

AUDIT COMMITTEE

12 MARCH 2014

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

Also present: Richard Lawson, (Grant Thornton),
Councillor Mark Watkin, (Portfolio Holder for Democracy and
Governance and Shared Services)
Councillor Matt Turmaine (For minute number 32)

Officers: Shared Director of Finance
Head of Finance (Shared Services)
Head of Corporate Strategy and Client Services
Fraud Manager
Business Manager, ICT
Audit Manager
Committee and Scrutiny Officer

32 TRAINING: ANTI-FRAUD AND CORRUPTION

The Fraud Manager presented the training session. He explained the powers the Council had to investigate fraud and corruption, particularly the use of the Regulations of Investigatory Powers (RIPA) and informed the Committee about the processes for requesting information under the Act.

The Fraud Manager responded to Members' questions.

33 APOLOGIES FOR ABSENCE/COMMITTEE MEMBERSHIP

There were no apologies for absence.

34 DISCLOSURE OF INTERESTS (IF ANY)

There were no disclosures of interest.

35 MINUTES

The minutes of the meeting held on 8 January 2014 were submitted and signed.

RIPA

The Committee received a report of the Head of Democracy and Governance informing Members of the use of RIPA during 2013.

In response to questions from the Committee, the Fraud Manager explained that the 53 approved authorisations did not link to 53 individual cases. One case may have 10 applications for information. No applications had been rejected. He added that not all of the cases would have been instigated by the Fraud Team. The service facilitated the process and provided support to other departments, for example licensing. He was able to report that the cases being investigated by Fraud had been successful and further action had been taken. Fraud had one outstanding case. He was unable to provide exact details of the success rate at the meeting but would circulate the information as soon as possible.

The Fraud Manager confirmed that it had been necessary to make the 53 applications. The measurement of success was based on the outcome. The requested information could either assist in proving or disproving an allegation. Legislation allowed for communication data requests to be made at an early stage in intelligence gathering and all other checks did not have to have been exhausted in order to consider RIPA. He had attended the Magistrates Court to request each application and every warrant had been issued.

The Director of Finance added that the processes were in place to ensure the action was necessary and each stage had to be agreed by the relevant person.

Following concerns about an abuse of power, the Fraud Manager explained that the National Anti Fraud Network (NAFN) had to ensure it did not breach its responsibilities as they acted as the Single Point of Contact (SPoC) for Watford Borough Council. NAFN was accountable to the Interception of Communication Commissioner, who in turn reported directly to the Prime Minister. Services within the Council which conducted criminal investigations, in accordance with the thresholds, could apply directly to NAFN, the SPoC or request assistance from the Fraud Team.

Councillor Brandon asked that the Committee be provided with a copy of the operating policy and the risk matrix. Members would then be able to consider whether the action was proportionate. In addition he requested that Members be supplied with a summary of cases.

RESOLVED –

1. that the report be noted.
2. that the post of Shared Director of Finance in substitution for the Head of Strategic Finance be authorised to apply to the magistrates court to seek necessary approval for surveillance and communications data.

3. that the Committee be provided with details of the Fraud investigation success rate.
4. that the Committee be provided with a copy of the operating policy for RIPA and the risk matrix.
5. that Members be provided with a summary of RIPA applications.

37

AUDIT COMMITTEE UPDATE

The Committee received a report from the External Auditor, Grant Thornton, which provided Members with information about emerging issues and developments relevant to district councils.

Councillor Taylor noted the statement about 79% of councils reaching the 'tipping point'. He asked whether Watford Borough Council was at that point.

Richard Lawson, from Grant Thornton, responded that an assessment would be included as part of the finance resilience work the company carried out in June and July.

The Director of Finance commented that in her opinion Watford Borough Council had not yet reached that point.

In response to a question from Councillor Khan about a future increase in interest rates, Richard Lawson said that the Council had its capital and it would make the decision about how it was invested.

RESOLVED –

that the Audit Committee Update be noted.

38

EXTERNAL AUDIT RECOMMENDATIONS

The Committee received a report of the Head of Finance Shared Services which provided details of the progress made in implementing the External Auditor's recommendations.

Councillor Brandon noted that the issues with the ATLAS files had been resolved. He asked whether officers thought this would be sustainable.

The Director of Finance responded that it was sustainable and the service was often processing the information on the day it was received by the Council.

RESOLVED –

that the progress in implementing the external auditor's recommendations be noted.

FRAUD BRIEFING 2013

The Committee received a report from the Audit Commission entitled 'Protecting the Public Purse Fraud Briefing 2013'. The document provided councillors with the opportunity to consider comparative data about fraud detection performance.

The Committee reviewed the three comparison tables in the Audit Commission's report. Richard Lawson explained that the tables compared the number of cases and values for each district and an average for the area.

The Director of Finance commented that the information had not included the amount of resources that each district put into the role.

Following a question about trends, the Fraud manager advised that the service received intelligence and this enabled his team to identify trends. The service monitored the information and put preventative measures in place. It was not possible to quantify the deterrent effect.

In response to comments from the Portfolio Holder about the comparison of Council Tax discount fraud data, the Director of Finance advised that the discount scheme had not yet been in place for 12 months. If a discount had to be recovered the service would try to reach an agreement to have the funds repaid to the Council. These cases would not be classified as fraud. However, if the Council became aware of a case that could be treated as fraud then it would pursue the matter.

The Fraud Manager added that a regular data matching exercise was carried out. Unless cases were put forward for prosecution or sanctions they would not be classified as fraud.

Councillor Williams noted that this was the first time the report had been produced. He considered that trends would begin to be seen over a number of years. He would have liked to have seen benchmarking included against neighbouring authorities. In addition he felt that resources should be added to the information.

It was noted that the comparative information only referred to the district councils and not the County Council. Councillor Khan asked whether the County Council carried out fraud investigations.

The Fraud Manager confirmed that the County Council had its own investigative resources which tended to concentrate on Trading Standards, schools and procurement amongst others. Fraud investigations into blue badges were carried out by the district councils and not the County Council. The Director of Finance advised that County Councils had different datasets.

RESOLVED –

that the report be noted.

40

INTERNAL AUDIT PROGRESS REPORT

The Committee received reports from the Head of Finance Shared Services and the Shared Internal Audit Service.

Following a comment from the Portfolio Holder regarding the reduction in recommendations, the Audit Manager advised that he was unable to comment on the information prior to the Shared Internal Audit Service taking on the audit role for the Council. He stated that the service worked closely with its partners. The number of recommendations was similar across all the authorities audited by the shared service.

Councillor Taylor asked for an explanation why the Council had not been able to meet the government legislation in respect of security settings on mobile device handsets.

The ICT Client Manager explained that the original deadline had been earlier than included in the report. The Public Services Network (PSN) directives had been and continued to be unclear in a number of areas including mobile devices. The revised deadline had been requested to enable the service to meet the compliance requirements for 2014. It had already been included as part of the work for the current year. She advised that this had also included access to the Council's systems via Appgate from home computers.

Councillor Brandon enquired about the short-listing of applicants by Housing Associations and how they were different from the Council's good practices. This could have an impact on housing clients.

The Audit Manager explained that he did not have that information available at the meeting and would circulate it to the Committee at a later date.

In response to Councillor Brandon's comments about the section on the Veolia contract, the Head of Corporate Strategy and Client Services stated that it had been included on the Audit Plan at an early stage of the contract and the client team being formed. This had enabled the service to be given a steer by Internal Audit. She said that she had been pleased with the score, particularly for such a new service. The recommendations had not been marked as high priorities. The service was close to completing two of the recommendations and the other five were not yet due. A workshop was being arranged with Veolia to discuss each organisation's risks and to compile a shared risk register.

The Audit Manager confirmed that the report had provided the Head of Corporate Strategy and Client Services' team with a direction of travel and identified any gaps in service.

Following a question from Councillor Khan about the inclusion of taxi licensing, the Audit Manager explained that this had not been included in the original Audit Plan for 2013/14. The audit service had been asked to investigate allegations.

The Head of Finance Shared Services added that this was recorded as an activity. The initial investigations had been carried out by the Shared Internal Audit Service, who had then passed the case to the Fraud team. Further information would be included in the Annual Fraud report which the Committee would receive in June.

RESOLVED –

1. that the Internal Audit Progress Report against the 2013/14 Audit Plan be noted.
2. that the amendments to the Audit Plan as at 21 February 2014 be approved.
3. that the removal of implemented recommendations, included in Appendix 3, be agreed.
4. that the changes to the implementation date for 6 recommendations (paragraph 2.6) for the reasons set out in Appendix 3 be agreed.
5. that the Audit Manager circulates information on the differences of how Housing Associations shortlist applicants in comparison to the Council.

41

INTERNAL AUDIT PLANS 2014/15

The Committee received a report of the Head of Finance Shared Services and the Shared Internal Audit Service, including the 2014/2015 Audit Plans for Watford Borough Council and Shared Services.

The Committee discussed the possible inclusion of an audit of the Charter Place development following a suggestion by Councillor Brandon. Members were advised that they needed to pinpoint the exact area that they wanted to be included in the Audit Plan.

The Director of Finance stated that Three Rivers District Council had had one of its projects audited due to issues that had arisen. She had been involved in large projects that had not been audited.

Councillor Brandon commented that there had been a number of changes to the scheme, for example different developers. An audit to ensure that the appropriate risk management was in place would provide an extra assurance for the public.

The Committee agreed that it would request that the risk management process for Charter Place was incorporated into the Audit Plan for 2014/15.

The Audit Manager advised that five contingency days had been incorporated into the Plan and could be used for this particular audit if that was considered to be sufficient. If the audit was expected to take longer then it would be necessary to review the other areas in the Plan.

The Director of Finance responded that five days should be sufficient, but the Plan could be reviewed at a later date if required.

RESOLVED –

that the Watford Borough Council Audit Plan, including the addition of Charter Place, and the Watford and Three Rivers Shared Services Internal Audit Plan for 2014/15 be approved.

42

ANNUAL GOVERNANCE STATEMENT - ACTION PLAN UPDATE

The Committee received a report of the Head of Finance Shared Services which provided details of the progress in implementing the actions from the Annual Governance Statement.

In response to a question from Councillor Khan, the Head of Finance Shared Services explained that this action had been marked as completed as the original concern was no longer relevant.

The Head of Corporate Strategy and Client Services said that the original issued had been that there would be a fall in the level of service. The Client Team had positive feedback through the contract monitoring process. The risk had been resolved by performance monitoring. It recognised that the audit process had been implemented.

The Director of Finance added that the Annual Governance Statement was different to the Internal Audit report. In this case the issue had been resolved. There were different levels of reporting.

RESOLVED –

that the progress made against the action plan be noted.

43

TREASURY MANAGEMENT UPDATE

The Committee received a report of the Head of Finance Shared Services including the Annual Treasury Management Report and Prudential Indicators for 2012/13 and a mid-year review of the Treasury Management function for 2013/14.

The Head of Finance Shared Services informed Members that in future the end of year report would be presented to the Committee in June and the mid-year report as soon as possible after September.

In response to Members' questions, the Head of Finance Shared Services explained that the overnight investments in the Co-Operative Bank had been reduced. The Council was changing its bank from the Co-Operative Bank on 1 April 2014. Interest rates had been at a record low for approximately three years and the Council had therefore invested on a short-term basis to minimise any risks. If the predictions of a rate rise were correct then the Council would take advantage of this.

The Director of Finance commented that if the interest rates went up or down this would not necessarily have an impact on where the Council invested its capital. It was more likely that the deposit time would be reviewed.

Councillor Khan said that the report had been stagnant for some time. He asked whether there were any other investments where the Council could achieve a more reasonable yield.

The Director of Finance informed the Committee that there were rules which set out where local authorities could invest. It was possible to move some capital into property investments. Low interest rates had an impact on the Council's budget.

RESOLVED –

that the contents of the reports be noted.

Chair

The meeting started at 7.00 pm
and finished at 8.50 pm