 2012
Report of: Alan Power Head of Finance (Shared Services)
Title: Fraud Annual Report 2011/12

1.0 **SUMMARY**

- 1.1 This report informs Members of the work of the Fraud Section for the financial year 2011/2012 and provides details of updates and developments for the current financial year.
- 1.2 This report also seeks the approval from Members of the revised Anti Fraud and Corruption Strategy (AFCS), Appendix A to this report. The AFCS now includes a new Bribery Act Policy (appendix 4 of the AFCS) . Section 3.23 deals with this.
- 1.3 The second document attached is a revised and harmonised Money Laundering Guidance document. This document does not form part of the Constitution. Section 3.24 deals with this.

2.0 **RECOMMENDATIONS**

- 2.1 That the report that deals with the work of the Fraud Section for the financial year 2011/12 be noted.
- 2.2 That Members approve the revised Anti Fraud and Corruption Strategy shown at Appendix A to this report.
- 2.3 That Members approve and endorse the Money Laundering Guidance document shown as Appendix B to this report.

Contact Officer:

For further information on this report please contact:
Garry Turner – Fraud Manager
telephone extension: 8454/727190
email: garry.turner@watford.gov.uk

Report approved by: Bernard Clarke, Head of Strategic Finance

3.0 DETAILED PROPOSAL

- 3.1 Housing Benefit and Council Tax Benefit are national welfare benefits administered by the Council on behalf of the Department for Work and Pensions (DWP). A complex legal framework is in place to define who is entitled to benefit and to reduce fraud and error in the system.
- 3.2 The Council is committed to providing an Anti-Fraud Service which is supported by efficient policies, has sanctions for those that offend and reflects legislative changes. Countering fraud is the responsibility of everyone working in or having responsibility for Housing Benefit (HB) and Council Tax Benefit (CTB). It is an integral part of that administration that everyone is aware of the risks. Unfortunately, however good the administration of benefits is, it is always likely fraud will enter the system by deliberate acts.
- 3.3 The Council's expenditure on benefits totalled approximately £40.5m in 2011/12.
- 3.4 The DWP sets the standards which govern the effective and secure delivery of benefits and counter fraud activities. These standards are set out in the Performance and Good Practice Guide. The purpose of the guide is to ensure that counter-fraud activities are properly managed. It is important to focus resources on fraud reduction, to identify, investigate and rectify administrative weakness and to assure Members of the integrity and quality of investigations.
- 3.5 The funding for counter-fraud activities is paid via the general administration grant we receive from the DWP.
- 3.6 The Shared Services Fraud team is co-located in Three Rivers House and in the Annex at Watford BC.
- 3.7 During 2011/12 the Council issued the following sanctions in respect of fraudulent claims;

Action	No of Cases
Administrative penalties	21
Cautions	13
Prosecutions	14

- 3.8 In 2011/12 a total of 292 investigations were completed.
- 3.9 A total of 298 interviews under caution were conducted by officers in 2011/12. (Three Rivers DC and Watford BC). A breakdown between the two Councils is not available. These interviews are digitally recorded interviews in accordance with the Police and Criminal Evidence Act 1984. The majority take place in the Council offices with many conducted in Police stations or other organisations with which we work in collaboration. Generally, those conducted in a Police station are after the customer has been arrested and a search of their premises has been conducted.

- 3.10 In 2011/12 a total of 470 referrals for investigation were made. Of these, 70 were rejected as they failed their risk assessment. A referral breakdown is shown below;

Information Source	No of Cases
Housing Benefit /Council Tax Section	31
Other internal Council Departments	21
External sources including Police	54
National Fraud Initiative	18
Housing Benefit Matching Service (HBMS)	250
Fraud Hotline and anonymous letters	59
Department for Works and Pensions (DWP)	21
Website referral	16

- 3.11 In 2011/12 following investigations we identified and raised overpayments in respect of fraudulent claims for benefit as shown below. I have also shown for reference overpayments raised by the DWP and the HMRC as a consequence of our investigations.

Benefit Type	Amount
Housing Benefit	£148,283
Council Tax Benefit	£45,725
Other (DWP, HMRC)	£16,227
Total	£210,235

- 3.12 The service continues to take part in various data-matching exercises. These include the National Fraud Initiative (NFI) and Housing Benefit Matching Service (HBMS). The NFI is an Audit Commission mandatory exercise that matches data within the Council and between participating bodies to prevent and detect fraud. The key strength of the NFI is that it brings together a wide range of organisations, working together in partnership to tackle fraud. Participants of the NFI include 1300 organisations that include for instance other local authorities, police authorities, NHS bodies etc. Examples of some matches are shown below

Data Match	Possible fraud/error
Housing benefit payments to payroll records	Claiming housing benefit by failing to disclose an income
Payroll records to records of failed asylum seekers and records of expired visas	Obtaining employment while not entitled to work in the UK
Council Tax records to electoral register	A council tax payer gets single person's discount and has not declared other persons living in the property
Payroll records to other payroll records	An employee is working for WBC but has employment elsewhere that is not declared

As you can see from the above sample of matches, these data sets are not confined to just benefit fraud and include for instance pension fraud, blue badge fraud, tenancy fraud and taxi driver licenses, (for example taxi drivers are matched to Asylum Seeker records)

- 3.13 The Council has continued to work jointly with many organisations including the DWP, the Police, Immigrations and Border Agencies and other local authorities. It is vital we work jointly with all organisations and not in silos.
- 3.14 Performance indicators are for Watford BC only. I have shown in bold performance indicators for 2011/12 but also included outturn figures for 2010/11 as a comparison

	Target for 2011/12 based on 40% of the shared service target	Outturn 2011/12	Outturn for 2010/11 for comparison purposes
Number of cases closed following investigation	191	288	196
Number of sanctions issued	36	48	36

- 3.15 The performance indicators for shared services comprise those performance indicators of Watford BC shown above, and those for Three Rivers DC and combined are reported directly to the Shared Services Committee.
- 3.16 In 2010/11 we have continued to consider the impact of the recession on the continuing risk of fraud. Economic stress can increase the incentive to commit fraud. We have assessed the effectiveness of our current arrangements and focussed on high risk areas which include where customers fail to report changes in circumstances in a timely manner. We have also worked jointly on many cases to reduce fraud and the reputational damage it can cause. We have a specific Anti-Fraud and Anti-Corruption Policy, Housing and Council Tax Fraud Policy, Sanction Policy, Whistleblowing Policy and Bribery Act Policy. We also have a Fraud Response Plan which deals with non-benefit fraud.
- 3.17 In May 2011, finance shared services were the target of a banking scam. Once alerted we investigated and secured immediate repayment of potential losses. Procedures and controls were also immediately reviewed and improved to reduce the risk of further fraudulent attempts from being successful.
- 3.18 There were a further 3 cases of corporate fraud investigated excluding the case referred to above. These remaining cases resulted in one dismissal.

Action to Date

- 3.19 Since April 2012 we have issued a further 11 sanctions.
- 3.20 There have been a number of Government Strategies released recently which all highlight the increased risks of fraud we face. The latest report released in April 2012 was from the National Fraud Authority (NFA) Fighting Fraud Locally and was specific to local government. The report can be found using the following website address; <http://www.homeoffice.gov.uk/publications/agencies-public-bodies/nfa/fighting-fraud-locally-strategy/>

This report in summary shows fighting fraud requires more than the adoption of good practice; it also requires a genuine partnership between local and central government and a strategic approach. It recognises that the role of central government is to create the right conditions for local authorities to take the necessary initiatives. This means creating the right incentives to reward councils that reduce fraud; removing barriers to appropriate information-sharing; and providing professional staff with the necessary investigative power. It recommends we review and evaluate our current response to all areas of fraud across housing tenancy, procurement, pay, pensions, recruitment; council tax, grant and blue badge schemes.

The executive summary refers to the unprecedented change to the delivery of local services and the increased risks. The abolition of the Audit Commission and the creation of a single fraud investigation service to tackle benefit fraud will considerably alter current fraud governance arrangements

We are currently reviewing our counter-fraud arrangements and our exposure to fraud risk in areas that include recruitment, better use of data analytics, more partnership working etc

- 3.21 We must continue to monitor the new local council tax scheme that will follow the abolition of council tax benefit in 2013 and consider our position on how we will minimise fraud occurring at the gateway.
- 3.22 In respect of the creation of the Single Fraud Investigation Service (SFIS) the latest information is as follows. From 2013 it is envisaged that we will harmonise some sanction policies in line with that of the DWP. It has been agreed by Ministers that staff will continue to be employed by the respective local authorities but with the remit to investigate all benefits that are administered by WBC, HMRC and the DWP

Anti Fraud and Corruption Policy

- 3.23 The Bribery Act 2010 came into force on 1 July 2011 and has introduced four new offences that deal with Bribery. This has necessitated a review of the AFCS to deal with the new legislation and introduce Appendix 4 to the AFCS. The AFCS is shown as your Appendix A to this report.

In particular Section 7 of the Act introduces a specific corporate offence of failing to prevent a bribe. It is therefore necessary to have in place adequate procedures to mitigate against any risk from this new legislation. The policy will assist in providing appropriate procedures in order to deal with this Bribery Act.

Once agreed training will be provided to Officers and Members by revising the E Learning training module.

Money Laundering Guidance

- 3.24 Next, attached to this report as your Appendix B is the Money Laundering Guidance document.

Money laundering is the process by which the proceeds of crime and the true

ownership of those proceeds are changed so that the proceeds appear to come from a legitimate source.

There is no definitive list of Council activities which might be affected by money laundering but those considered at risk might include for instance payment of Council Tax, NNDR, payment for leases, sales and licenses.

The Council trains all employees who may come into contact with persons engaged in money laundering via the Councils E Learning tool.

The Guidance document provides information on how to report Money Laundering and the responsibilities of the Councils Money Laundering Reporting Officer (MLRO). The MLRO is the Head of Strategic Finance, Bernard Clarke and his deputy in his absence is the Head of Legal and Property, Carol Chen.

4.0 **IMPLICATIONS**

4.1 **Financial**

4.1.1 The Head of Strategic Finance comments that there are no financial implications in this report

4.2 **Legal Issues** (Monitoring Officer)

4.2.1 The Head of Legal and Property Services comments that the legal implications are contained within the report.

Appendices

- A – Anti Fraud and Corruption Strategy
- B – Money Laundering Guidance

Background Papers

The following background papers were used in the preparation of this report. If you wish to inspect or take copies of the background papers, please contact the officer named on the front page of the report.

Fighting Fraud Locally
Bribery Act 2010

File Reference

- None.

ANTI-FRAUD AND CORRUPTION STRATEGY

THREE RIVERS DISTRICT COUNCIL WATFORD BOROUGH COUNCIL

1 POLICY STATEMENT

- 1.1 Both Councils take their duty to protect public funds very seriously and are committed to a zero tolerance approach to fraud and corruption. Any loss of funds affects the Councils' ability to maintain high levels of service to their communities.
- 1.2 This Strategy sets out how the Councils will prevent, detect and investigate cases of fraud, corruption or bribery through a range of supporting documents and procedures. It will be reviewed regularly. Any measures adopted will take into account the perceived risk of fraud brought about by changing economic circumstances.
- 1.3 Each case of suspected fraud, corruption or bribery is unique and must be considered on its own facts and merits. In line with the Councils Equality Policies there will be no discrimination against any individual or group of people on the grounds of ethnic or national origin, sex, religious beliefs, political views, sexual orientation or disability.
- 1.4 For the purposes of this Strategy the terms fraud, corruption and bribery are used in their widest sense and are not directly related to those sections of the criminal law under which charges might be brought. However, for further clarification the following definitions are contained in both the CIPFA publication "The Investigation of Fraud in the Public Sector" and the Audit Commission's "Fraud and Corruption Audit Manual":-

Fraud

"The intentional distortion of financial statement or other records by persons internal or external to the organisation which is carried out to conceal the misappropriation of assets or otherwise for gain."

Note: this Strategy is also relevant to misappropriation or petty theft without the distortion of financial statements or other records - i.e. wider than the above definition.

Corruption

"The offering, giving, soliciting or acceptance of an inducement or reward which may influence the action of any person."

Note: Council Members and officers should take decisions solely in terms of the public interest. They should not do so in order to gain financial or other material benefits for themselves, their family or their friends.

Fraud may be committed against the Council from the inside by its Members, employees or from the outside by third parties (the public, contractors and suppliers). Third parties can also influence the actions of insiders.

Bribery

Bribery is an inducement or reward offered, promised or provided to gain personal, commercial, regulatory or contractual advantage.

1.5 The Councils will ensure that they have adequately resourced and experienced Internal Audit and Fraud Teams capable of dealing with all suspected irregularities. Action will be taken as necessary against all those involved in any irregularity.

1.6 The Councils will encourage and protect those who report improper or fraudulent actions. Arrangements for this are set out in the joint Whistleblowing Policy (Appendix 1) and Anti-Bribery Policy (Appendix 4).

2 PREVENTION AND DETECTION

2.1 Culture

The success of this Strategy is based on the Councils' promotion of a culture of openness and accountability in which all Members and officers apply the highest standards of ethical behaviour and are willing to voice concerns they may have about any aspects of the Councils' work.

2.2 Control Environment

There are a number of controls in place that individually and collectively contribute to effective control environments at both authorities and therefore to the prevention, detection and investigation of fraud and corruption.

Features of the control environment are:

- sound systems of financial management;
- effective and well-documented internal controls;
- accountability through clear roles and responsibilities throughout the Councils;
- effective communication systems, both within the Councils and external to them;
- effective use of technology,
- effective budgetary control and performance monitoring systems and
- effective internal audit.

All Members and employees are required to comply with:

The Councils' Constitutions and Contract and Financial Procedure Rules.

2.3 Members

As elected representatives, all Members of both Councils have a duty to ensure that the Councils use their resources prudently and in accordance with the law.

They are bound to abide by their Codes of Conduct.

Members declare financial or other interests as appropriate.

2.4 Management

The Councils have determined the 'Proper Officer' appointments under the Local Government Act 1972 (as amended), including the Chief Finance Officer (Section 151) and the Monitoring Officer.

Senior managers are responsible for ensuring that procedures are in place:

- to ensure adherence to management policies and directives in order to achieve the Council's objectives;
- to safeguard assets;
- to secure the relevance, reliability and integrity of information, so ensuring as far as possible the completeness and accuracy of records;
- to ensure compliance with statutory requirements; and
- to prevent fraud.

Additionally managers are expected to carry out risk assessments, including the risk of fraud.

2.5 Employees

The Councils will ensure that they have sound recruitment and disciplinary procedures in place.

The Councils will ensure that they have effective procedures for training and maintaining competence, including training in ethics, the Code of Conduct for Officers, fraud prevention, detection and investigation.

The Council will ensure that its officers are aware of this Strategy, the Anti-Bribery Policy and the Whistleblowing Policy. The whistleblowing procedure aims to provide appropriate arrangements for the receipt of reports of suspected fraud and other concerns.

Any breaches of either Council's Constitution or Financial Procedure Rules will be handled in accordance with each Council's disciplinary procedures.

Employees are expected to declare interests as appropriate.

Under the Bribery Act, it is an offence for employees to solicit or accept any gift or reward in return for allowing themselves to be influenced in any way in their official capacity. See HR Policy Officer Code of Conduct section 2 on Gifts and Hospitality.

Housing Benefits is likely to be the single largest area of fraud in terms of numbers and value. The Benefits Team will apply rigorous vetting procedures to check on the eligibility of all new applicants for benefits and on notifications of changes of circumstances. All suspicious cases will be referred to the Fraud Team.

2.6 Investigating Officers

There are a number of sources of information available to the investigators which identify potential cases of fraud. These include:

- the Benefits team
- the National Fraud Initiative
- the Housing Benefit Matching Service and
- the fraud hotline – 0800 458 9200 (Freephone).

2.7 Internal Audit

Work is undertaken by Internal Audit under the Council's statutory duty to maintain an adequate and effective system of internal audit. Internal Audit maintains a continuous review of key financial and non-financial systems to ensure that there are robust controls in place which both prevent and detect frauds. Fraud may be detected during the course of this work. The audit work programme is in part based on a fraud risk assessment. The work of Internal Audit is regularly reviewed to ensure that it reflects the risks of fraud associated

with changing economic circumstances.

2.8 External Audit

The Council's external audit is carried out in accordance with the 'Code of Audit Practice'. The responsibilities of the auditor and the audited body (i.e. the Council) are set out in a statement accompanying the Code.

2.9 Contractors

As a deterrent, the Councils' standard Terms and Conditions of Contract allow for the termination of a contract in the event of fraud or corruption.

2.10 The Public

The Councils have complaints procedures which provide arrangements for complaints from third parties to be received and for concerns to be aired. The complaints procedures ensure that officers responsible for dealing with complaints are alert to the potential for fraud and corruption.

There is also a fraud hotline in place for the public to report any concerns they may have.

2.11 Publicity

The Councils will regularly publicise (internally and externally) arrangements for reporting suspected cases of fraud or corruption.

They will also seek to publish details of successful prosecutions in the local media as a deterrent to others.

3 INVESTIGATION

The Internal Audit and Fraud teams will continue to work closely together on fraud related issues and there will be a joint approach to raising fraud awareness.

Whilst different procedures apply to the different types of fraud the Councils will comply with the requirements of the various relevant legislative requirements such as the Data Protection Act, Regulation of Investigatory Powers Act, the Police and Criminal Evidence Act, Proceeds of Crime Act, Fraud Act, Bribery Act 2010, Criminal Procedures and Investigation Act and the European Convention on Human Rights. The Councils' policies on equal opportunities and customer care will be applied at all times.

The investigation of benefit fraud is covered by the Benefit Fraud Policy (Appendix 2) and the Sanctions Policy (Appendix 3). All policies are supported by a separate Code of Conduct for Investigators which includes an outline of the procedures to be followed in an investigation.

Benefit Fraud

Any allegation of benefit fraud against a Council Member, an officer or a member of the public, must be referred to the Fraud Manager.

Other Fraud and Corruption or Bribery

Any allegation against a Member of either Council must be referred to the relevant Monitoring Officer (Solicitor/Head of Legal and Property Services).

Any other allegation of fraud or corruption must be referred to either of the two Councils' Chief Finance Officers, the Chief Executive (Three Rivers) or

Managing Director (Watford).

The Audit Manager will be notified of all suspected/proven cases of fraud or corruption to inform his/her opinion on the internal control environment and to carry out any necessary system reviews to ensure that control weaknesses are addressed.

4 Partnerships/Voluntary Sector

Partnerships/voluntary sector organisations are likely to be in receipt of public funds and there is the potential that they may either commit fraud against the Councils or be the subject of fraud themselves. Risk assessments carried out before councils enter into a partnership or in relation to the operation of a partnership itself must give due consideration to the risk of fraud. The Councils' approach to suspected cases of fraud will depend on the nature and extent of the fraud, the terms of agreement with the organisation and the organisation's own ability to deal with the case. The Councils will seek to apply the strongest possible sanctions if fraud is proven.

5 SUMMARY

The Anti-Fraud and Corruption Strategy is a statement of the both Councils' attitude towards, and procedures for tackling, fraud, corruption and bribery. The key elements are:

The Councils will not tolerate abuse of Council services.

Persistence or planned abuse will result in disciplinary/legal action being taken against the individual(s) concerned.

Anyone found defrauding the system will have to repay to the affected Council the sum of their financial gain.

Each case will be examined on its merits.

Officers will treat all customers with fairness.

Decisions on action will only be made once all the facts have been established.

6. REVISING THE STRATEGY

Amendments to this Strategy will be formally approved in accordance with the arrangements in place at each authority.

Revisions will take place regularly and will take into account factors such as organisational or policy changes and the prevailing economic climate.

WHISTLEBLOWING POLICY

THREE RIVERS DISTRICT COUNCIL WATFORD BOROUGH COUNCIL

1 INTRODUCTION

- 1.1 Employees are often the first to realise that there may be something seriously wrong within the Councils but may find it difficult to know what to do about it. They may not express their concerns because they feel that speaking up would be disloyal to their colleagues or to the Councils. They may also fear harassment or victimisation. In these circumstances it may be easier to ignore the concern rather than report what may just be a suspicion.
- 1.2 The Councils have jointly introduced this Policy to reassure staff that it is safe and acceptable to speak up and to enable them to raise any concern they may have at an early stage.
- 1.3 Both Councils are committed to the highest possible standards of openness and accountability and have adopted a zero tolerance approach to fraud and corruption. We encourage any Council employee with serious concerns about any aspect of the Councils' work to come forward and express those concerns. These may relate to another Council employee, contractor, supplier, elected Member or representative of any other body supported by or working for or on behalf of the Councils.
- 1.4 The Councils will encourage all organisations working with them or on their behalf to adopt their own Whistleblowing arrangements.
- 1.5 These procedures are designed to ensure the greatest possible degree of confidentiality and protection for any member of staff who finds it necessary to use them.
- 1.6 Whilst intended primarily for Council employees, the reporting arrangements set out in this policy are also open to any member of the public, elected Member or representative of any organisation associated with either Council. The Councils also have Complaints Procedures which may be followed by members of the public.

2 AIMS OF THE POLICY

- 2.1 Provide avenues for you to raise concerns and receive feedback on any action taken in cases where you feel that you cannot use the normal complaints procedure.
- 2.2 Reassure you that we will do everything possible to protect your confidentiality and to protect you from reprisals or victimisation.
- 2.3 Ensure that your concerns are taken seriously and are swiftly acted upon.
- 2.4 Allow you to take the matter further if you are dissatisfied with either Council's response.

3 SCOPE

- 3.1 Whilst the policy is a key feature of our joint Anti-fraud and Corruption Strategy, its use is not restricted to fraud related issues. It covers a wide range of topics including:
- fraud, corruption or any other unlawful act
 - maladministration and mismanagement
 - breach of any statutory code of practice
 - breach of the Councils' procedure rules or policies
 - actions which are likely to cause physical danger or risk of damage to property
 - failure to report and/or rectify any situation which is likely to cause significant avoidable cost or loss of income
 - misuse of information which could seriously prejudice or compromise either Council
 - abuse of power or the use of the Councils' powers and authority for any unauthorised or ulterior purpose.
- 3.2 The policy is not intended to cover staff complaints about harassment, discrimination, victimisation or other similar matter. These complaints are dealt with by other Council policies/procedures.
- 3.3 You may call the Fraud Hotline (Freephone 0800 458 9200) rather than use this process if that is easier for you.

4 SAFEGUARDS

4.1 Confidentiality

The Councils will do their best to protect your identity when you raise a concern and do not wish your name to be disclosed. It must be appreciated however that there may be times when it is not possible to resolve a concern without revealing your identity e.g. where your personal evidence is essential. This will be discussed with you in advance of any action being taken. You will be given all necessary support if your name has to be revealed.

4.2 Harassment or Victimisation

The Councils recognise that the decision to report a concern can be a difficult one to make not least because of the fear of reprisals from those responsible for the alleged malpractice. The Councils will not tolerate harassment or victimisation and will take action to protect you if the concern is raised in good faith.

This does not mean that if you are already the subject of disciplinary or redundancy procedures that those procedures will be halted as a result of your whistleblowing.

4.3 False Allegations

If you make an allegation in good faith but the investigation fails to support your concern, no action will be taken against you. However, any abuse of this process by employees maliciously raising unfounded allegations will be dealt with under the Councils' disciplinary arrangements.

4.4 Anonymous Allegations

You are encouraged to put your name to any issue raised. Anonymous concerns are much less powerful and are often difficult to follow up, especially if further information is required. Each case will be considered however and will be investigated depending on:

- the credibility of the concern
- the seriousness of the issue

- the possibility of verification from other sources.

5 HOW TO RAISE A CONCERN

- 5.1 You should normally report any concerns to your immediate manager or his/her superior for the matter to be dealt with in accordance with standard Council procedures. Line Managers must not investigate any suspected case of fraud or corruption but must refer it immediately to one of the two Chief Finance Officers, the Chief Executive (Three Rivers) or the Managing Director (Watford) who will decide what further action is to be taken.
- 5.2 If you feel unable to do this, e.g. you feel that your manager may be implicated or you have already done so but do not feel that the matter has been properly dealt with; you can then use the Whistleblowing process to report any concern.
- 5.3 Concerns should be reported to either:

The Chief Executive (Three Rivers)

The Managing Director (Watford)

Either of the two Councils' Chief Financial Officers.

These officers will decide the most appropriate method for dealing with your concern.

- 5.4 The earlier you express concern the easier it is to take action.
- 5.5 Do not try to investigate the matter yourself but pass on as much evidence or information you may have. You are not expected to prove the truth of the allegation but you will need to demonstrate that there are sufficient grounds for your concern.
- 5.6 You may invite your staff or trade union representative or a friend to act on your behalf.
- 5.7 The Councils have the resources and expertise to investigate any concern internally. If you feel it right to raise the matter externally, or have raised it internally but feel that it has not been properly investigated, there are a number of possible contact points, for example:
- your local Council Member
 - the External Auditor (Grant Thornton)
 - a relevant professional or regulatory body
 - the Police
 - the Ombudsman
 - the Audit Commission (Whistleblowing Hotline – 0845 052 2646)
 - the Health and Safety Executive
 - Standards Board for England (matters relating to elected members).

6 THE COUNCIL'S RESPONSE

- 6.1 All concerns will be taken seriously and acted upon immediately.
- 6.2 After an initial review a decision will be taken on whether to take the matter further by way of a confidential investigation, to refer the matter to the Police, to arrange for an independent inquiry (e.g. by the external auditor) or to take no further action.
- 6.3 Some concerns may be resolved by agreed action without the need for a detailed investigation.
- 6.4 You may be approached for further information. At any meeting you may be accompanied by your representative or a friend.
- 6.5 We will ensure that you receive the necessary support/advice should the matter result in disciplinary or legal action at which you are required to give evidence.
- 6.6 Within ten working days of the concern being received the Councils will write to you (subject to any restrictions arising from the Data Protection Act):
- acknowledging that the concern has been received
 - indicating how it is proposed to deal with the matter
 - giving an estimate of how long it will take to provide a final response
 - telling you whether any initial enquiries have been made and whether further action is proposed.
- 6.7 As you need to be assured that the matter has been properly addressed you will receive information about the outcome of any investigation, subject to any legal or confidentiality constraints.

7 THE RESPONSIBLE OFFICER

The Chief Executive (Three Rivers) and the Managing Director (Watford) have overall responsibility for the maintenance and operation of this policy. It will be reviewed regularly in accordance with arrangements in place at each authority.

HOUSING BENEFIT/COUNCIL TAX BENEFIT FRAUD POLICY

THREE RIVERS DISTRICT COUNCIL

WATFORD BOROUGH COUNCIL

1 Statement of Intention

- 1.1 The two Councils are committed to the delivery of Housing Benefit and Council Tax Benefit to its customers. Benefits are for those who are most vulnerable in society and should be assessed and paid within guidelines set by Central Government.
- 1.2 The Councils are committed to ensuring that benefits are delivered to those who have a true entitlement to them.
- 1.3 The Councils are committed to providing a modern and efficient Anti-Fraud Service.
- 1.4 A strong counter fraud culture is fundamental to reducing the harm caused by fraud and in ensuring public confidence and reputation is not undermined.
- 1.5 The Councils have a clear commitment towards a zero tolerance towards fraud.
- 1.6 We will ensure that we have transparent targets with regular reporting on our performance. We must continue to employ qualified investigators.
- 1.7 Tackling fraud effectively needs a collaborative approach. We will develop working with partners to maximise our counter fraud activities and resources on those areas of greatest risk or social harm.
- 1.8 We will publicise these policies and ensure they are communicated to all staff.
- 1.9 We will seek to be fair and consistent in our handling of all cases and will act in accordance with the law, guidelines and the Councils' policies.

2 Introduction

- 2.1 The Government is committed to building a strong, healthy and prosperous society. It is therefore important that the administration of Housing and Council Tax Benefit is secure.
- 2.2 The Department for Work and Pensions (DWP) is committed to reducing fraud and error and it is proposed that from 2013 Universal Credit will replace Housing Benefit and will be administered by the DWP. There is to be a transitional period to introduce this strategy and it is proposed only new claims will be processed by the DWP from 2013. In addition it is proposed that a Single Fraud Investigation Service (SFIS) will be implemented as part of this new Fraud and Error Strategy. Currently, the DWP and local authorities can prosecute social security fraud while HMRC can prosecute tax credits. The Fraud and Error Strategy proposes the creation of SFIS to create a more coherent investigation service. The key objectives of SFIS are to Prevent, Detect, Correct, Punish and Deter. Some elements of SFIS are expected to be introduced in 2013.
- 2.3 The Councils are committed to ensuring that benefits are delivered to those who have a true entitlement to them.

- 2.4 Unfortunately, economic stress can increase the incentive to commit fraud. Some people will attempt to obtain Benefits to which they are not entitled. We will ensure that our procedures and processes are sufficiently robust to reduce the risk.
- 2.5 The Councils recognise that as well as causing financial loss, fraud is also detrimental to the provision of services, and damaging to the reputation of, and confidence in, the Councils.
- 2.6 In 2011 the National Fraud Authority estimated that fraud in the public sector costs £20.3 billion a year. The costs to local government is estimated at £2.2 billion a year.

3 Processes

- 3.1 To ensure that all counter fraud activities are properly managed, it is important to focus resources on fraud prevention, to investigate and rectify administrative weaknesses, to provide assurances of the integrity of the benefit system and the quality of the investigations.
- 3.2 Effective Anti-Fraud activities reduce the levels of fraud and error.
- 3.3 The Councils believe that it is important to discourage and prevent fraud from taking place in the first instance. The Councils will implement vigorous procedures for the verification of claims. The minimum standard for verification will be the guidelines previously known as the Verification Framework. However, although claims for benefit will be subject to close scrutiny, the Councils are committed to delivering benefits within the official government timescales. The Councils will give assistance to claimants of benefits in applying for benefit and to maximise take-up
- 3.4 The Councils' application forms for Housing Benefit/Council Tax Benefit/Local Housing Allowance will include questions and instructions in plain language giving the customer clear directions on what is required. The forms will carry warnings against providing false information and will explain the risks that claimants will run if they choose to give incorrect information or fail to give information to the Councils about their personal circumstances. The forms will contain all the information the claimant requires to understand their rights.
- 3.5 The Councils will put in place systems which will allow the claimant to request assistance to complete their application form, in the office or their home, and to educate customers of the importance and need to inform the Councils of changes to their circumstances.
- 3.6 The Councils are committed to controls designed to prevent fraud being perpetrated by its own staff. Staff employed in Revenues and Benefits and Fraud Investigations will be vetted at the time of application. If misrepresentation is found to have occurred on the application form or at interview, disciplinary procedures will be considered, including dismissal
- 3.7 The Councils will comply with the requirements of the Department for Work and Pensions Housing Benefit Matching Service which compares claims for Housing Benefit and Council Tax Benefit against many other data sets.
- 3.8 The Councils will participate in the Audit Commission National Fraud Initiative which allows comparison of benefit data held by the Council against other data sources, e.g. Payroll.
- 3.9 The Councils will maintain and advertise a benefits free fraud hotline and an Internet "Report a Fraud" service to enable concerned residents to report suspected fraud confidentially.
- 3.10 The Councils will subscribe to the National Anti-Fraud Network (NAFN) to ensure the national partnership providing support, data and intelligence assists us in our counter

fraud activities. The network obtains, collates and disseminates intelligence on fraud to all members.

- 3.11 The Councils will also maintain membership of the Local Authority Investigations Officer Group (LAIOG) for inter-authority networking and to enable Fraud Investigations Officers to keep abreast of new developments in the fraud arena. They will also join in appropriately with other local partnerships to ensure we are up to date with current fraud risks.
- 3.12 The Councils will have a zero tolerance approach to fraud.
- 3.13 The Councils will assess the management of counter fraud resources against best practice.
- 3.14 The Councils will maintain working arrangements with relevant organisations to ensure effective sharing of knowledge and data about fraud.
- 3.15 The Councils will raise awareness of fraud risks by training new staff, existing staff and members.
- 3.16 The Councils will ensure they have a robust fraud risk assessment to enable resources to be focused on areas where there is high risk of fraud.
- 3.17 The Councils will ensure that there is focus on both proactive and reactive work in the fraud risk areas that cause the greatest financial, social and reputational harm.
- 3.18 Tackling fraud effectively requires a concerted and collaborative response. When public, private and voluntary sector bodies work in partnership we benefit from sharing work programmes and specialist expertise as well as improving knowledge and information about fraud and its causes.

4 Overpayments

- 4.1 In all cases, the Councils will seek to recover overpayments. It would not be the Councils' intention to cause hardship. Accordingly, the ability to repay the overpayment will be considered in individual cases where hardship would be a proven outcome of pursuance of the debt. Factors such as the nature of the offence and the rate of recovery will be taken into account when determining the level of recovery. In some cases, failure to come to a reasonable arrangement for repayment will result in civil action through the courts.
- 4.2 Payments of benefit are often made directly to Landlords on behalf of claimants. If landlords falsify claims or assists claimants to falsify claims for benefits the Councils will consider criminal proceedings under the Social Security Administration Act 1992 or the Fraud Act 2006. Landlords who receive benefit directly are obliged to report any known changes in their tenants' circumstances. When a Landlord fails to do this, they may be paid more direct benefit than they should be paid. The Councils make Landlords aware of their duty to report known changes in circumstances. The Councils will consider recovering any overpaid benefit either directly from ongoing payments of benefit to the Landlord (even from the payments for other tenants for whom the landlord is receiving direct benefits) or through civil action through the courts.

5 Data protection Act

- 5.1 The Councils will be correctly registered under the Data Protection Act 1998.

6 Duties and Consideration of Fraud Investigators

- 6.1 When investigating fraud, the Councils' senior fraud investigators will work within the guidelines of the Police and Criminal Evidence Act 1984, the Criminal Procedures

and Investigation Act 1996, and the Regulation of Investigatory Powers Act 2000. The Investigators will adhere to the requirements of their Code of Conduct and will, at all times, apply appropriate procedures to maintain confidentiality of information.

7 Duties and Consideration of Council Employees

- 7.1 The Councils will require all Council Officers involved in the administration of benefits to report to the Benefits Manager details of any property within the area that they are renting to tenants and any claims of benefit to which they have some connection. This may be a claim for benefit where the Officer is the landlord, the claimant, a partner, a dependant or a non-dependant on the application. If a Benefits Officer has knowledge of a claim where they are a close family member, as described by Schedule 2 of the Housing Benefit and Council Tax Benefit General Regulations, the Officer must report this case to the Benefits Manager whereupon they will be prevented from access to the case in question on the Benefits computer system.

8 Duties and Considerations of Elected Members

- 8.1 The Councils will require all elected Members to report details of any property within the Councils that they are renting to tenants and any claims of benefit to which they have some connection. This may be a claim for benefit where the Member is the Landlord, the claimant, a partner, a dependant or a non-dependant on the application.

9 Sanction Process

- 9.1 Once an investigator is satisfied that a case which they are investigating is suitable for a sanction they will inform the Fraud Manager. A file must be prepared by the investigator and it should contain a summary of the relevant facts, copies of witness statements, copies of documentary exhibits, a working copy tape of interviews under caution and a transcript and any other information relevant to making a decision.
- 9.2 A sanction that may be imposed can be the offer of an Administration Penalty. An Administration Penalty is the offer of a financial penalty if the person, by act or omission, has caused benefit to be overpaid to them. The legislation governing the use of penalties is contained in Section 115a of the Social Security Administration Act 1992 and amended by the Welfare Reform Act 2012. Details of an Administration Penalty are contained in the Sanction Policy.
- 9.3 Next the Councils may issue a Formal Caution. Formal Cautions act as a deterrent for persons at the lower end of benefit related offences where criminal proceedings are not the preferred option. A formal caution can only be issued where a person has admitted the offence. See Sanction Policy
- 9.4 Finally, the Councils may consider issuing criminal proceedings. Various factors need to be considered as contained the Sanction Policy.

SANCTIONS POLICY**THREE RIVERS DISTRICT COUNCIL
WATFORD BOROUGH COUNCIL****1 INTRODUCTION**

- 1.1 This document sets out the policy of Three Rivers District Council and Watford Borough Council towards sanctions, including criminal prosecutions, for offences relating to Housing and Council Tax Benefit and 'National' Benefit Fraud.
- 1.2 'Local' benefits (Housing Benefit and Council Tax Benefit) are administered by the Councils as part of their statutory local government functions. In addition following the introduction of the Welfare Reform Act 2007 (WRA 2007) the Councils are now able to investigate and prosecute for National Benefits an example of which is Income Support. The WRA 2007 also provided provisions for access to information to carry out such activities.

2. GENERAL PRINCIPLES

- 2.1 Both Councils are committed to the prevention, detection, correction, investigation and, where appropriate, prosecution of fraudulent benefit claims. The issuing of an Administrative Penalty or a Formal Caution may also be considered.
- 2.2 The aim is to prevent criminal offences occurring by making it clear to our customers that they have a responsibility to provide accurate and timely information about their claims; to punish wrongdoing; and to deter offending.
- 2.3 This policy supports the Department for Work and Pensions (DWP) Fraud and Error Strategy. It also is designed to challenge to deliver better value for money, promote high standards of governance and accountability and encourage continual improvement in public services so they meet the changing needs of diverse communities and provide fair access for all.
- 2.4 Each potential fraud referral is risk assessed. This assessment will result either in cases being investigated further under criminal investigation standards as set out within the remainder of this document or rejected.

3. ORGANISATION

- 3.1 Criminal investigations are undertaken by the Councils Senior Investigation Officers in accordance with;
- the Police and Criminal Evidence Act 1984 (PACE)
 - the Criminal Procedures and Investigations Act 1996 (CPIA)
 - Human Rights Act 1998
 - Fraud Act 2006
 - The Regulation of Investigatory Powers Act 2000 (RIPA)
 - Data Protection Act 1998
 - all other relevant legislative and common-law rules
- 3.2 Senior Investigation Officers receive at minimum Professionalism in Security (PINS) training which is accredited by Portsmouth University.

4. SANCTIONS

4.1 Where an offence has been committed the Fraud Manager can consider offering a caution, an administrative penalty, or instigating a prosecution. The choice will depend on the factors below.

4.2 Cautions

4.2.1 A caution is an administrative sanction that the Councils are able to offer as an alternative to a prosecution as long as specific criteria are met, and the case is suitable to take to court if the caution was refused.

4.2.2 Cautions are usually aimed at the less serious benefit frauds and those where the overpayment is generally under £2,000. It also provides an additional tool for the Councils to use in those cases where the deterrent effect is considered a sufficient and suitable alternative to prosecution or an administrative penalty.

4.2.3 The offender must make a clear and reliable admission of the offence verbally or in writing and there must be a realistic prospect of conviction if the offender were to be prosecuted in line with the full Code Test of the Code for Crown Prosecutors.

4.2.4 If the customer is subsequently prosecuted for another benefit offence the caution may be cited in court.

4.2.5 Generally a person will not be offered a caution if they have previously in the last 3 years received a caution or administrative penalty.

4.2.6 A person must sign an agreement acknowledging the offence for which they receive a caution for.

4.2.7 A caution will be recorded on a data base held by the DWP

4.2.8 The Fraud Manager retains the discretion in all cases, including those which do or do not fall within any of the above criteria when other factors make the offer of a caution inappropriate for its purpose. One of many circumstances may be where a fraud involving low sums of money over a long period of time has resulted in a small overpayment.

4.3 Administrative penalties

4.3.1 An administrative penalty is the offer to the customer to agree to pay a financial penalty where the customer has caused benefit to be overpaid to them, by either an act or omission. The amount of the penalty is currently stipulated at 30 per cent of the amount of the gross overpayment. From the 8th May 2012 for offences wholly created thereafter the penalty has increased to 50% of the gross overpayment or a minimum of £350 whichever is greater. Furthermore, the amendments made to legislation in the Welfare Reform Act 2012 now allow for penalties of £350 to be administered in cases of attempt where no benefit loss has occurred.

4.3.2 The Councils can offer these penalties where the case is deemed to be not so serious and the offer of an administrative penalty is considered a suitable alternative to prosecution, and where the gross overpayment is generally under £2,000.

4.3.3 Unlike cautions no admission of guilt is required from the customer before offering an administrative penalty, although there is a statutory requirement for investigators to ensure that there are grounds for instituting criminal proceedings for an offence relating to the overpayment.

4.3.4 An administrative penalty can only be offered to a person in respect of an overpayment of benefit or from May 2012 a case of attempt.

4.3.5 If a person agrees to a penalty, the Councils will not instigate proceedings against them in respect of the offence that generated the overpayment upon which the penalty is based.

- 4.3.6 An interview under caution (IUC) must have been conducted.
- 4.3.7 The Fraud Manager retains the discretion in all cases, including those which do or do not fall within any of the above criteria when other factors make the offer of an administrative penalty inappropriate for its purpose. One of many circumstances may be where a fraud involving low sums of money over a long period of time has resulted in a small overpayment.

4.4 Prosecutions

- 4.4.1 The decision to prosecute an individual is a serious step. Fair and effective prosecution is essential to law and order. Prosecutions have serious implications for all involved including witnesses and defendants.
- 4.4.2 There are three stages in the decision to prosecute. The first stage in a case being considered for criminal prosecution is where **one or more of the following criteria are met:**
- The gross adjudicated overpayment is generally £2,000 or over
 - False identities or other personal details have been used
 - False or forged documents have been used
 - Official documents have been altered or falsified
 - The person concerned occupied a position of trust
 - The person concerned assisted or encouraged others to commit offences
 - There is evidence of premeditation or organised fraud
 - The customer had previously been convicted of benefit fraud
 - The amount of the overpayment is under £2,000 and the offer of an administrative penalty or caution is not accepted or suitable.
- 4.4.3 The second stage is the **evidential test**. If the case does not pass the evidential test, it must go no further no matter how serious or important it may be.
- 4.4.4 We must be satisfied that there is enough evidence to achieve a realistic chance of a conviction against each defendant on each charge. A realistic chance of conviction means a magistrate or jury properly directed is more likely than not to convict the defendant of the alleged charge.
- 4.4.5 We must consider whether the evidence can be used and is reliable. Is the evidence likely to be excluded because of the way it was gathered or because of the rules of hearsay as evidence? Is any explanations given by the defendant credible? Is the witness's background likely to weaken the prosecution case? For example, does the witness have any motive or a relevant previous conviction?
- 4.4.6 The third stage is the **public interest test**. The public interest test must be considered in each case where there is enough evidence to provide a realistic prospect of conviction.
- 4.4.7 Public interest factors that can affect the decision to prosecute usually depend on the seriousness of the offence or the circumstances of the suspect.
- 4.4.8 Some common public interest factors in favour of prosecution are: a conviction is likely to result in a significant sentence; there is evidence the offence was premeditated; the defendant's previous convictions are grounds for believing the offence is likely to be repeated and the offence, although not serious in itself, is widespread in the area.
- 4.4.9 Some common public interest factors against a prosecution are the court is likely to impose a nominal sentence, the offence was committed as a result of a genuine mistake, there has been a long delay between the offence taking place and the court hearing unless the offence has only just come to light or the complexity of the offence

has meant that there has been a long investigation, the defendant is elderly and was suffering at the time of the offence from a significant mental or physical ill health

- 4.4.10 In all cases, including those which do not fall within any of the above criteria, the Councils retain discretion as to whether criminal proceedings are started. One of many circumstances may be where a fraud involving low sums of money over a long period of time has resulted in a small overpayment.

5. PROCEEDS OF CRIME ACT (POCA)

- 5.1 The Councils will refer all suitable cases to an accredited financial investigator with a view to applying to the courts for restraint and/or confiscation of identified assets. A restraint order prevents a person from dealing with specified assets. A confiscation order enables the Councils to seek to recover its losses from assets which are found to be the proceeds of crime.

6. RECOVERY OF DEBT

- 6.1 Where an overpayment arising from fraud is identified the Councils will take steps to recover the resultant debt, including taking action in the civil courts if necessary, in addition to any sanction it may impose in respect of that fraud.

ANTI BRIBERY POLICY AND PROCEDURES THREE RIVERS DC AND WATFORD BC

1. Introduction Policy Statement

- 1.1 Bribery is a criminal offence. The Council does not, and will not, pay bribes or offer improper inducements to anyone for any purpose nor does it or will it accept bribes or improper inducements.
- 1.2 To use a third party as a conduit to channel bribes to others is a criminal offence. The Council does not, and will not, engage indirectly in or otherwise encourage bribery.
- 1.3 The Council is committed to the prevention, deterrence and detection of bribery. We have zero-tolerance towards bribery.

2 Aims

- 2.1 This policy provides a framework to enable employees and Members to understand and implement arrangements enabling compliance.
- 2.2 We require all staff, including temporary agency staff and all contractors and their employees working on behalf of the Council and all elected members to:
 - act honestly and with integrity at all times and to safeguard the Council's resources for which they are responsible
 - comply with the spirit, as well as the letter, of the laws and regulations in respect of the lawful and responsible conduct of activities.

3 Scope

- 3.1 This policy applies to all of the Council's functions. For partners, joint ventures and suppliers, we will seek to promote the adoption of policies consistent with this policy. Within the Council the responsibility to control the risk of bribery occurring rests at all levels. This policy covers all staff including temporary agency staff, contractors, Members, volunteers and consultants.
- 3.2 This Council commits to:
 - Setting out a clear anti-bribery policy and keeping it up to date
 - Making all employees and members aware of their responsibilities to adhere strictly to this policy at all times
 - Enabling all employees and members to recognise and avoid the use of bribery by themselves and others
 - Encouraging its employees and members to be vigilant and to report any suspicions of bribery, providing them with suitable channels of communication and ensuring sensitive information is treated appropriately
 - Rigorously investigating instances of alleged bribery
 - Taking firm and vigorous action against any individual(s) involved in bribery
 - Providing information to all employees and members on how to report breaches and suspected breaches of this policy

What is Bribery?

- 3.3 Bribery is an inducement or reward offered, promised or provided to gain personal, commercial, regulatory or contractual advantage.

What can amount to bribery?

- 3.4 A criminal offence is committed. There are four criminal offences created by the Bribery Act 2010:

- bribery of another person (section 1) to induce or reward them to perform a function improperly
- requesting or accepting a bribe (section 2) as a reward for performing a function improperly
- bribing a foreign official (section 6) to gain a business advantage
- failing to prevent bribery (section 7)

3.5 The last is a corporate offence of failure by a commercial organisation to prevent bribery intended to obtain or retain business, or an advantage in the conduct of business. An organisation will have a defence to this offence if it can show that it had in place **adequate procedures** (see below) designed to prevent bribery by or of persons associated with it.

Penalties

- 3.6 An individual guilty of an offence under sections 1, 2 or 6 is liable:
- On conviction in a magistrates court, to imprisonment for a maximum term of 12 months or to a fine not exceeding £5,000, or to both
 - On conviction in a crown court, to imprisonment for a maximum term of ten years, or to an unlimited fine, or both
- 3.7 Organisations are liable for these fines and if guilty of an offence under section 7 are liable to an unlimited fine.

Why does this apply to the Council?

3.8 The Act applies to any “commercial organisation”. That is any body formed in the United Kingdom and it does not matter if it pursues charitable or educational aims or purely public functions. It will be caught if it engages in commercial activities, irrespective of the purpose. The Council is a commercial organisation in all of its financial and contractual activity including those activities or services undertaken on its behalf.

What are “adequate procedures”?

3.9 Adequate procedures need to be applied proportionately, based on the level of risk guided by the six principles in the Government’s Guidance. These principles are not prescriptive. They are intended to be flexible and outcome focussed.

They are:

Proportionate procedures

3.10 Procedures to prevent bribery should be proportionate to the bribery risks faced and to the nature, scale and complexity of activities. They are also clear, practical, accessible, effectively implemented and enforced. This policy explains the procedures.

Top level commitment

3.11 The top-level management should be committed to preventing bribery by persons associated with it. They foster a culture within the organisation in which bribery is never acceptable.

Risk Assessment

3.12 The Council assesses the nature and extent of its exposure to potential external and internal risks of bribery routinely and as an integral part of its usual procedures. The assessment is periodic, informed and documented. It includes financial risks but also other risks such as reputational damage.

- 3.13 The Council applies due diligence taking a proportionate and risk based approach in respect of persons who perform or will perform services for or on behalf of the council, in order to mitigate identified bribery risks.

Communication (including training)

- 3.14 The Council seeks to ensure that its bribery prevention policies and procedures are embedded and understood through communication, including training that is proportionate to the risks it faces.

Monitoring and review

- 3.15 The Council monitors and reviews procedures designed to prevent bribery by persons associated with it and makes improvements where necessary.

The Council is committed to the implementation of these principles. Bribery is not tolerated - The Council's direction to staff and suppliers:

It is unacceptable to:

- give, promise to give, or offer a payment, gift or hospitality with the expectation or hope that a business advantage will be received, or to reward a business advantage already given
- give, promise to give, or offer a payment, gift or hospitality to a government official, agent or representative to "facilitate" or expedite a routine procedure
- accept payment from a third party that you know or suspect is offered with the expectation that it will obtain a business advantage for them
- accept a gift or hospitality from a third party if you know or suspect that it is offered or provided with an expectation that a business advantage will be provided by us in return
- retaliate against or threaten a person who has refused to commit a bribery offence or who has raised concerns under this policy
- engage in activity in breach of this policy.

Facilitation payments

- 3.16 Facilitation payments are not tolerated and are illegal. Facilitation payments are unofficial payments made to public officials in order to secure or expedite actions.

Gifts and hospitality

- 3.17 This policy is not meant to change the requirements of our gifts and hospitality policy.

Public contracts and failure to prevent bribery

- 3.18 Under the Public Contracts Regulations 2006 (which gives effect to EU law in the UK), a company is automatically and perpetually debarred from competing for public contracts where it is convicted of a corruption offence. The Council extends such automatic barring to any organisations convicted of an offence under the Bribery Act 2010.

Staff and Member responsibilities to avoid or prevent breaches of the policy

- 3.19 The prevention, detection and reporting of bribery and other forms of corruption are the responsibility of all those appointed as members, working for the council or under its control. All staff and members are required to avoid activity that breaches this policy.

You must:

- ensure that you read, understand and comply with this policy

- raise concerns as soon as possible if you believe or suspect that a conflict with this policy has occurred, or may occur in the future. You should speak to your line manager, or, if appropriate to the Monitoring Officer.

3.21 As well as the possibility of civil and criminal prosecution, staff that breach this policy will face disciplinary action, which could result in dismissal for gross misconduct.

4.0 **Raising a concern**

4.1 This organisation is committed to ensuring that all of us have a safe, reliable, and confidential way of reporting any suspicious activity. We want each and every member of staff to know how they can raise concerns.

4.2 We all have a responsibility to help detect, prevent and report instances of bribery. The Councils will do their best to protect your identity when you raise a concern and do not wish your name to be disclosed. It must be appreciated however that there may be times when it is not possible to resolve a concern without revealing your identity e.g. where your personal evidence is essential. This will be discussed with you in advance of any action being taken. You will be given all necessary support if your name has to be revealed.

4.3 You should normally report any concerns to your immediate manager for the matter to be dealt with. Line Managers must not investigate any suspected case of Bribery but must refer it immediately to one of the two Chief Finance Officers, the Chief Executive (Three Rivers) or the Managing Director (Watford) who will decide what further action is to be taken. If you feel unable to do this, e.g. you feel that your manager may be implicated or you have already done so but do not feel that the matter has been properly dealt with; you can then use the whistleblowing process to report any concern or report the issue directly to the Chief Finance Officers.

4.4 You are encouraged to put your name to any issue raised. Anonymous concerns are much less powerful and are often difficult to follow up, especially if further information is required.

4.5 Staff who refuse to accept or offer a bribe, or those who raise concerns or report wrongdoing can understandably be worried about the repercussions. We aim to encourage openness and will support anyone who raises a genuine concern in good faith under this policy, even if they turn out to be mistaken.

4.6 We are committed to ensuring nobody suffers detrimental treatment through refusing to take part in bribery or corruption, or because of reporting a concern in good faith.

WATFORD BOROUGH and THREE RIVERS DISTRICT COUNCIL ANTI-MONEY LAUNDERING PROCEDURE and GUIDANCE NOTES

1. Introduction

- 1.1 Money Laundering is generally defined as the process by which the proceeds of crime and the true ownership of those proceeds are changed so that the proceeds appear to come from a legitimate source.
- 1.2 The Council is committed to the prevention of money laundering and to working with the appropriate authorities to apprehend those who commit offences under the anti-money laundering regulations. These procedures are to be followed to ensure compliance with the Terrorism Act 2000, the Proceeds of Crime Act 2002 and the Money Laundering Regulations 2007. Although Local Authorities are not regulated by the Financial Services Authority (FSA), they must follow the Money Laundering Regulations
- 1.3 Council employees who fail to follow these procedures could find themselves be in breach of the legislation and liable to prosecution for a range of offences which carry potential fines and/or custodial sentences.
- 1.4 There is no definitive list of Council activities which might be affected by money laundering but those considered to be at the highest risk are:
 - Property management – sales, leases, commercial development
 - Benefit fraud
 - Licences
 - Contracts
 - Waste charges
 - Payment of Council Tax and NNDR

2 What are the Money Laundering Offences?

- 2.1 Money laundering is the term used for a number of offences involving the proceeds of crime or terrorist funds. The following constitute the principal acts of money laundering:
 - Concealing, disguising, converting, transferring or removing criminal property
 - Being concerned in an arrangement which a person knows or suspects facilitates the acquisition, retention, use or control of criminal property by or on behalf of another person
 - Acquiring, using or possessing criminal property
 - Failing to disclose information where there are reasonable grounds for knowledge or suspicion that another person is engaged in money laundering
 - Tipping Off another person either that a report of the activity has been made or that an investigation is being contemplated or carried out.

“Criminal property” is defined very widely in the law relating to money laundering. It includes not only the proceeds of crime committed by somebody else but also possession of the proceeds of an individual’s own crime, for example the retention of monies from non-payment of income tax. It does not matter how small the amount is, and it also includes the proceeds of crimes that take place abroad. Property can take the form of not only cash but financial investments, property, antiques, jewellery, cars etc.

3 Training

- 3.1 The Council trains all current employees who may come into contact with persons engaged in money laundering via the Councils E-learning tool, so that they are aware of the provisions of the relevant sections of the Terrorism Act 2000, the Proceeds of Crime Act 2002 and the

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Money Laundering Regulations 2007. All new staff will be given an overview of the key elements of anti money laundering as part of the induction training.

- 3.1.1 The E-learning tool can be found on the intranet under the Learning and Development section.

4 What to look out for

- 4.1 It is difficult to specify what activities might arouse suspicions of money laundering and the concept of suspicion is not defined in the legislation or regulations. For a transaction to be suspicious it is not necessary to have knowledge of the exact nature of the criminal offence. All staff and members must be vigilant and use common sense. Possible suspicious activities include:

- Use of cash, particularly if to pay a business debt, or in a property transaction where other means of payment are normal
- Substantial cash payments when payer is known or suspected to be in receipt of benefits
- Unusual transactions or ways of doing business
- Unwillingness to answer questions/secretly generally
- Payment of deposits which are requested back
- Substantial payments in advance.

5 What to do

- 5.1 In the following circumstances the Council MUST take appropriate steps to verify the identity of a person(s)/body who is (or who is applying to) do business with the Council:-
- where an officer involved in the transaction knows or suspects that the transaction involves money laundering or
 - where an activity involves either a single or a series of linked transactions above £10,000 unless it is an exceptional circumstance.
 - Cash payments below £10,000 can be accepted. However if staff are suspicious of the transaction or the circumstances in which payment is made, it must be reported.
- 5.2 In the case of an individual seek identification in the form of two of the following:
- A passport
 - A photo driving licence
 - A driving licence
 - A birth certificate
 - A marriage certificate

And seek evidence of current address in the form of two of:

- A bank statement (preferred choice)
- A credit card statement
- Mortgage or insurance arrangements
- A utility bill
- A benefit book
- Residency permit

Only original documents should be accepted.

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- 5.3 Where an individual is unable to attend for identification in person greater consideration should be given to the possibility of money laundering.
- 5.4 In the case of businesses and bodies corporate it is necessary to ensure that:
- The business exists
 - It exists for a legitimate purpose
 - The nature of business
 - The name(s) of the business
 - The address(es) of the business
 - The VAT number.

WHERE SATISFACTORY EVIDENCE OF IDENTITY IS NOT AVAILABLE THE BUSINESS ARRANGEMENT OR ONE-OFF TRANSACTION MUST NOT PROCEED FURTHER UNTIL A REPORT HAS BEEN MADE TO THE MONEY LAUNDERING REPORTING OFFICER (MLRO) AND AUTHORITY GIVEN TO PROCEED

6. Making a Report to the Money Laundering Reporting Officer (MLRO)

6.1 If you know or suspect that a money laundering activity is taking or has taken place, or are concerned about your involvement in a matter you must disclose this as soon as practicable to the MLRO. This means that your disclosure should be as soon as the information comes to your attention. **Failure to disclose** is an offence (see above) and may leave you liable to prosecution.

6.1 Under no circumstances should you voice your suspicions to the person(s) whom you suspect of money laundering or anyone other than the MLRO or his deputy. Voicing a suspicion could constitute the offence of **tipping off** (see above).

6.3 **Three Rivers District Council** has nominated the Director of Corporate Resources, David Gardner, as its Money Laundering Reporting Officer (MLRO). Contact by telephone ext. 7200 email david.gardner@threerivers.gov.uk. In the absence of the MLRO the deputies are James Baldwin, Principal Solicitor, (ext.7207) email james.baldwin@threerivers.gov.uk or Nigel Pollard, Finance Manager, (ext. 7198) email nigel.pollard@threerivers.gov.uk

Watford Borough Council has nominated the Head of Strategic Finance, Bernard Clarke, as its Money Laundering Reporting Officer (MLRO). Contact by telephone ext. 8189 email bernard.clarke@watford.gov.uk. In the absence of the MLRO the deputy is the Head of Legal and Property Services, Carol Chen, Contact (ext.8350) email carol.chen@watford.gov.uk

6.4 Should neither the MLRO nor the deputies be available, you should contact the Serious Organised Crime Agency (SOCA) on 0370 496 7622 or www.soca.gov.uk

6.5 **YOUR DISCLOSURE MAY IN THE FIRST INSTANCE BE MADE VERBALLY TO THE MLRO BUT THIS MUST BE FOLLOWED UP USING THE PROFORMA REPORT ATTACHED AT APPENDIX A. YOUR REPORT MUST INCLUDE AS MUCH DETAIL AS POSSIBLE:**

6.6 Once the matter has been reported to the MLRO, you must follow any directions he gives you. Under no circumstances must you make any further enquiries into the matter yourself. Any necessary investigation will be undertaken by the SOCA to whom the matter will be referred by the MLRO. You will be required to co-operate with the MLRO and the authorities during any subsequent money laundering investigation.

7. Record Keeping

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- 7.1 The following records must be kept by the Council where evidence of identification has been obtained. The records are:
- A copy of the identification produced should be placed on the transaction file.
 - Information as to where a copy of that identification may be obtained or re-obtained if it is not practical to get or keep a copy
 - In all cases the Council must also keep a record containing details relating to all transactions carried out by the Council in the course of relevant business.

- 7.2 Records must be kept for at least 5 years after the end of the business relationship or the last transaction.

8. The Role of the Money Laundering Reporting Officer

- 8.1 The MLRO will consider the report and any other relevant internal information available including cross checking other systems i.e. Housing Benefits etc...

- 8.2 The MLRO may undertake such inquiries they think is appropriate in order to ensure that all available information is taken into account in deciding whether a report to the SOCA is required. The MLRO may also need to discuss the report with you.

- 8.3 Once the MLRO has evaluated the disclosure report and any other relevant information, they must make a timely determination as to whether:

- there is actual or suspected money laundering taking place; or
- there are reasonable grounds to know or suspect that is the case; and
- to seek consent from the SOCA for a particular transaction to proceed.

- 8.4 Where the MLRO concludes that actual or suspected money laundering is taking place, unless there are grounds for non-disclosure, they will disclose the matter as soon as practicable to the SOCA.

- 8.5 Where the MLRO either suspects money laundering but has reasonable grounds for non-disclosure; or concludes that there are no reasonable grounds to suspect or confirm money laundering, they must annotate the disclosure report accordingly. They will record all information known to the Council at that time and list the reasons why they decided that the information obtained did not give rise to knowledge or suspicion of money laundering. They can then give consent for any ongoing or imminent transactions to proceed.

- 8.6 Where consent is required from the SOCA for a transaction to proceed, then the transaction(s) in question must not be undertaken or completed until the SOCA has either:

- a) Specifically given consent; or
- b) There is deemed consent through the expiration of the relevant time limits without objection from the SOCA.

- 8.7 The MLRO will act as the link between the SOCA and the relevant Council officers to ensure that the appropriate action is taken in these circumstances.

9. Conclusion

- 9.1 These Procedure and Guidance Notes have been written to help you understand your role and responsibilities and the role and responsibilities of the MLRO in situations where you know or suspect that money laundering is taking place.

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- 9.2 Should you have any concern whatsoever regarding a transaction or situation, then you should contact the MLRO, as detailed above who will provide you with advice on how to proceed.

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APPENDIX A

CONFIDENTIAL

Disclosure Report to the Money Laundering Reporting Officer

FOR COMPLETION BY THE OFFICER REPORTING THE SUSPECTED OFFENCE

To: The Money Laundering Reporting Officer

From:

Service: **Tel**

DETAILS OF SUSPECTED OFFENCE:

Name(s) and address(es) of person(s) involved:
(if a company/public body please include details of nature of business)

Nature, value and timing of activity involved:
(Please include full details e.g. what, when, where, how. Continue on a separate sheet if necessary)

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Nature of suspicions regarding such activity:

(Please continue on a separate sheet if necessary)

Has any investigation been undertaken (as far as you are aware)?

Yes

No

If yes, please include details below:

Have you discussed your suspicions with anyone else?

Yes

No

If yes, please specify below, explaining why such discussion was necessary:

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Please detail below any other information you feel is relevant:

Signed:.....

Dated:.....

Do not discuss the content of this report with anyone you believe to be involved in the suspected money laundering activity or any person other than the MLRO.

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FOR COMPLETION BY THE MONEY LAUNDERING REPORTING OFFICER

Date report received:

Date receipt of report acknowledged:

CONSIDERATION OF DISCLOSURE:

OUTCOME OF CONSIDERATION OF DISCLOSURE:

Are there reasonable grounds for suspecting money-laundering activity?

If there are reasonable grounds for suspicion, will a report be made to the SOCA?

Yes

No

If yes, please confirm date of report to SOCA:

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If there are reasonable grounds to suspect money laundering, but you do not intend to report the matter to the SOCA, please set out below the reason(s) for non-disclosure:

Date consent given by you to employee for any prohibited act transactions to proceed:
.....

Other relevant information:

Signed:..... Dated:.....

THIS REPORT TO BE RETAINED FOR AT LEAST FIVE YEARS