

## **AUDIT COMMITTEE**

**25 SEPTEMBER 2013**

Present: Councillor I Brown (Chair)  
Councillor P Taylor (Vice-Chair)  
Councillors I Brandon, A Khan and T Williams

Also present: Richard Lawson (Grant Thornton)  
Daniel Bird (Grant Thornton)

Officers: Audit Manager  
Shared Director of Finance  
Head of Finance (Shared Services)  
Business Manager, ICT  
Finance Manager  
Senior Auditor  
Senior Accountant  
Committee and Scrutiny Support Officer (RW)

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

There were no apologies for absence.

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

There were no disclosures of interest.

### **15 MINUTES**

The minutes of the meeting held on 26 June 2013 were submitted and signed.

### **16 EXTERNAL AUDITOR'S REPORT TO THOSE CHARGED WITH GOVERNANCE ISA260 (SEPTEMBER 2013) AND THE APPROVAL OF THE STATEMENT OF ACCOUNTS 2012/13**

The Committee received a report of the Finance Manager Shared Services inviting the Committee to question the external auditor on his 'Report to those charged with Governance (ISA260)' and to approve the Statement of Accounts for 2012/2013.

Richard Lawson introduced the draft report and explained that this comprised two main elements:

- the Statement of Responsibilities to be signed by the Director of Finance and the Chair of the Audit Committee
- the Audit Report which detailed information on the accounts and the Council's due processes

Richard Lawson then advised on salient parts of the report.

*Page 5 (Executive Summary):* No problems were anticipated. It was noted that the accounts had been submitted at an earlier time than in previous years.

*Pages 9 – 13 (Audit Findings):* This section highlighted work plans as submitted in the June 2013 report.

*Page 16 (Misclassifications and disclosure changes):* Improvements over the previous year were noted.

*Pages 20 – 25:*

- An assessment regarding the security of financial resilience had produced good results.
- Benchmark data compared the Council's level of error overpayments; this showed that Watford stood at the highest level in Hertfordshire.

Richard Lawson then invited questions from Members.

Councillor Brandon referred to the Local Authority (LA) error overpayments and asked whether the current situation would continue in the 2013/2014 financial year.

The Director of Finance replied that it was probable that a similar result would be seen at the end of the year and that Watford would remain in the current category. She pointed out, however, that a recent review had noted that the current level of overpayments was just below the higher limit. It was anticipated that a figure of 0% would be achieved by the end of the financial year.

The Director of Finance then advised on practice in the Revenues and Benefits Service. She explained that processing time for the administration of Changes in Circumstance was of necessity protracted and that this impacted on statistics. She added that the service was working hard to lessen the time to process these changes: the average was currently 24 days which equated to a slight improvement.

Councillor Williams drew attention to the Auditors' finding on Risk (page 10 in the draft report) and noted that it was considered that the Shared Finance Service did not have up-to-date journal authorisation policies. He asked whether there had been any progress in this regard.

The Finance Manager explained that the services which had amalgamated to form 'Shared Services' had originally had different procedures. These had not been written into determined policies. It was intended, however, that these would be agreed and written policies brought up-to-date in the near future.

Daniel Bird added that detailed testing of journal transactions had been performed and no problems had been identified. He agreed that it would be as well to have written policies in place.

In reply to a question from Councillor Taylor, the Director of Finance advised that at the end of June 2013 the Changes in Circumstance procedure had taken an average of 45 days in Watford. She added that officers at Watford processed New Claims at an average of 14 days which was below the National average time at the end of March 2013.

Councillor Khan expressed his concern at the error overpayments table on page 23 of the report which showed Watford as having the highest number in Hertfordshire. He asked whether this was likely to continue and whether correct budget assessments had been put in place.

Richard Lawson replied that this problem had been identified, the budget had been raised and that the Auditors were satisfied with the processes in place.

Councillor Khan noted the increase in the budget and asked what would transpire if it were found that more funding was required.

Director of Finance noted Richard Lawson's comments with regard to the increase in the budget and explained that a balance was needed. She advised that it was imperative to determine the correct funding for sufficient staff to deal with the workload. She added that the caseload was currently considerably higher than it had been in past years but that she was confident that current funding and processes were now in place.

Councillor Khan's second concern centred on IT issues. He said that the national criteria with regard to security must be adhered to and noted that the Council's IT security policies had not been reviewed or updated since 2005.

The ICT Client Manager agreed that it was a mandatory requirement that such policies should be periodically updated and advised that officers were currently working on this matter. She assured the meeting that PSN policies and procedures would be fully in place by the end of October 2013.

The Chair expressed the Committee's thanks to all those officers and auditors, both internal and external, who had contributed to the considerable quantity of work involved in the report and presentation.

RESOLVED –

1. That the Committee notes the external auditor's report to those charged with Governance.
2. That the Committee noted information concerning the Statement of Accounts for 2012/2013
3. That the Committee confirms that it is satisfied that the accounting policies adopted are the most appropriate
4. That the Statement of Accounts for 2012/2013 be approved

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## **INTERNAL AUDIT ANNUAL REPORT 2012/13**

The Committee received a report of the Head of Finance Shared Services which presented the Shared Internal Audit Service's Annual Report for 2012/2013.

The Head of Finance Shared Services advised that the 2012/2013 report had been introduced at the previous meeting; the report here presented demonstrated progress made by the partnership.

Chris Wood added that the report in the agenda was not intended as the full annual report but was solely for information purposes.

The Chair asked whether Board membership had changed or had remained constant.

Officers explained that, generally, Board membership remained consistent. The Deputy Chief Executive and the Director of Finance were relatively new but members had mostly had been on the Board since inception. Chris Wood added that there were currently seven members and it was hoped that another three would join.

Councillor Khan wished to be made aware of the line of accountability and to whom he should address queries.

Chris Wood replied that he could be telephoned directly or that queries could be addressed to the Head of Assurance. At Watford Borough Council answers to queries could be sought from the Director of Finance or from the Section 151 officer. He added, however, that the seriousness of the matter should be considered; in normal circumstances information should be requested firstly from the Section 151 officer or from the Chair of the Audit Committee.

RESOLVED –

that the Committee notes the Shared Internal Audit Service Annual Report for 2012/2103

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## **INTERNAL AUDIT RECOMMENDATIONS**

The Committee received a report of the Head of Finance Shared Services and Shared Internal Audit Services. The report gave details of the progress made in implementing the recommendations of the internal auditor.

Chris Wood explained significant points in the report:

- 2.1: The Benefits Administration report had been finalised and consequently represented closure of the 2012/2013 Audit Plan
- 2.2: As at 23 September 2013, 58% of the 2013/2014 Audit Plan had been completed
- 2.5: Good progress was being made
- 2.8: The report stated that no amendments had been made to the Audit Plan since the June Audit Committee. Since completion of the report, further work had been completed; information would be presented at the following meeting of the Committee.

Councillor Brandon referred to the 'deadlines' and noted that the deadline for IT had been moved a number of times. He asked why there still appeared to be slippage in this area.

The ICT Client Manager replied that it was not possible for her to comment on past time frames. She advised that directives from central Government required that many priorities be completed by the end of 2013. She added that the ICT Strategy was not yet finalised but was on track for completion by May 2014. The ICT Client Manager assured the meeting that plans were in place for 'sign off' at the end of the financial year.

Councillor Khan commented that changing priorities appeared to be common practice. He noted previous slippages and advised that this should not be allowed to continue. He asked whether problems which had precluded previous deadlines being met had been identified.

The Director of Finance explained that problems had been recognised which had lead to the appointment of Capita. She cautioned that with continuing staff and infrastructure it would be unwise to expect an immediate transformation. She advised that PSN was of prime importance; she asked that time be allowed to establish initiatives and assured Members that overall progress would be made.

Referring to concerns with regard to the Revenues and Benefits Service, the Director of Finance agreed that performance was not currently acceptable; more drastic measures than in past years were required. She agreed to provide an update for the following Committee meeting.

In response to comments regarding the absence of the Portfolio Holder, the Chair apologised on his behalf and explained that he had had another, vital, appointment that evening but would attend the following Audit Committee meeting.

Councillor Brandon referred to previous plans and recommendations for the IT service, including items of due diligence.

The ICT Client Manager agreed that items of due diligence had been previously noted; several had been completed. She pointed out, however, that these had not been part of the Audit process. She added that there had been some problems connected with the transition process and loss of staff; she anticipated a lessening of problems in the future.

Councillor Khan reiterated concerns regarding IT matters. He considered that the issues had not been adequately investigated; until problems were fully understood progress could not be made.

The Director of Finance assured Councillor Khan that the problems had been fully recognised by the Council and that Capita were dealing with these issues. She said that a little more time was needed to demonstrate measurable improvement.

Councillor Williams noted that the deadline for the meeting of the Risk Management Group had been postponed from June 2013 until October 2013.

The Head of Finance Shared Services advised that this meeting had occurred earlier in the month and had been attended by the Head of Democracy and Governance and all Heads of Service. He agreed that the updated risk registers would be presented for the next meeting of the Audit Committee.

RESOLVED –

1. That the Committee notes the progress in completion of the audit plans
2. That the Committee notes progress in implementing the internal auditor's recommendations.

ACTION: Director of Finance and Head of Finance Shared Services

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## **TREASURY MANAGEMENT**

The Committee received a report of the Finance Manager Shared Services. The report presented a mid year review of the Treasury Management function 2013/2014.

The Head of Finance and Shared Services introduced the item and drew attention to the Monitoring Report and, specifically, the list of investments as at 31 August 2013. He explained that there was little change although investment with Clydesdale Bank was no longer part of the Council's policy. He added that the original decision had been made in order to support local business.

The meeting then considered Appendix 2, the Head of Finance Shared Services noting that this was slightly out-of-date due to rapid movement in treasury management activities. He said that the Co-op's rating had decreased and he reminded Members that all Watford Borough Council's banking was transacted through the Co-op. He advised that the contract with this bank would end on 31 March 2014 and that the Council would then tender for future banking services.

In reply to a question from Councillor Taylor, the Director of Finance advised that the Council would not consider banking with credit unions, at least in the near

future. In response to a further query, she agreed to forward information on yield to Committee members.

Councillor Khan remarked that the Council currently gained little in interest due to the low rates being paid and asked what other investment opportunities could be utilised.

The Director of Finance replied that a range of opportunities was available and added that property investment was not shown in this report since Treasury Management involved only cash accounts. She explained that the Council preferred to be conservative in its investments and consequently used solely highly rated institutions.

Councillor Taylor said that WBC had a higher than average investment in property and obtained a good return on its property assets.

Director of Finance agreed that this assessment was correct. She further advised that a £6 million yearly return was expected and that the Council would make investment in the West Watford Health Campus .

RESOLVED –

1. That approval is given for the continuing investment in Clydesdale bank
2. That the report be noted

ACTION: Director of Finance

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## **FUTURE WORK PROGRAMME**

The Committee received a report of the Head of Finance Shared Services. The report asked Members to consider a range of discussion topics and updates for consideration at future meetings of the Audit Committee.

Members suggested the following for consideration at future meetings:

- Role of the Audit Committee in Risk Management – Councillor Williams considered that this would be an important topic in view of emerging risks

In response to suggestions that training could be added to the list of topics in Appendix 1, the Chair agreed that this would be beneficial to Members

Councillor Khan said that he would be interested in a variety of training and suggested that guidance on what to consider in the accounts would be useful. He added that proficiency in ‘speed reading’ would be valuable in view of the quantity of reports with which Members were presented.

Chris Wood agreed that speed reading was an effective use of time and added that members of his staff had attended such a course. This had resulted in not

only a tripling of written information understood within a given time but also the acquirement of other related skills. He added that a workshop on emerging risk would also be useful.

The Head of Finance Shared Services agreed that Risk Management could be added to the agenda for the next meeting.

The Chair suggested that the Committee and Scrutiny Support Officer relay the request for speed reading courses to the appropriate officer.

**ACTION:** Committee and Scrutiny Support Officer

The Chair thanked all those in attendance.

Chair

The Meeting started at 7.00 pm  
and finished at 8.15 pm