



AUDIT COMMITTEE

Wednesday, 12th March, 2014

7.00 pm

Town Hall, Watford

Publication date: 4 March 2014

CONTACT

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

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COMMITTEE MEMBERSHIP

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

AGENDA

PART A - OPEN TO THE PUBLIC

1. TRAINING: ANTI-FRAUD AND CORRUPTION

2. APOLOGIES FOR ABSENCE/COMMITTEE MEMBERSHIP

3. DISCLOSURE OF INTERESTS (IF ANY)

4. MINUTES

The minutes of the meeting held on 8 January 2014 to be submitted and signed.
(All minutes are available on the Council's website.)

5. RIPA (Pages 1 - 2)

This report advises members on the use of the Regulation of Investigatory Powers Act 2000 (RIPA) during 2013.

6. AUDIT COMMITTEE UPDATE (Pages 3 - 22)

This report allows the Committee to ask questions of the external auditor concerning emerging national issues and challenges for the Council.

7. EXTERNAL AUDIT RECOMMENDATIONS (Pages 23 - 30)

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

8. FRAUD BRIEFING 2013 (Pages 31 - 54)

This report gives details of the Audit Commission's *Protecting the Public Purse 2013* and provides comparative information for this Council.

9. INTERNAL AUDIT PROGRESS REPORT (Pages 55 - 116)

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

10. INTERNAL AUDIT PLANS 2014/15 (Pages 117 - 146)

This report asks the Committee to approve the draft audit plans for Watford Borough Council and Watford and Three Rivers Shared Services.

11. ANNUAL GOVERNANCE STATEMENT - ACTION PLAN UPDATE (Pages 147 - 152)

This report gives details of the progress in implementing the actions required resulting from the Annual Governance Statement.

12. TREASURY MANAGEMENT UPDATE (Pages 153 - 166)

This report presents the Annual Treasury Management Report and Prudential Indicators for 2012/13 and a mid year review of the Treasury Management function 2013/14.

Agenda Item 5

Report to: Audit Committee
Date of meeting: 12 March 2014
Report of: Head of Democracy and Governance
Title: RIPA

1.0 SUMMARY

1.1 To advise members on the use of RIPA during 2013.

2.0 RECOMMENDATIONS

2.1 To note the report

2.2 To authorise the post of Shared Director of Finance in substitution for the Head of Strategic Finance to apply to the magistrates court to seek necessary approvals for surveillance and communications data.

Contact Officer:

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

3.0 DETAILED PROPOSAL

3.1 The committee had a report in January 2013 informing them of changes that were made to the Regulation of Investigatory Powers Act 2000 (RIPA) by the Protection of Freedoms Act 2012 and seeking approval to use NAFN (National Anti Fraud Network) as a Single point of Contact for communications data requests.

3.2 It also sought authority for a number of named posts to be able to apply to the magistrates court under the legislation to seek the necessary approvals for surveillance and communications data.

3.3 One of those posts was Head of Strategic Finance. That post has now been deleted and the Council now shares a Director of Finance with Three Rivers District Council. The committee is therefore asked to authorise that post in substitution for the Head of Strategic Finance to be able to seek those approvals.

- 3.4 Since the changes in the law brought about by the Protection of Freedoms Act, which limited the reasons councils could use RIPA, the Council has not made any applications to the magistrates for approval for Directed Surveillance. However since the committee authorised the use of NAFN for communications data requests the council has made extensive use of it and has had 53 authorisations approved in the last year.
- 3.5 These requests relate to a variety of investigations. Three enquiries relate to Licensing in regards to a Private Taxi Operator enquiry and one from Environmental Health in regards to an enquiry relating to fly tipping. The remainder relate to Fraud related enquiries including where it is suspected that council tax or housing benefit is being fraudulently claimed.
- 3.6 All requests and applications are sent to NAFN to ensure compliance and once agreed must then be approved by both a Designated Person (DP) within the Council and by a Magistrate.

4.0 **IMPLICATIONS**

4.1 **Financial**

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

4.2 **Legal Issues** (Monitoring Officer)

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

4.3 **Equalities**

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

4.4 **Potential Risks**

None apparent

4.5 **Staffing**

- 4.5.1 Using NAFN supports internal staff resources

Background Papers

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

File Reference

- None

Agenda Item 6

Report to: Audit Committee

Date of meeting: 12 March 2014

Report of: Alan Power - Head of Finance Shared Services

Title: Audit Committee Update

1.0 **SUMMARY**

1.1 This report allows the Committee to ask questions of the external auditor concerning emerging national issues and challenges for the Council.

2.0 **RECOMMENDATIONS**

2.1 That members note the contents of the Annual Audit Letter and the Audit Committee Update.

Contact Officer:

For further information on this report please contact: -
Alan Power, Head of Finance, Shared Services
telephone extension: 7196
email: alan.power@watford.gov.uk

Report approved by: Alan Power, Head of Finance

3.0 **DETAILS**

3.1 Attached at Appendix 1 is an Audit Committee Update.

3.2 Mr. Richard Lawson from Grant Thornton UK LLP, the Council's appointed external auditors will be at the meeting to present the letter and answer questions.

3.3 The Update provides a summary of emerging national issues and developments that may impact on the Council.

4.0 **IMPLICATIONS**

4.1 **Financial**

4.1.1 None Specific.

4.2 **Legal Issues** (Monitoring Officer)

4.2.1 None Specific.

4.3 **Equalities**

None Specific.

4.4 **Potential Risks**

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

APPENDICES

Appendix 1 Audit Committee Update – March 2014



Audit Committee Update for Watford Borough Council

This version of the report is a draft. Its contents and subject matter remain under review and its contents may change and be expanded as part of the finalisation of the report.

Year ended 31 March 2014

March 2014

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Engagement Lead

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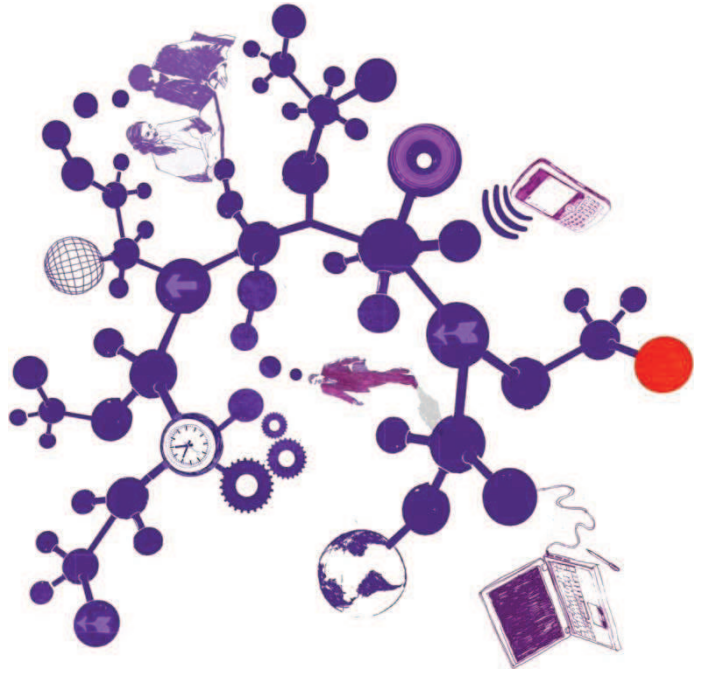
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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Contents

Section	Page
Introduction	4
Emerging issues and developments	
Local government guidance	6
Grant Thornton	9
Accounting and audit issues	11

Introduction

This paper provides the Audit Committee with a report on progress in delivering our responsibilities as your external auditors. The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a District Council.
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider.

Members of the Audit Committee can find further useful material on our website www.grant-thornton.co.uk, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications – 'Local Government Governance Review 2013', 'Towards a tipping point?', 'The migration of public services', 'The developing internal audit agenda', 'Preparing for the future', 'Surviving the storm: how resilient are local authorities?'

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Audit Manager.

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Emerging issues and developments

Councils must continue to adapt to meet the needs of local people

Local government guidance

Audit Commission research - Tough Times 2013

The Audit Commission's latest research, <http://www.audit-commission.gov.uk/wp-content/uploads/2013/11/Tough-Times-2013-Councils-Responses-to-Financial-Challenges-w1.pdf> shows that England's councils have demonstrated a high degree of financial resilience over the last three years, despite a 20 per cent reduction in funding from government and a number of other financial challenges. However, with uncertainty ahead, the Commission says that councils must carry on adapting in order to fulfil their statutory duties and meet the needs of local people.

The Audit Commission Chairman, Jeremy Newman said that with continuing financial challenges 'Councils must share what they have learnt from making savings and keep looking for new ways to deliver public services that rely less on funding from central government'.

Key findings:

The Audit Commission's research found that:

- the three strategies most widely adopted by councils have been reducing staff numbers, securing service delivery efficiencies and reducing or restructuring the senior management team;
- three in ten councils exhibited some form of financial stress in 2012/13 – exhibited by a mix of difficulties in delivering budgets and taking unplanned actions to keep finances on track;
- auditors expressed concerns about the medium term prospects of one third of councils (36 per cent)

Issues to consider/challenge questions:

How have members satisfied themselves that the Council can deliver a balanced budget, that the medium term strategy/budget has been subject to appropriate challenge and that the Council's finances are resilient over the medium term (3 years) and beyond?

Helping the High Street

Local government guidance

Support for UK high streets

On December 6, 2013 the Communities Secretary set out a £1 billion package of support for UK high streets, the stated objectives being to:

- support business and the private sector to have a greater stake in their high streets;
- make it easier to diversify town centres;
- ensure town centres remain accessible to visitors;
- promote the use of technology to modernise town centres.

Key elements of the strategy include:

- a £1,000 discount in 2014/15 and 2015/16 for retail premises with a rateable value of up to £50,000 – including shops, pubs, café and restaurants;
- capping the Retail Price Index (RPI) increase in bills to 2% in 2014/15;
- extending the doubling of Small Business Rates relief to April 2015;
- a reoccupation relief for 18 months with a 50% discount for new occupants of retail premises empty for a year or more;
- assisting business cash flow by allowing businesses to pay their bills over 12 months (rather than 10)

Issues to consider/challenge questions:

- Has the Council assessed the local economic impact of the measures announced by the Communities Secretary?
- Has the Director of Finance assessed the impact of the measures on the Council's finances and the 2014/15 and 2015/16 budgets?

Councils keep New Homes Bonus

Local government guidance

Help for housing building

In the Autumn statement (5 December 2013) the government announced plans to secure a £1 billion 6 year investment in house building, to simplify the local authority planning process and help to achieve the stated objective of delivering 250,000 new homes.

Key objectives:

- nationally to increase the housing supply in England through a £1 billion 6 year investment programme;
- at a local level helping councils to increase the supply of affordable social housing supply in their area by allowing them to bid for up to £300 million of additional borrowing against their housing revenue account;
- improving labour market mobility by introducing a Right to Move for those needing to move to take up a job or training ;
- Allowing councils outside London to keep all of their **New Homes Bonus** and have full control over how they use it to support new homes in their area – the New Homes Bonus is a grant paid by central government to local councils for increasing the number of homes and their use, is paid each year for 6 years and is based on the amount of extra Council Tax revenue raised for new-build homes, conversions and long-term empty homes brought back into use

Issues to consider/challenge questions:

- Has your Director of Finance assessed the implications and potential financial impact for the Council of the help for housing building measures announced in the Autumn statement?

79% of Councils anticipate Tipping Point soon

Grant Thornton

2016 tipping point? Challenging the current

This report http://www.grant-thornton.co.uk/Global/Publication_pdf/LG-Financial-Resilience-2016-tipping-point.pdf is the third in an annual series which assesses whether English local authorities have the arrangements in place to ensure their sustainable financial future.

Local authorities have so far met the challenges of public sector budget reductions. However, some authorities are predicting reaching tipping point, when the pressure becomes acute and financial failure is a real risk. Based on our review of forty per cent of the sector, this report shows that seventy nine per cent of local authorities anticipate some form of tipping point in 2015/16 or 2016/17.

Our report rates local authorities in four areas - key indicators of financial performance, strategic financial planning, financial governance and financial control. It also identifies a series of potential 'tipping point scenarios' such as local authorities no longer being able to meet statutory responsibilities to deliver a range of services.

Our report also suggest some of the key priorities for local authorities in responding to the challenge of remaining financially sustainable. This includes a relentless focus on generating additional sources of revenue income, and improving efficiency through shared services, strategic partnerships and wider re-organisation.

Challenge questions

- Our report includes a good practice checklist designed to provide senior management and members with an overview of key tipping point risks. Has the Director of Finance completed the checklist and reported it to the Audit Committee?
- The report also includes good practice case studies in strategic financial planning, financial governance and financial control. Has the Director of Finance reviewed these case studies and considered whether there is scope to adopt these?

Alternative Delivery Models – are you making the most of them?

Grant Thornton

Alternative delivery models in local government

This report: <http://www.grant-thornton.co.uk/en/Publications/2014/Responding-to-the-challenge-alternative-delivery-models-in-local-government/> discusses the main alternative delivery models available to local government. These are based on our recent client survey and work with local government clients. It aims to assist others as they develop their options and implement innovation strategies.

Local government has increased the variety and number of alternative delivery models it uses in recent years including contracts and partnerships with other public bodies and private sector organisations, as well as developing new public sector and non-public sector entities. With financial austerity set to continue, it is important that local authorities continue innovating, if they are to remain financially resilient and commission better quality services at reduced cost.

This report is based on a brief client survey and work with local authority clients and:

- Outlines the main alternative delivery models available to local authorities
- Aims to assist other authorities as they develop their options and implement innovation strategies
- Considers aspects of risk.

Challenge question

Our report includes a number of case studies summarising how public services are being delivered through alternative service models. Has the Authority reviewed these case studies and assessed whether there are similar opportunities available to it?

Our report includes three short checklists on supporting innovation in service delivery, setting up a company and questions that members should ask officers when considering the development of a new delivery model. Are the checklists being considered as part of the development of the Authority's commissioning strategy?

Revaluing your assets – clarification of accounting guidance

Accounting and audit issues

Property, plant and equipment valuations

The 2013/14 Code has clarified the requirements for valuing property, plant and equipment and now states explicitly that revaluations must be 'sufficiently regular to ensure that the carrying amount does not differ materially from that which would be determined using the fair value at the end of the reporting period.' This means that a local authority will need to satisfy itself that the value of assets in its balance sheet is not materially different from the amount that would be given by a full valuation carried out on 31 March 2014. This is likely to be a complex analysis which might include consideration of:

- the condition of the authority's property portfolio at 31 March 2014
- the results of recent revaluations and what this might mean for the valuation of property that has not been recently valued
- general information on market prices and building costs
- the consideration of materiality in its widest sense - whether an issue would influence the view of a reader of the accounts.

The Code also follows the wording in IAS 16 more closely in the requirements for valuing classes of assets:

- items within a class of property, plant and equipment are to be revalued simultaneously to avoid selective revaluation of assets and the reporting of amounts in the financial statements that are a mixture of costs and values as at different dates
- a class of assets may be revalued on a rolling basis provided revaluation of the class of assets is completed within a short period and provided the revaluations are kept up to date.

There has been much debate on what is a short period and whether assets that have been defined as classes for valuation purposes should also be disclosed separately in the financial statements. These considerations are secondary to the requirement that the carrying value does not differ materially from the fair value. However, we would expect auditors to report to those charged with governance where, for a material asset class:

- all assets within the class are not all valued in the same year
- the class of asset is not disclosed separately in the property, plant and equipment note.

Challenge question

Has your Director of Finance consulted you on the programme of valuations and the proposals for disclosing information about classes of assets?

Estimating the impact of business rate appeals

Accounting and audit issues

Business rate appeals provisions

Local authorities are liable for successful appeals against business rates. They should, therefore, recognise a provision for their best estimate of the amount that businesses have been overcharged up to 31 March 2014.

However, there are practical difficulties which mean that making a reliable estimate for the total amount that has been overcharged is challenging:

- the appeals process is managed by the Valuation Office Agency (VOA) and so local authorities are reliant on the information provided to them by the VOA
- some businesses may have been overcharged but not yet made an appeal.

We would expect local authorities:

- to work with the VOA to make sure that they have access to the information they need
- where appeals have been made, to determine a methodology for estimating a provision and to apply this methodology consistently
- where appeals have not been made:
 - to consider the extent to which a reliable estimate can be made (for example, in relation to major businesses)
 - to recognise a provision where a reliable estimate can be made
 - to disclose a contingent liability where a reliable estimate cannot be made
 - to provide a rationale to support their judgement that a reliable estimate cannot be made
- to revisit the estimate with the latest information available immediately before the audit opinion is issued.

Challenge questions:

- Is your authority confident of obtaining the information it needs from the VOA?
- Has your authority recognised a provision where it is possible to make a reliable estimate? Has a robust methodology been used?
- Has your authority provided a robust rationale where it has decided it cannot make a reliable estimate? Is it planning to disclose a contingent liability?
- Is your authority planning to revisit its provision and contingent liability before the audit opinion is issued?

Accounting for pensions

Accounting and audit issues

Accounting for and financing the local government pension scheme costs

Accounting issues

The 2013/14 Code follows amendments to IAS 19 and changes the accounting requirements for defined benefit pension liabilities such as those arising from the local government pension scheme (LGPS). This is a change in accounting policy and will apply retrospectively.

The main changes we expect to see are:

- a reallocation of amounts charged in the comprehensive income and expenditure statement (CIES)
- more detailed disclosures.

We do not expect changes to balance sheet items (the net pension liability and pension reserve balance). This means that whilst we would expect the CIES to be restated, a third balance sheet is not required. Actuaries should be providing local authorities with the information they need to prepare the financial statements, including restated comparatives.

Financing issues

The amount to be charged to the general fund in a financial year is the amount that is payable for that financial year as set out in the actuary's rates and adjustments certificate. Some local authorities are considering paying pension fund contributions early in exchange for a discount but not charging the general fund until later.

Local authorities must be satisfied that the amounts charged to the general fund in a financial year are the amounts payable for that year.

Where local authorities are considering making early payments, we would expect them to obtain legal advice (either internally or

externally) to determine the amounts that are chargeable to the general fund. We would expect this to include consideration of:

- the actuary's opinion on the amounts that are payable by the local authority into the pension fund
- the agreement between the actuary and the local authority as to when these payments are to be made
- the wording in the rates and adjustments certificate setting out when amounts are payable for each financial year.

For example, if a local authority agrees to make a payment to the pension fund in a single year and proposes to charge this amount to the general fund over a three-year period, we would expect the rates and adjustments certificate to show, unambiguously, that the amount payable is spread over the three years.

Accounting for pensions

Accounting and audit issues

Challenge questions:

- Is your local authority confident of getting the information from its actuary to meet the changes in the requirements for accounting for the LGPS (including restating the comparatives)?
- If your authority is considering making an early payment to the pension fund, has it set out a reasonable argument for how it proposes to charge this amount to the general fund? Is this supported by legal advice?

Changes to the public services pension scheme

Accounting and audit issues

Changes to the Local Government Pension Scheme

The Public Service Pensions Bill received Royal Assent in April 2013, becoming the Public Service Pensions Act 2013 ('the Act'). The Act makes provision for new public service pension schemes to be established in England, Wales & Scotland. Consequent regulations have been laid to introduce changes to the LGPS in England and Wales from 1st April 2014. (The regulations for the changes in Scotland have not yet been laid and will only impact from 1 April 2015).

These introduce a number of changes including:

- a change from a final salary scheme to a career average scheme
- introduction of a 50/50 option whereby members can choose to reduce their contributions by 50% to receive 50% less benefit
- calculation of contributions based on actual salary which could lead to some staff with irregular patterns of working moving between contribution rate bandings on a regular basis
- changes in employee contribution rates and bandings
- transitional protection for people retiring within 10 years of 1 April 2014 (further regulations are still awaited).

The above changes have implications for all employers involved in the LGPS introducing required changes to their payroll systems to ensure pension contributions are calculated correctly. This has consequent implications for administering authorities to communicate with employers and consider how they will obtain assurance over the accuracy and completeness of contributions going forwards since the calculations are more complex going forwards and less predictable. In addition changes are also required to pension administration/payment systems as well as much more detailed processes around maintaining individual pension accounts for all members to ensure the correct payment of future pensions.

The Act also requires changes to the governance arrangements although regulations for the LGPS have not yet been laid for these and the changes in governance arrangements are not expected to be implemented until 1 April 2015.

(continued overleaf)

Changes to the public services pension scheme

Accounting and audit issues

Changes to Local Government Pension Scheme continued

Challenge questions

- Is the authority aware of the detailed requirements and their impact on its current payroll system and processes?
- Is the authority taking appropriate action to ensure implementation of the required changes to its payroll system and processes by 1 April 2014?
- Has the authority liaised with the administering authority over any changes they may need in the assurances provided over the completeness and accuracy of contributions?



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Agenda Item 7

Report to: Audit Committee

Date of meeting: 12 March 2014

Report of: Alan Power - Head of Finance Shared Services

Title: External Audit Recommendations

1.0 **SUMMARY**

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

2.0 **RECOMMENDATIONS**

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

Contact Officer:

For further information on this report please contact: -
Alan Power, Head of Finance, Shared Services
telephone extension: 7196
email: alan.power@watford.gov.uk

Report approved by: Alan Power, Head of Finance

3.0 **DETAILS**

3.1 The external auditor, Grant Thornton, presented its 'Report to those Charged with Governance' to the September meeting of the Audit Committee. The report made a number of recommendations and progress is shown in Appendix 1.

3.2 The recommendation is made in order to give members the opportunity to raise questions about the external auditor's recommendations and monitor the progress made in their implementation.

4.0 **IMPLICATIONS**

4.1 **Financial**

4.1.1 None Specific.

4.2 **Legal Issues** (Monitoring Officer)

4.2.1 None Specific.

4.3 **Equalities**

None Specific.

4.4 **Potential Risks**

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

APPENDICES

Appendix 1 External Audit Recommendations

Action	Priority	Responsibility	Action to Date	Resolved [✓ or X]	(Original) Implementation date
<p>No Periodic Refresh of IT Security Policies</p> <p>The Information Security Policy and should be refreshed at planned intervals or when significant changes occur to ensure their continuing suitability, adequacy, and effectiveness.</p>	Medium	Head of Corporate Strategy & Client Services	<p>Position – November 2013</p> <p>This has now been drafted and is awaiting sign off from Management Board and Leadership Team. Information Security Policy, Issue 0.2. This will then be issued to staff.</p> <p>This document is then scheduled for an annual review. The first will take place Feb-Apr 2014 following the release of ISO27001 (2013 version) and a change to the government protective marking scheme.</p> <p>Position January 2014</p> <p>Signed off by TRDC management board on 19th November 2013. Note: these are joint policies. This will be reviewed by ITSG on December 10th and then issued to staff.</p> <p>Subsequent reviews will be completed annually (Q4), unless otherwise</p>	✓	December 2013

			<p>required.</p> <p>Position March 2014</p> <p>Signed off by TRDC Management Board – 19th November 2013 and ITSG – 10th December 2013. Refresh points are in place and managed through fortnightly Information Security meetings with David Macintosh (Security expert, assigned to W3R account) and ICT Client Manager – Emma Tiernan</p>		
<p>Assurance for third party services</p> <p>The council should request where it has third party IT service provision, formal assurance from the service provider on the adequacy of the general IT controls they have in operation at their data centre(s) from which the service is provided. This should include testing of third party disaster recovery plans.</p>	Medium	Head of Corporate Strategy & Client Services	<p>Position – November 2013</p> <p>Memorandum of understanding is currently in draft format. This will be issued to (PSN) priority systems vendors initially.</p> <p>A further policy will be developed around management of third parties will be written during 2014.</p> <p>Position January 2014</p> <p>This is in progress. MOU's for third parties are currently being issued. Third party policy is scheduled for completion by end of Q4.</p>	<p>x</p> <p>Part resolved</p>	<p>December 2013</p> <p>April 2014 to complete Third party policy</p>

			<p>Position March 2014</p> <p>MOUs issued to key vendors.</p> <p>Third party policy is currently being drafted</p>		
<p>Financial governance</p> <p>The presentation of income charges could be improved with the further analysis of other income streams such as property and commercial income included within the monthly budget reporting pack the 'Finance Digest'.</p>	Medium	Head of Finance Shared Services	<p>Position January 2014</p> <p>The content and presentation of the Finance Digest is under review. The Shared Internal Audit Service is performing a county-wide examination of budget monitoring and reporting arrangements and will report on best practice during 2014. The Budget panel will be consulted on proposed changes.</p> <p>Position March 2014</p> <p>SIAS and Finance Managers have commenced the review process and the detailed evidence gathering will be completed by the end of March. The budget monitoring process and new reporting format will be reported to Budget Panel in July.</p>	x	<p>December 2013</p> <p>July 2014</p>

<p>Key indicators</p> <p>The Council should consider their current absence management procedures in the light of the 2012/13 staff absence levels.</p>	Medium	Head of HR Shared Services	<p>Position January 2014</p> <p>Leadership Team regularly monitor staff absence levels in all service areas. Review of the policy will be considered when quarter 3 levels have been analysed.</p> <p>Position March 2014</p> <p><i>Absence management reports taken to Managers Forum and Leadership Team and recommendations agreed. The council has also adopted an Employee Health & Wellbeing Strategy with aims to reduce absence. Regular monitoring and reporting continues and the levels of absence are a key indicator for Managing the Organisation.</i></p>	✓	December 2013
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<p>Financial Governance</p> <p>Housing benefit service to reduce the time taken to process a change in claimants circumstances to be more in line with DWP national average of 9 days.</p>	Medium	Head of Revenues and Benefits Shared Services	<p>Position November 2013</p> <p>This is being progressed and regular monitoring is in place. Improvements in performance are being achieved.</p> <p>Position January 2014</p> <p>The original issue arose mainly due to ATLAS files from the DWP not having been assessed. Clearing the backlog had a negative impact on the PI. The position is that the old ATLAS files have all been cleared and the ATLAS files are being regularly downloaded. Whilst the in year figure will not be within the DWP target of 9 days, the month to month position is getting better. We are currently doing systematic audits to identify any further remaining old cases which are then being ring fenced.</p> <p>Position March 2014</p> <p><i>ATLAS files are being regularly downloaded on a daily basis and a monitoring procedure is in place. To track the number outstanding.</i></p>	✓	December 2013
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Agenda Item 8

Report to: Audit Committee

Date of meeting: 12 March 2014

Report of: Alan Power - Head of Finance Shared Services

Title: Fraud Briefing 2013

1.0 **SUMMARY**

1.1 This report gives details of the Audit Commission's *Protecting the Public Purse 2013* and provides comparative information for this Council.

2.0 **RECOMMENDATIONS**

2.1 That the report be noted.

Contact Officer:

For further information on this report please contact: -
Garry Turner, Fraud Manager
telephone extension: 7190
email: garry.turner@watford.gov.uk

Report approved by: Alan Power, Head of Finance

3.0 **DETAILS**

3.1 The Audit Commission have produced a local report shown in Appendix 1 from their national publication *Protecting the Public Purse 2013* and is presented by Grant Thornton.

3.2 The national report shows that fraud costs the UK public sector £20 billion a year and local government more than £2 billion a year. The Audit Commission report can be downloaded from –

<http://www.audit-commission.gov.uk/wp-content/uploads/2013/11/Protecting-the-public-purse-2013-Fighting-fraud-against-local-government.pdf>

Shown at Appendix 2 is a checklist for councilors and others responsible for governance.

Shown at Appendix 3 is a range of questions for Councillors over a variety of fraud types.

3.3 Richard Lawson from Grant Thornton and Garry Turner, the Fraud Manager will be present at the meeting to answer questions from Members.

4.0 **IMPLICATIONS**

4.1 **Financial**

4.1.1 None Specific.

4.2 **Legal Issues** (Monitoring Officer)

4.2.1 None Specific.

4.3 **Equalities**

None Specific.

4.4 **Potential Risks**

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

APPENDICES

Appendix 1	Protecting the Public Purse – Fraud Briefing 2013, Watford Borough Council
Appendix 2	Checklist for Councilors and others responsible for Governance.
Appendix 3	Protecting the Public Purse – Questions for Councillors to support the Fraud Briefing

Protecting the Public Purse Fraud Briefing 2013 Watford Borough Council



Agenda

- Introduction and purpose of your Fraud Briefing
- *Protecting the Public Purse (PPP) 2013 report – national picture*
- Interpreting fraud detection results
- The local picture
- Questions?
 - *And do not forget*
 - *Checklist for those charged with governance (Appendix 2 of PPP 2013)*
 - *Questions councillors may want to ask/consider (Appendix 3 of PPP 2013)*

Introduction

- Fraud costs local government in England over £2 billion per year (source: *National Fraud Authority*)
- Fraud is never a victimless crime
- Councillors have an important role in the fight against fraud

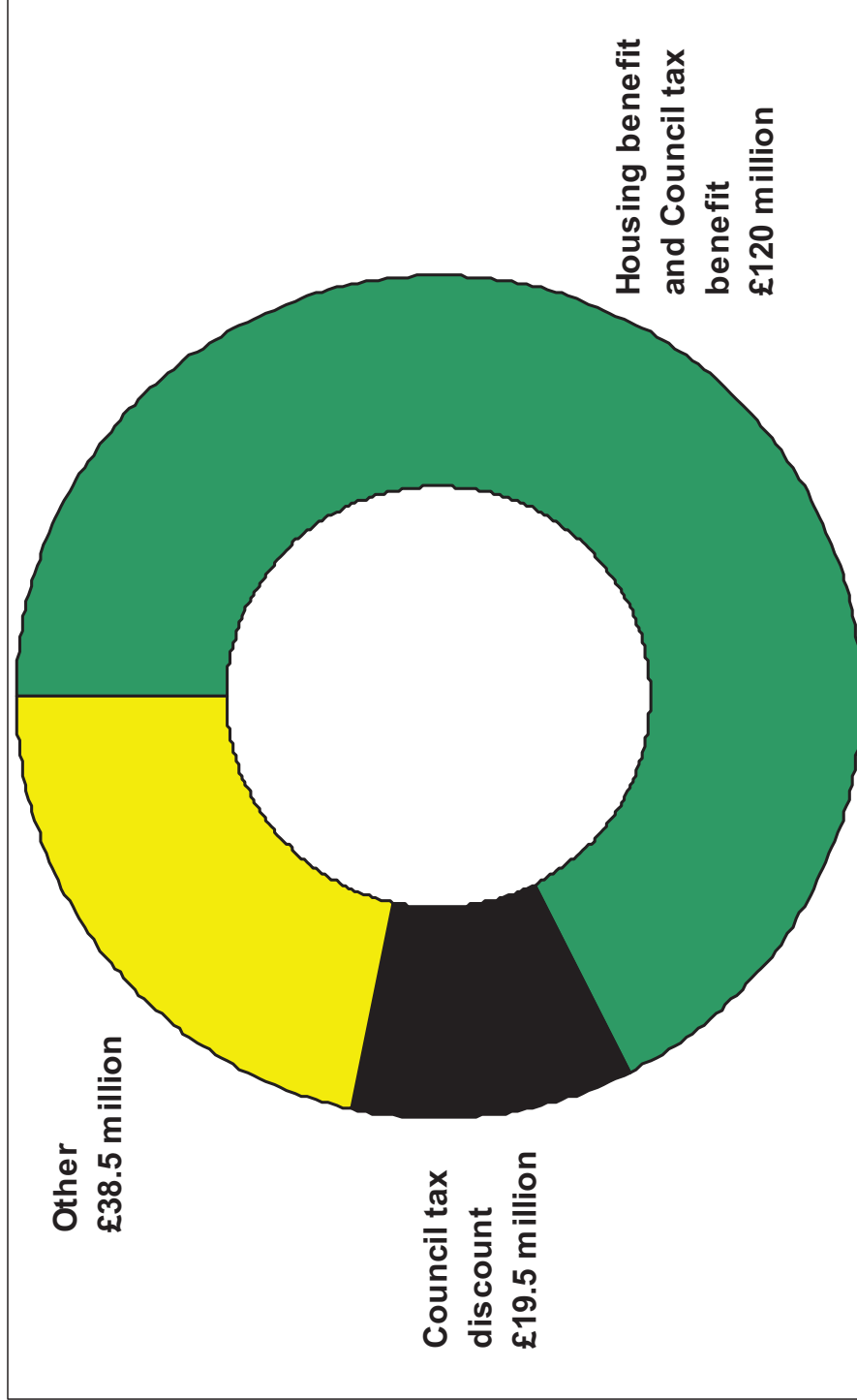


Purpose of Fraud Briefing at your council

- Opportunity for councillors to consider fraud detection performance, compared to similar local authorities
- Reviews current counter fraud strategy and priorities
- Discuss local and national fraud risks
- Reflect local priorities in a proportionate response to those risks

National Picture 2012/13

Total cases detected 107,000, with a value of £178 million (excluding social housing fraud)



Nationally, the number of detected frauds has fallen by 14% since 2011/12 and the value by less than 1%



Interpreting fraud detection results

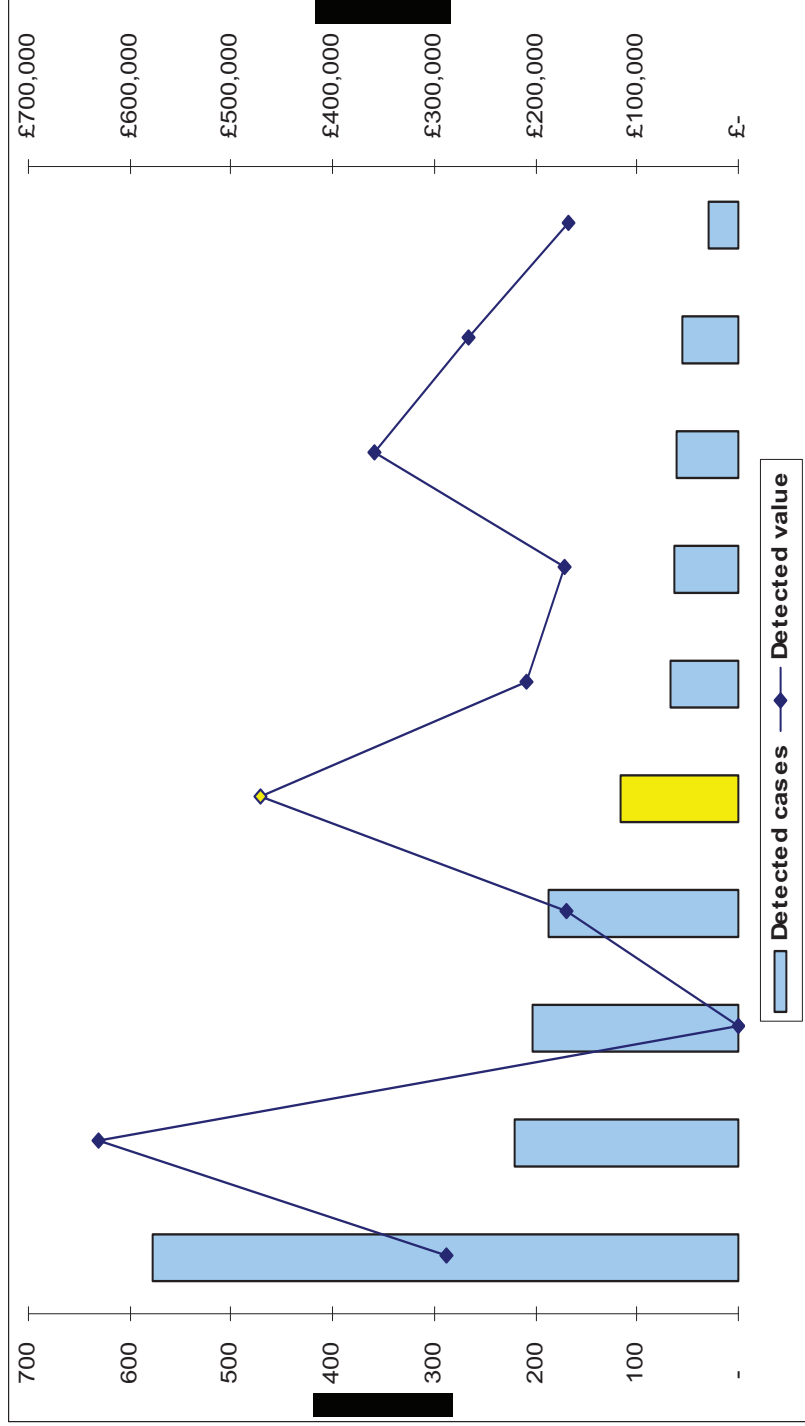
- Contextual and comparative information needed to interpret results
- Detected fraud is indicative, not definitive, of counter fraud performance (Prevention and deterrence should not be overlooked)
- No fraud detected does not mean no fraud committed (Fraud will always be attempted and even with the best prevention measures some will succeed)
- Councils who look for fraud, and look in the right way, will find fraud (There is no such thing as a small fraud, just a fraud that has been detected early)

Your council is highlighted in yellow in the graphs that follow

The local picture

How your council compares to other district councils in your county area

Total detected cases and value 2012/13

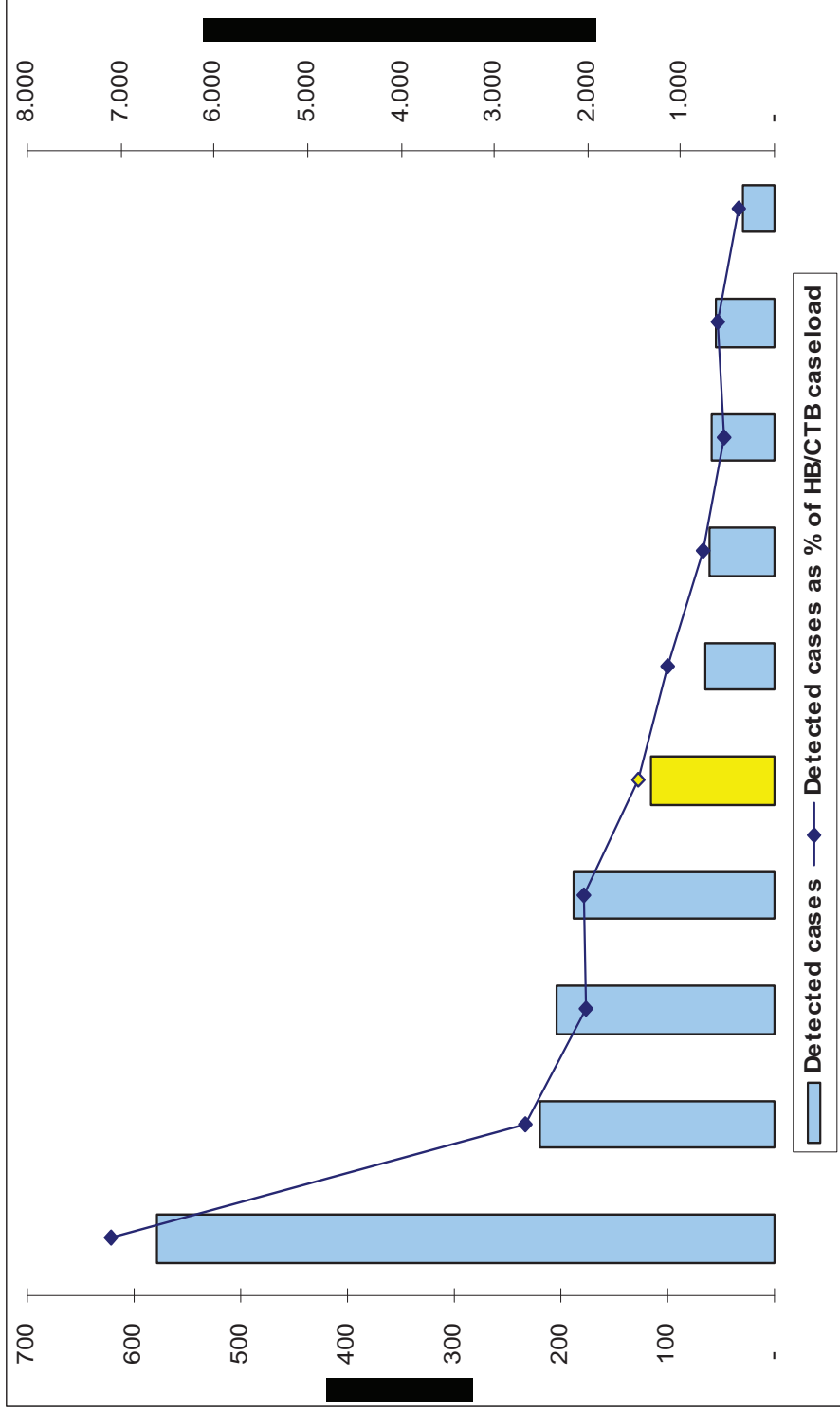


Watford detected: 116 cases, valued at £472,071

DC average for your county area: 158 cases, valued at £273,220



**District councils in your county area 2012/13
Housing benefit (HB) and Council tax benefit (CTB) fraud
Detected cases and detected cases as a percentage of HB/CTB caseload**

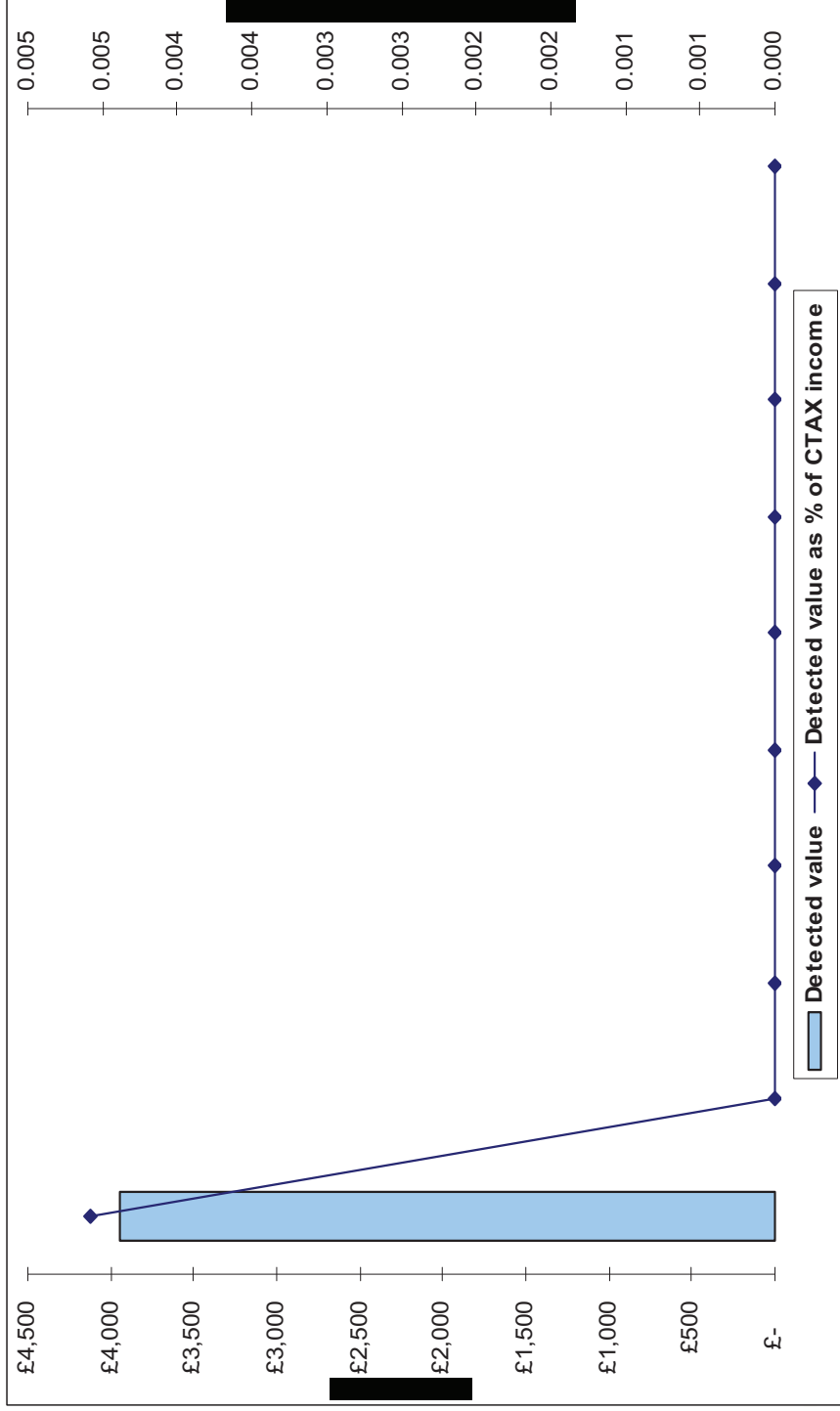


Watford detected: 116 cases, valued at £472,071

DC average for your county area: 157 cases, valued at £270,825



District councils in your county area 2012/13 Council tax (CTAX) discount fraud Detected value and detected value as a percentage of council tax income



Watford detected: no cases

DC average for your county area: 1 cases, valued at £395



Watford Borough Council

Other frauds

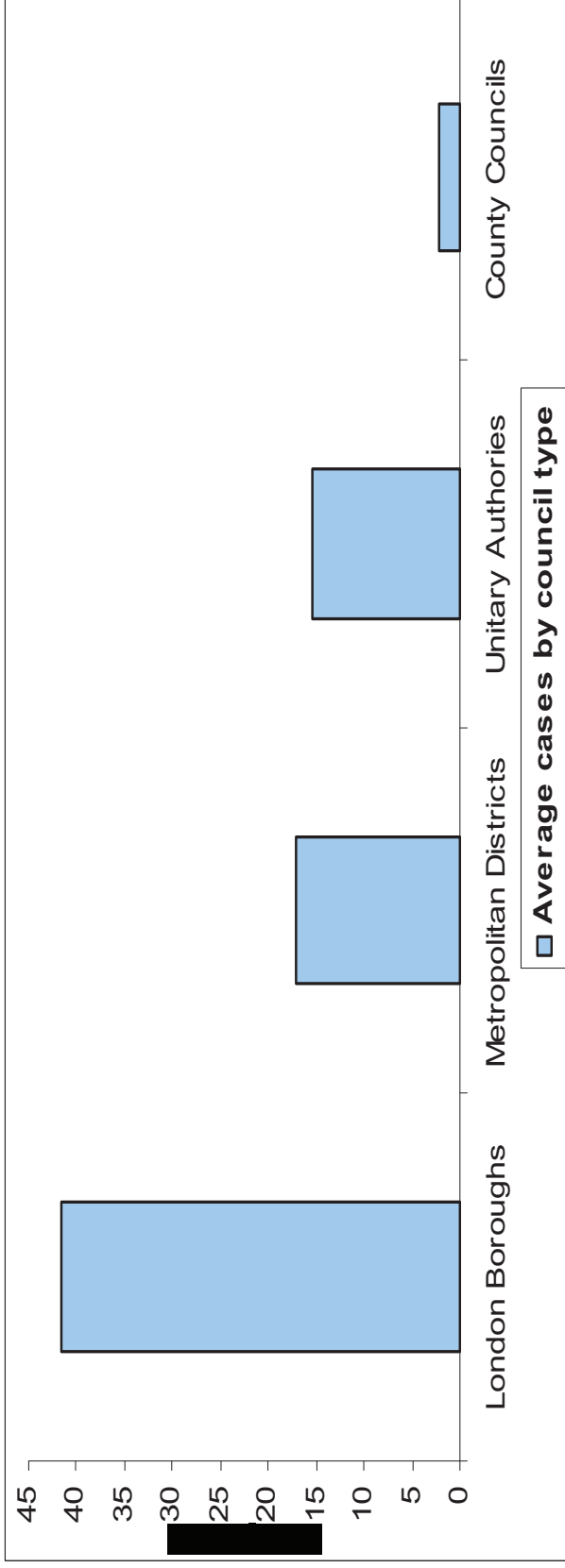
- **Procurement: no cases**
(Ave per DC in your county area: no cases
Total for all local government bodies in your region: 6 cases, valued at £364,870)
- **Insurance: no cases**
(Ave per DC in your county area: no cases
Total for all local government bodies in your region: 1 case, valued at £48,000)
- **Economic & Third sector: no cases**
(Ave per DC in your county area: no cases
Total for all local government bodies in your region: 1 case, valued at £30,000)
- **Internal fraud: no cases**
(Ave per DC in your county area: <1 case, valued at £452
Total for all local government bodies in your region: 58 cases, valued at £405,311)

Correctly recording fraud levels is a central element in assessing fraud risk

It is best practice to record the financial value of each detected case



Disabled parking (Blue Badge) fraud Detected cases by issuing council type



In two-tier areas:

- county councils have administrative responsibility for issuing blue badges
- district councils face reduced car parking income as a result of the fraudulent abuse of blue badges.

District councils without housing stock 2012/13

Social housing fraud

It is estimated that:

- 2 per cent of social housing stock outside London is subject to tenancy fraud;
- tenancy fraud represents the second largest financial loss to fraud in local government, costing £845 million in 2013; and
- when combined with the loss to tenancy fraud suffered by housing associations, the total value in England is £1.8 billion – making tenancy fraud five times greater than the annual loss due to housing benefit fraud.

The Prevention of Social Housing Fraud Act 2013 criminalises tenancy fraud

The legislation gives councils investigation powers and the ability to prosecute tenancy fraudsters on behalf of housing associations

Should you be using this legislation to work in partnership with local housing associations?

Any questions?



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CHECKLIST FOR COUNCILLORS AND OTHERS RESPONSIBLE FOR GOVERNANCE

General	Yes	No
1. Do we have a zero tolerance policy towards fraud?	<input type="radio"/>	<input type="radio"/>
Previous action		
2013 Update		
2. Do we have the right approach, and effective counter-fraud strategies, policies and plans? Have we aligned our strategy with <i>Fighting Fraud Locally</i>?	<input type="radio"/>	<input type="radio"/>
Previous action		
2013 Update		
3. Do we have dedicated counter-fraud staff?	<input type="radio"/>	<input type="radio"/>
Previous action		
2013 Update		
4. Do counter-fraud staff review all the work of our organisation?	<input type="radio"/>	<input type="radio"/>
Previous action		
2013 Update		
5. Does a councillor have portfolio responsibility for fighting fraud across the council?	<input type="radio"/>	<input type="radio"/>
Previous action		
2013 Update		
6. Do we receive regular reports on how well we are tackling fraud risks, carrying out plans and delivering outcomes?	<input type="radio"/>	<input type="radio"/>
Previous action		
2013 Update		
7. Have we assessed our management of counter-fraud work against good practice?	<input type="radio"/>	<input type="radio"/>
Previous action		
2013 Update		

General	Yes	No
8. Do we raise awareness of fraud risks with:		
■ new staff (including agency staff);	<input type="radio"/>	<input type="radio"/>
■ existing staff;	<input type="radio"/>	<input type="radio"/>
■ elected members; and	<input type="radio"/>	<input type="radio"/>
■ our contractors?	<input type="radio"/>	<input type="radio"/>
Previous action		
2013 Update		
9. Do we work well with national, regional and local networks and partnerships to ensure we know about current fraud risks and issues?	<input type="radio"/>	<input type="radio"/>
Previous action		
2013 Update		
10. Do we work well with other organisations to ensure we effectively share knowledge and data about fraud and fraudsters?	<input type="radio"/>	<input type="radio"/>
Previous action		
2013 Update		
11. Do we identify areas where our internal controls may not be performing as well as intended? How quickly do we then take action?	<input type="radio"/>	<input type="radio"/>
Previous action		
2013 Update		
12. Do we maximise the benefit of our participation in the Audit Commission National Fraud Initiative and receive reports on our outcomes?	<input type="radio"/>	<input type="radio"/>
Previous action		
2013 Update		
13. Do we have arrangements in place that encourage our staff to raise their concerns about money laundering?	<input type="radio"/>	<input type="radio"/>
Previous action		
2013 Update		

General	Yes	No
14. Do we have effective arrangements for:		
■ reporting fraud?; and	<input type="radio"/>	<input type="radio"/>
■ recording fraud?	<input type="radio"/>	<input type="radio"/>
Previous action		
2013 Update		
15. Do we have effective whistle-blowing arrangements? In particular are staff:		
■ aware of our whistle-blowing arrangements?	<input type="radio"/>	<input type="radio"/>
■ have confidence in the confidentiality of those arrangements?	<input type="radio"/>	<input type="radio"/>
■ confident that any concerns raised will be addressed?	<input type="radio"/>	<input type="radio"/>
Previous action		
2013 Update		
16. Do we have effective fidelity insurance arrangements?	<input type="radio"/>	<input type="radio"/>
Previous action		
2013 Update		
Fighting fraud with reduced resources	Yes	No
17. Have we reassessed our fraud risks since the change in the financial climate?	<input type="radio"/>	<input type="radio"/>
Previous action		
2013 Update		
18. Have we amended our counter-fraud action plan as a result?	<input type="radio"/>	<input type="radio"/>
Previous action		
2013 Update		
19. Have we reallocated staff as a result?	<input type="radio"/>	<input type="radio"/>
Previous action		
2013 Update		

Current risks and issues	Yes	No
Housing tenancy		
20. Do we take proper action to ensure that we only allocate social housing to those who are eligible?	<input type="radio"/>	<input type="radio"/>
Previous action		
2013 Update		
21. Do we take proper action to ensure that social housing is occupied by those to whom it is allocated?	<input type="radio"/>	<input type="radio"/>
Previous action		
2013 Update		
Procurement		
22. Are we satisfied our procurement controls are working as intended?	<input type="radio"/>	<input type="radio"/>
Previous action		
2013 Update		
23. Have we reviewed our contract letting procedures since the investigations by the Office of Fair Trading into cartels, and compared them with best practice?	<input type="radio"/>	<input type="radio"/>
Previous action		
2013 Update		
Recruitment		
24. Are we satisfied our recruitment procedures:		
■ prevent us employing people working under false identities;	<input type="radio"/>	<input type="radio"/>
■ confirm employment references effectively;	<input type="radio"/>	<input type="radio"/>
■ ensure applicants are eligible to work in the UK; and	<input type="radio"/>	<input type="radio"/>
■ require agencies supplying us with staff to undertake the checks that we require?	<input type="radio"/>	<input type="radio"/>
Previous action		
2013 Update		

Current risks and issues	Yes	No
Personal budgets		
25. Where we are expanding the use of personal budgets for adult social care, in particular direct payments, have we introduced proper safeguarding proportionate to risk and in line with recommended good practice?	<input type="radio"/>	<input type="radio"/>
Previous action		
2013 Update		
26. Have we updated our whistle-blowing arrangements, for both staff and citizens, so that they may raise concerns about the financial abuse of personal budgets?	<input type="radio"/>	<input type="radio"/>
Previous action		
2013 Update		
Council tax discount		
27. Do we take proper action to ensure that we only award discounts and allowances to those who are eligible?	<input type="radio"/>	<input type="radio"/>
Previous action		
2013 Update		
Housing benefit		
28. When we tackle housing benefit fraud do we make full use of:		
<ul style="list-style-type: none"> ■ National Fraud Initiative; 	<input type="radio"/>	<input type="radio"/>
<ul style="list-style-type: none"> ■ Department for Work and Pensions Housing Benefit matching service; 	<input type="radio"/>	<input type="radio"/>
<ul style="list-style-type: none"> ■ internal data matching; and 	<input type="radio"/>	<input type="radio"/>
<ul style="list-style-type: none"> ■ private sector data matching? 	<input type="radio"/>	<input type="radio"/>
Previous action		
2013 Update		

Emerging fraud risks	Yes	No
29. Do we have appropriate and proportionate defences against emerging fraud risks:		
<ul style="list-style-type: none"> ■ business rates; 	<input type="radio"/>	<input type="radio"/>
<ul style="list-style-type: none"> ■ Right to Buy; 	<input type="radio"/>	<input type="radio"/>
<ul style="list-style-type: none"> ■ Social Fund and Local Welfare Assistance; 	<input type="radio"/>	<input type="radio"/>
<ul style="list-style-type: none"> ■ council tax reduction; 	<input type="radio"/>	<input type="radio"/>
<ul style="list-style-type: none"> ■ schools; and 	<input type="radio"/>	<input type="radio"/>
<ul style="list-style-type: none"> ■ grants? 	<input type="radio"/>	<input type="radio"/>
Previous action 2013 Update		

QUESTIONS FOR COUNCILLORS TO SUPPORT THE FRAUD BRIEFING

These questions are designed to be used in conjunction with individual fraud briefings for local authorities. Together, they will help councillors do more to improve public confidence in their council's efforts to tackle fraud in a range of areas.

Tenancy fraud

- Has my organisation attempted to quantify the scale of tenancy fraud that our housing stock is subject to (at least 4 per cent in London, 2 per cent outside London)?
- Does my organisation have a strategic plan to tackle tenancy fraud?
- Does my organisation have any dedicated investigative resources specifically allocated to tackling tenancy fraud?
- Are the resources dedicated to tackling tenancy fraud proportionate to the scale of the problem?
- Did my organisation receive any non-ring fenced government funding, for 2013 and 2014, to tackle tenancy fraud?
- If yes, has all that funding been allocated to tackle tenancy fraud?
- If yes, have my organisation engaged with local housing associations to maximise the benefit of such funding for the community?
- Is my organisation a member of Tenancy Fraud Forum, including any regional forum group?
- Does my organisation maximise the benefits of participating in data matching, such as the National Fraud Initiative, to identify tenancy frauds?
- What assurances are there that any tenancy audits undertaken are robust, specifically intended to identify tenancy frauds and follow recognised best practice?
- Has my organisation considered the Prevention of Social Housing Act, including the scope for greater partnership with housing associations?

Council tax discount

- How effectively does my organisation use data matching activities to tackle council tax discount fraud, including the National Fraud Initiative?
- How well does my organisation use all forms of sanction and punishment, including penalties, criminal action and targeting previous years' fraudulently obtained discounts?
- Is my organisations policy on applying sanctions to deter council tax discount fraud effective?

Right to Buy

- Does my organisation review all applications for Right to Buy discounts?

Housing benefit fraud

- Has my organisation considered the impact of Single Fraud Investigation Service (SFIS) implementation from April 2014, on capacity to investigate non-benefit fraud?
- Has my organisation considered how best to work with SFIS to ensure local priorities and risks continue to be reflected in local activities to tackle benefit fraud?

Council tax reduction

- Does my council have a strategy to tackle Council tax reduction fraud?
- How well does this strategy combine proactive and reactive approaches to tackling fraud?

Social care

- How effective is my council's fraud awareness training for all staff working in social care (including those working for contracted providers), to identify suspected social care fraud?
- How good are my council's whistle-blowing arrangements for all staff working in social care?

Business rates fraud

- How effective is my council in maximising its income by tackling business rates fraud?

Blue badge fraud (disability parking concessions)

- How effectively does my council take action to tackle abuse of blue badge and other parking concessions?

Preventing other frauds

- How confident am I that staff in my council are aware of the risks of other high value, low frequency frauds and routinely apply all necessary controls to ensure that they do not occur?

Deterrence

- How effectively does my council detect fraud?
- How appropriate are the punishments we apply for fraud?
- How well does my council publicise its success in detecting fraud?

Agenda Item 9

Report to: Audit Committee

Date of meeting: 12 March 2014

Report of: Alan Power - Head of Finance Shared Services

Title: Internal Audit Progress Report

1.0 **SUMMARY**

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

2.0 **RECOMMENDATIONS**

2.1 Note the Internal Audit Progress Report Against the 2013/14 Audit Plan

2.2 Approve amendments to the Audit Plan as at 21 February 2014

2.3 Agree removal of implemented recommendations (see Appendix 3)

2.4 Agree the changes to the implementation date for 6 recommendations (paragraph 2.6) for the reasons set out in Appendix 3.

Contact Officer:

For further information on this report please contact: -

Alan Power, Head of Finance, Shared Services

telephone extension: 7196

email: alan.power@watford.gov.uk

Report approved by: Alan Power, Head of Finance

3.0 **DETAILS**

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

3.2 Details of progress against the Internal Audit Plans for 2013/14 are attached at Appendix 2.

- 3.3 Appendix 3 provides information on recommendations which remain outstanding from audits carried out in 2010/11, 2011/12, 2012/13 and 2013/14 and detail only those recommendations which were not resolved at the time of the last report together with new audit reports issued since that time. New reports and new comments are shown in bold italics.
- 3.4 There are six new requests for extensions to time for to complete the implementation of recommendations. The Audit Committee at its January 2014 meeting agreed eleven such requests and the 'Not Yet Due' column below has been amended.
- 3.5 The table below summarises progress in implementation of the recommendations:

Year	Recommendations made No.	Implemented	Not yet due	Outstanding & Request made for Extended Time	Percentage implemented %
2010/11	213	211	0	2	99
2011/12	114	111	2	1	97
2012/13	49	45	3	1	92
2013/14	27	15	10	2	56

4.0 **IMPLICATIONS**

4.1 **Financial**

4.1.1 None Specific.

4.2 **Legal Issues** (Monitoring Officer)

4.2.1 None Specific.

4.3 **Equalities**

None Specific.

4.4 **Potential Risks**

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

APPENDICES

- Appendix 1 Shared Internal Audit Service Progress Report
- Appendix 2 Progress against the 2013/14 Audit Plan
- Appendix 3 Progress on Recommendations



Watford Borough Council
Audit Committee Progress Report
12 March 2014

Recommendation

Members are recommended to:

- Note the Internal Audit Progress Report Against the 2013/14 Audit Plan
- Approve amendments to the Audit Plan as at 21 February 2014
- Agree removal of implemented recommendations (see Appendix 3)
- Agree the changes to the implementation date for 6 recommendations (paragraph 2.6) for the reasons set out in Appendix 3.

Contents

- 1 Introduction and Background
 - 1.1 Purpose
 - 1.2 Background
- 2 Audit Plan Update
 - 2.1 Delivery of Audit Plan and Key Audit Findings
 - 2.3 Status of Audit Recommendations
 - 2.7 Proposed Audit Plan amendments
 - 2.8 Performance Management

Appendices

- 2 Progress against the 2013/14 Audit Plan
- 3 Progress against outstanding internal audit recommendations

1. Introduction and Background

Purpose of Report

- 1.1 This report details:
- a) Progress made by the Shared Internal Audit Service (SIAS) in delivering the Council's Annual Audit Plan for 2013/14 as at 21 February 2014.
 - b) Proposed amendments to the approved 2013/14 Annual Audit Plan.
 - c) Implementation status of all outstanding previously agreed audit recommendations from 2010/11 onwards.
 - d) An update on performance management information as at 21 February 2014.

Background

- 1.2 The work of internal audit is required to be reported to a Member Body so that the Council has an opportunity to review and monitor an essential component of corporate governance and gain assurance that its internal audit provision is fulfilling its statutory obligations. It is considered good practice that progress reports also include proposed amendments to the agreed annual audit plan.
- 1.3 The Internal audit service has been transferred to the Shared Internal Audit Service (SIAS) partnership since April 2013. The 2013/14 Annual Audit Plan was approved by Audit Committee on 13 March 2013.
- 1.4 The Audit Committee receives periodic updates on progress against the Annual Audit Plan from SIAS, the most recent of which was brought to this Committee on 8 January 2014.

2. Audit Plan Update

Delivery of Audit Plan and Key Audit Findings

- 2.1 As at 21 February 2014, 86% of the 2013/14 Audit Plan days had been delivered (calculation excludes contingency). Appendix 2 provides a status update on each individual deliverable within the audit plan.
- 2.2 The following 2013/14 reports have been finalised since the January meeting of Audit Committee:

Audit Title	Date of Issue	Assurance Level	Number and Priority of Recommendations
Taxi Licensing	Jan '14	N/A	N/A
Treasury Management	Jan '14	Full	None
Commercial Rents	Jan '14	Substantial	One medium Two merits attention
Veolia Contract	Feb '14	Moderate	Four medium Three merits attention
Data Protection Follow Up	Feb '14	N/A	N/A
Review of counter fraud arrangements in the Shared Service Benefit Fraud Team	Feb '14	Substantial	One medium Two merits attention

Status of Audit Recommendations

- 2.3 Members will be aware that a Final Audit Report is issued when it has been agreed by management and includes an

agreement to implement the recommendations made. It is SIAS's responsibility to bring to Members' attention the implementation status of high priority recommendations. It is the responsibility of Officers to implement recommendations by the agreed date.

- 2.4 The table below summarises progress in implementation of all outstanding internal audit recommendations, with full details given in Appendix 3:

Year	Recommendations made No.	Implemented	Not yet due	Outstanding & request made for extended time	Percentage implemented %
2010/11	213	211	0	2	99%
2011/12	114	111	2	1	97%
2012/13	49	45	3	1	92%
2013/14	27	15	10	2	56%

- 2.5 The Committee will be aware that the ICT service was outsourced to Capita Secure Information Solutions with effect from 20 May 2013 and that the outstanding ICT recommendations were prioritised to be completed during transition (up to 20 May 2013) or transformation (after 20 May 2013).

- 2.6 Extension to implementation dates have been requested for 6 recommendations, as detailed in Appendix 3. The recommendations relate to the following audits:

- a) Two for IT Remote Working,
- b) One for IT Back Up and Disaster Recovery,
- c) One for IT Server Virtualisation,
- d) One for Procurement and Contract Baseline Assessment, and
- e) One for Housing Redesign.

Proposed Audit Plan Amendments

- 2.7 The following amendments to the 2013/14 Audit Plan have been agreed with management and are brought before this Committee for approval:

- The original 2013/14 Audit Plan for Watford and Three Rivers Shared Services included 10 days for a review of IT Contract Management. Work had commenced on planning this review, however, management have requested that the audit be postponed until April 2014 to accommodate short-term resourcing issues in IT Client Management. The 7.5 remaining days have been transferred to Contingency in the interim, as the audit work will fall into the 2014/15 financial year.
- The original 2013/14 Audit Plan for Shared Services included 19 days for Main Accounting. It was agreed with management to take 5 days from the Main Accounting audit and add this to the Health Campus audit in the Watford Audit Plan where the scope was extended to respond to questions raised by the Chief Executive.

Performance Management

2.8 Annual performance indicators and associated targets were approved by the SIAS Board in March 2013. Actual performance for Watford Borough Council against the targets that can be monitored for 2013/14 is shown the table below.

Performance Indicator	Annual Target	Profiled Target to 21 Feb 2014	Actual to 21 Feb 2014
1. Planned Days – percentage of actual billable days against planned chargeable days completed (excluding unused contingency)	95%	88%	86%
2. Planned Projects – percentage of actual completed projects to draft report stage against planned completed	95%	65%	40%

projects (excludes 2012/13 completion and 'on-going' pieces)			
3. Client Satisfaction – percentage of client satisfaction questionnaires returned at 'satisfactory' level	100%	100%	100% (based on four received)
4. Number of High Priority Audit Recommendations agreed	95%	100%	100%

2.9 In addition, the performance targets listed below are annual in nature. Performance against these targets will be reported on in the 2013/14 Head of Assurance's Annual Report:

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

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2013/14 SIAS Audit Plan

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
Key Financial Systems								
Benefits (shared)					15	Yes	13.5	In fieldwork
Council Tax (shared)					12	Yes	8	In fieldwork
Creditors (shared)					11	PwC	10	In quality review
Debtors (shared)					11	PwC	10	In quality review
Main Accounting (shared)					14	Yes	12.5	In fieldwork
NNDR (shared)					12	Yes	8	In fieldwork
Payroll (shared)					14	Yes	7	In fieldwork
Treasury Management	Full	0	0	0	5	Yes	5	Final report issued
Budgetary Control					8	Yes	5	In fieldwork
Asset Management					8	Yes	7.5	Draft report issued
Operational Audits								
Recruitment and vetting – follow-up (Shared)	N/A				5	Yes	5	Final report issued
Health & Safety (Shared)					10	PwC	9	In quality review
Project and change management					10	Yes	8	Report being drafted
Housing re-design (advisory support)	Moderate	0	7	0	10	Yes	10	Final report issued
Review of Corporate Spatial Data	N/A				10	Yes	10	Final report issued
Health Campus					15	Yes	13	Report being drafted

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
Commercial Rent	Substantial	0	1	2	6	Yes	6	Final report issued
Data Protection - follow-up	N/A				6	Yes	6	Final report issued
Procurement								
New IT contract management review (shared)					2.5	Yes	2.5	Audit deferred to April 2014
Procurement and contract management baseline review	Substantial	0	3	4	10	Yes	10	Final report issued
Outsourcing arrangements (Veolia Contract)	Moderate	0	4	3	10	Yes	10	Final report issued
Counter Fraud								
Review of counter fraud arrangements Shared Service Benefit Fraud Team (shared)	Substantial	0	1	2	5	Yes	5	Final report issued
Anti-Fraud and Corruption Baseline Review					5	Yes	4	In quality review
Risk Management and Governance								
Risk Management					5	Yes	2	ToR issued
Corporate Governance					5	Yes	1	ToR issued
IT Audits								
IT vulnerabilities- extended follow-up (shared)					10	PwC	8	Report being drafted
Cyber Risk (Shared)					10	PwC	8	Report being drafted

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
SIAS Joint Work								
New ways working seminar (Shared)					0			Cancelled
Comparative review of budget setting and monitoring arrangements (Shared)					1		0.5	In fieldwork
Herts Waste Partnership					1		0.5	In fieldwork
Contingency								
Taxi Licensing	N/A	0	0	0	7	Yes	7	Final report issued
Boundary way insulation project	N/A	0	0	0	0	Yes	1	Audit closed
Unused contingency					8.5			Allocated to 14/15 IT Contract Management audit
Strategic Support								
Head of Internal Audit Opinion 2012/13					2		2	Complete
Introduction to Public Sector Internal Audit Standards	N/A				1		1	Complete
Audit committee	N/A				8		7	On-going
Monitoring & Client Liaison	N/A				5		4.5	On-going
2014/15 Audit Planning	N/A				3		3	On-going
SIAS Development	N/A				3		3	On-going

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
Follow-up of recommendations	N/A				10		10	On-going
Completion of 2012/13 audits								
Time required to complete work commenced in 2012/13	Various				24		30	Complete
WBC TOTAL					153		136.5	
SHARED SERVICES TOTAL					165		137	
COMBINED TOTAL					318		273.5	

Key:

H = High priority recommendation

M = Medium priority recommendation

MA = Merits attention priority recommendation

N/A = Not applicable

Note:

For the purposes of the performance indicator on planned projects (see section 2.8 of main report), number of deliverables = 30 pieces (does not include on-going pieces or completion of 2012/13 activity)

Audit Plan 2010/11

IT Remote Working 2010/11							
Final report issued January 2012							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved x or ✓	Revised Deadline
01	A remote working policy and procedures should be developed. This should include all areas pertaining to remote working.	Important	<p>To be included within the IT Security Policy and Handbook for both WBC and TRDC.</p> <p>Position - June 2012 This has been delayed due to staff workload relating to the IT tender.</p> <p>Position - August 2012 No change from June update</p> <p>Position - November 2012 No change from August update</p> <p>Position - January 2013 Capita can help with advice on this but the responsibility for this lies with the Council's Head of ICT or ICT Client Managers.</p> <p>Position - May 2013 No change from January update.</p>	ICT Client Manager	March 2012	✓	<p>Dec 2012</p> <p>May 2013</p> <p>Dec 2013</p>

IT Remote Working 2010/11							
Final report issued January 2012							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved x or ✓	Revised Deadline
			<p>Position - August 2013 No change. It should be noted that this policy will need to reflect the most recent changes to the requirements for connection to the PSN (Public Services Network). Relevant network and associated policy changes for accreditation with the PSN is required by the cabinet office for Nov 2013.</p> <p>Position - November 2013 Signed off by TRDC management board on 19th November 2013. Note: these are joint policies. This will be reviewed by ITSG on December 10th and then issued to staff.</p> <p>Position – February 2014 Signed off by TRDC Management Board – 19th Nov and ITSG – 10th December 2013. Refresh points are in place and managed through fortnightly Information Security meetings with David Macintosh (Security expert, assigned to W3R account) and ICT Client Manager – Emma Tiernan.</p>				

IT Remote Working 2010/11							
Final report issued January 2012							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved x or ✓	Revised Deadline
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	<p>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.</p> <p>Position - February 2012</p> <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. <p>Position - June 2012 This has been delayed due to staff workload relating to the IT tender.</p> <p>Position - November 2012 No change from August update</p> <p>Position - January 2013 Capita can help with advice on this but the responsibility for this lies with the Council's Head of ICT or ICT Client Managers for the laptops and Helen Smith\Phil King for mobile phones.</p>	<p>ICT Client Manager</p> <p>Helen Smith (WBC Mobile phones)</p> <p>Phil King (TRDC mobiles)</p>	March 2012	✓	<p>Dec 2012</p> <p>May 2013</p> <p>July 2013</p> <p>Dec 2013</p>

IT Remote Working 2010/11								
Final report issued January 2012								
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved x or ✓	Revised Deadline	
			<p>Position - May 2013 ICT Client Managers will liaise with Capita and draw up a policy document to detail the remote working policy to coincide with the Information Security Policy.</p> <p>Position - August 2013 No change. It should be noted that this policy will need to reflect the most recent changes to the requirements for connection to the PSN (Public Services Network). Relevant network and associated policy changes for accreditation with the PSN is required by the cabinet office for Nov 2013.</p> <p>Position - November 2013 Signed off by TRDC management board on 19th November 2013. Note: these are joint policies. This will be reviewed by ITSG on December 10th and then issued to staff.</p> <p>Position – February 2014 Signed off by TRDC Management Board – 19th Nov and ITSG – 10th</p>					

IT Remote Working 2010/11							
Final report issued January 2012							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved x or ✓	Revised Deadline
			December 2013. Refresh points are in place and managed through fortnightly Information Security meetings with David Macintosh (Security expert, assigned to W3R account) and ICT Client Manager – Emma Tiernan.				
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	<p>Agreed</p> <p>Position - June 2012 This has been installed and we are in the process of testing this functionality</p> <p>Position - August 2012 Rollout of this functionality is being planned and intended to be in place within the deadline.</p> <p>Position - November 2012 No change from August update</p> <p>Position - January 2013 Two factor authentication has not been rolled out but is planned to be completed before service commencement with Capita.</p>	ICT Client Manager	June 2012	x (part met)	Dec 2012 May 2013 Dec 2013 Mar 2014

IT Remote Working 2010/11							
Final report issued January 2012							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved x or ✓	Revised Deadline
			<p>Position - May 2013 Dual Factor Authentication on current equipment will not be compliant with PSN CoCo standards. This will be reviewed during transformation.</p> <p>Position - August 2013 Review of the technology required in order to meet PSN standards is underway. This is being completed in conjunction with a number of other work streams related to PSN compliance. Dual factor authentication is essential for accreditation with the PSN and is required by the cabinet office for Nov 2013.</p> <p>Position - November 2013 Controlled rollout is currently in progress, including revised user instructions.</p> <p>Position – February 2014 The tokens are in the progress of being deployed to staff. Once this is completed use of a single sign on with password only will be switched off.</p>				

IT Remote Working 2010/11							
Final report issued January 2012							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
09	<p>Management should ensure that security settings on mobile device handsets such as iPhones enforce the following settings:</p> <ul style="list-style-type: none"> • Devices should be required to be protected by a power on password or PIN. Any default passwords or PIN codes need to be changed on first use, these should not be removed unless authorised in writing by ICT; • Devices should be set to 'Non-discoverable' or 'Hidden' to help prevent information disclosure by short distance data transfer; and 	Important	<p>Agreed. Government Code of Connection stipulates that they have only approved Blackberry's for use as mobile devices. There are currently more critical priorities to address within ICT and this is where the focus will lie.</p> <p>The implementation of a Blackberry Enterprise Server will address the above recommendation and will be identified as a future project for the ICT Service.</p> <p>Position - August 2012 Due to the large resource and investment required with this, it will be assigned a priority once the future of the ICT Shared Service is known.</p> <p>Position - November 2012 The councils are currently conducting due diligence with the preferred supplier for the ICT Service.</p>	ICT Client Manager	March 2013	*	<p>March 2014</p> <p>Dec 2015</p>

IT Remote Working 2010/11							
Final report issued January 2012							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved x or ✓	Revised Deadline
	<ul style="list-style-type: none"> 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 handsets such as iPhones is adequately encrypted according to the sensitivity of the data</p>		<p>Outstanding audit recommendations will be discussed during due diligence and reported to the next Audit committee meeting.</p> <p>Position - January 2013 Mobile telephony is outside the proposal. Implementation of a Blackberry solution which can provide all of these requirements has been included as part of 13/14 project requirement and will be discussed during transformation.</p> <p>Position - May 2013 No change from above.</p> <p>Position - August 2013 Recommendation not yet due for completion. It should be noted that the PSN compliance requirements will impact the solution to this recommendation.</p> <p>Position - November 2013 No change to above. This needs to be prioritised in line with other ICT projects. Government directive for</p>				

IT Remote Working 2010/11							
Final report issued January 2012							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved x or ✓	Revised Deadline
			<p>PSN (Public Services Network), now states that unmanaged end user devices e.g. personal computers etc, should be addressed and compliant for use on the PSN by 2015 accreditation. A revised timeframe for implementation of this recommendation needs to be agreed.</p> <p>Position – February 2014 Already requested that this deadline is moved to Dec 2015, in line with PSN requirements to manage data on mobile devices.</p>				

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

IT Project Management 2011/12							
Final report issued November 2011							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved x or ✓	Revised Deadline
			<p>Position - August 2013 No change to above. Terms of reference for the IT Steering group have been amended to reflect the requirement for the development of an ICT strategy.</p> <p>Position - November 2013 Technical strategy is underway. ICT Client management team are working with Capita SIS to develop an approach to the overall ICT strategy in parallel to this.</p> <p>Position – February 2014 No change</p>				

Recruitment 2011/12							
Final report issued August 2012							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved x or ✓	Revised Deadline
4.3.14	WBC and TRDC should review the potential benefits of using the Hertfordshire County framework for procurement of agency staff.	Important	<p>Position - August 2012 Agreed. The County framework should be signed by September and a presentation will then be made to District Heads of HR to see who wishes to use the new framework. HR will review at that stage.</p> <p>Position - November 2012 A meeting has been held on 8 November with CMS the new County provider. A further review will be conducted with Comensura, WBC's current provider and then a recommendation submitted to Leadership Team/Management Board for consideration. Agreement needs to be reached by January 2013 if a new provider is to be appointed by April 2013</p> <p>Position - January 2013 Comensura contract has been extended and can run for up to 2 years from Nov 2012, subject to 6 months notice. Further discussions to take place at Leadership Team and</p>	<p>Cathy Watson, Head of HR</p> <p>Sue Adlam, Human Resources Manager</p>	End of March 2013.	<p>✓</p> <p>Reviewed by both Councils and approved</p>	Dec 2013

Recruitment 2011/12							
Final report issued August 2012							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved x or ✓	Revised Deadline
			<p>Management Board in April 2013.</p> <p>Position - May 2013 For review at LeadershipTeam / Management Board June / July 2013.</p> <p>Position - August 2013 Having met with CMS in July, they have provided proposals for delivering the service for us going forward. These will be looked into during September / October 2013 as part of the review going forward.</p> <p>Position - October 2013 Review of options ongoing. Report to be submitted to WBC and TRDC in November / December 2013 for a decision.</p> <p>Position – November 2013 As above</p> <p>Position – February 2014 Recommendation will be that WBC retains contract with COMENSURA. Disruption in implementing a new ICT platform and all set up data,</p>				

Recruitment 2011/12							
Final report issued August 2012							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved x or ✓	Revised Deadline
			training requirements with very low use of temporary staff. Report for MB recommended TRDC take on COMENSURA via MSTAR framework was approved. Therefore, report for LT to join MSTAR framework is in progress.				

IT Back up and Disaster Recovery 2011/12							
Final report issued December 2012							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved x or ✓	Revised Deadline
02	The Shared Service should conduct a risk assessment of the capability to recover key systems and services in the event of a disaster based on the Recovery Time Objectives (RTO) and Recovery Point Objectives (RPO) for Councils' systems. This should ensure that any potential issues that could be faced are documented with appropriate counter measures put in place.	Essential	Agreed Position - January 2013 This work will be undertaken by Capita during transition and transformation. Position - May 2013 As above, Capita will propose a full disaster recovery plan, post data-centre move (scheduled for Q4 2013). Position - August 2013	ICT Client Manager	May 2013	x	Dec 2013 May 2014

IT Back up and Disaster Recovery 2011/12							
Final report issued December 2012							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved x or ✓	Revised Deadline
			<p>No change from May update. It should be noted that as part of the contract Capita will work with the Councils to define and implement a back-up strategy and policy. This includes working with business services to define appropriate frequency of backups with RPO's where appropriate of 30 minutes. Data centre move design has commenced and a risk assessment will be included within this planning.</p> <p>Position - November 2013 Disaster recovery scoping meeting has taken place. Disaster recovery plan has been included within the Data Centre Migration PID (Project Initiation Document) as a deliverable.</p> <p>Position – February 2014 This is being progressed through the data centre migration project. There is a backup workstream within this project which is currently assessing all backups. Note the revised data centre migration is end of June 2014. This</p>				

IT Back up and Disaster Recovery 2011/12							
Final report issued December 2012							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved x or ✓	Revised Deadline
			allows for critical Council business, year end, elections, and IER go live and was agreed at 10th Dec – ITSG.				
04	The Shared Service should test its DR arrangements on an annual basis at both Adam Continuity and ICM.. Testing should follow a detailed test plan and test results should be reported to management following the test period. We also recommend that where appropriate, ad hoc tests of tape restores are performed when not otherwise tested.	Essential	<p>Agreed</p> <p>Position - January 2013 A DR test is being planned before the service is transferred to Capita are expected to continue this into the future.</p> <p>Position - May 2013 Due to extensive workload in the run-up to service commencement, a “dry run” of the existing Disaster Plan has not been carried out. However, existing arrangements with both of our continuity providers have been amended and re-signed for a period of one year. Before the expiry of these agreements, Capita will have their own Disaster Plan in place (post data centre move).</p> <p>Position - August 2013 Data centre move design planning</p>	ICT Client Manager	March 2013	x (part resolved)	Dec 2013 Apr 2014

IT Back up and Disaster Recovery 2011/12							
Final report issued December 2012							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved x or ✓	Revised Deadline
			<p>has commenced. It has been agreed that revised BC/DR plans will be created in parallel with the data centre move itself.</p> <p>As part of the Capita contract Councils can ask for ad-hoc restores of random files to verify effective backups. This quality check is the responsibility of ICT client managers and is an aspect of monthly service delivery meetings.</p> <p>Position - November 2013 DR contract vendor has been contacted to arrange a DR test post data centre migration. This will be arranged to take place before April 2014.</p> <p>Position – February 2014 In progress. Engagement with existing DR vendors has taken place, as well as a review of service continuity plans. DR test will take place prior to the data centre move at the end of June 2014.</p>				

Audit Plan 2012/13

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

IT Server Virtualisation (ICT) 2012/13							
Final report issued December 2012							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved x or ✓	Revised Deadline
			Within the design itself all vmware environments will be reviewed and aligned with best practice standards. Position - November 2013 In progress Position – February 2014 VMWare design document completed and signed off. This doc includes a review of all current virtual servers. Awaiting implementation in line with data centre migration.				

Data Transparency 2012/13							
Final report issued February 2013							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved x or ✓	Revised Deadline
4.1.7	Once the outcome of the DCLG consultation is known, the Partnerships and Performance Section Head should ensure that WBC website has been updated to the correct standard and the anomalies listed above are addressed.	Important	<p>Position - May 2013 Not yet due.</p> <p>Position – August 2013 The DCLG policy was published in July 2013. Work has been done to update certain elements. Expectation is that it will be completed by end of September 2013 and a report presented to Leadership Team on the policy.</p> <p>Position - November 2013 Update ongoing. Report to Leadership Team will be submitted in the new year.</p> <p>Position – February 2014 Following consultation on a revised Code of recommended practice on Data Transparency, DCLG published a response and its proposals for the way forward in December 2013. The proposals extend the data government want local authorities to publish and also set out plans to make publication mandatory. Watford</p>	Kathryn Robson, Partnership and Performance Section Head	End of July 2013	✓	<p>End of Sept 2013</p> <p>Feb 2014</p>

Data Transparency 2012/13							
Final report issued February 2013							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved x or ✓	Revised Deadline
			BC’s Leadership Team considered the government proposals on 18 February 2014 and has agreed a way forward for Watford BC based on government recommendations that will ensure compliance. As yet, the government proposals are not statutory but this is expected shortly. Partnerships and Performance section head will implement by April 2014.				
4.1.8	When complying with the requirements, the Partnership and Performance Section Head should agree a protocol with Leadership Team for redacting information to a level that should prevent any misuse of information by potential fraudsters.	Important	<p>Position - May 2013 Not yet due.</p> <p>Position – August 2013 The redaction of financial spend data was agreed in May 2011 with the Managing Director, Head of Strategic Finance and the Head of Democracy and Governance (at the time the Head of Legal and Property services) following advice from Internal Audit.</p> <p>This will be included in the report to Leadership Team.</p> <p>Position - November 2013</p>	Kathryn Robson, Partnership and Performance Section Head	End of July 2013	✓	<p>End Sept 2013</p> <p>Feb 2014</p>

Data Transparency 2012/13							
Final report issued February 2013							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved x or ✓	Revised Deadline
			<p>Report to Leadership Team will be submitted in the new year.</p> <p>Position – February 2014 The information that will be published in line with the new government proposals under the Code of recommended practice on Data Transparency will be redacted where applicable to avoid misuse. Advice will be sort from the Head of Democracy and Governance on any areas where redaction might be appropriate or where there are any concerns as to the information being published having the potential to be misused.</p>				

Data Protection 2012/13							
Final report issued 18 th April 2013							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved x or ✓	Revised Deadline
4.1.13	If poor response times persist, the Customer Services Improvement Officer should publish figures of non compliance periodically (e.g. quarterly) to Leadership Team.	Important	<p>Performance figures for FOI are reported and Data Protection could be included as part of the monthly managing the business indicators if no improvement is seen.</p> <p>Position - May 2013 Not yet due.</p> <p>Position - August 2013 Some improvements achieved however on-going monitoring of the service is continuing.</p> <p>Position - November 2013 Response rates for FOI are reported in the quarterly managing the business indicators and at Community and Customer Service Quarterly Review.</p> <p>All Data Access requests have been responded to within statutory guidelines.</p> <p>Response rates within statutory timescales for FOI's have improved year on year and are currently at</p>	Danielle Negrello, Customer Service Section Head	End of July 2013	✓	<p>Sept 2013</p> <p>Jan 2014</p>

Data Protection 2012/13							
Final report issued 18 th April 2013							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved x or ✓	Revised Deadline
			83%. Monitoring continues to ensure this improvement is sustained by all areas of the business. Position – February 2014				
4.3.4	Customer Services Improvement Officer should request confirmation from each of the service to say that they have checked their system for flags and that they have been none present or if there were any present, that they have been successfully removed.	Important	Services should have their own flags on the system which would be checked by them and where necessary remove them. The wording on the PV list will be amended to add guidance for services regarding records on their systems. Position - May 2013 Not yet due Position - August 2013 Following the departure of SIO, additional Guidance regarding the PV list and flags issued to services which reiterates the requirement to remove out of date flags. Scheduled for follow up with services Sept 2013. Position - November 2013 Follow up Rescheduled for December 2013.	Danielle Negrello, Customer Service Section Head	End of July 2013	✓	Sept 2013 Dec 2013

Data Protection 2012/13							
Final report issued 18 th April 2013							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved x or ✓	Revised Deadline
			Position – February 2014 Completed. Services have confirmed all flags have been updated and removed from their systems where necessary.				

Carbon Management 2012/13							
Final report issued May 2013							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved x or ✓	Revised Deadline
4.1.15	Arrangements should be made for meter readings to be sent to the utility companies on a regular basis. (at least quarterly). Specific meter readings should be taken and sent to the utility companies at end of each financial year to ensure that the authority gets charged for the actual usage and not estimated.	Important	A number of our operational buildings have smart meters to measure electricity consumption. These automatically send actual readings to the utility company, therefore we are getting accurate bills for those buildings. Buildings and Projects will monitor the information supplied on the spreadsheet, will send reminders to building managers to complete the spreadsheet by a particular date each month and will forward the data to the	Service/ Building Managers to complete spreadsheet. Buildings and Projects to send information to utility company.	Monthly from May 2013	✓	April 2014

Carbon Management 2012/13 Final report issued May 2013							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved x or ✓	Revised Deadline
			utility company for them to prepare their bill. Sending the information monthly rather than annually would be more practical. Position - May 2013 Not yet due Position – August 2013 No change from May 2013 update. Position - November 2013 Recent Outsourcing of buildings to third party operators has resulted in meter readings not being taken. A dialogue has been opened with Relevant Parties and the following agreed. Site visits to take place with Building Managers to locate meters. Position – February 2014 Real time data is now sent for electricity meters via smart meters. Billing is accurate and not estimated. Finance confirm this is working. Carbon Reporting officer has access to relevant information.				

Carbon Management 2012/13 Final report issued May 2013							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved x or ✓	Revised Deadline
4.1.20	Once it is clear who is going to update the usage spreadsheet, check should be carried out on the usage readings recorded against the utility bills on a monthly basis using invoice images on Budget Monitor II to ensure that they have been correctly recorded. This would highlight if there are any marked fluctuations to the energy usage or any errors in.	Important	<p>This should be the responsibility of building managers as they should understand the energy consumption of their own buildings.</p> <p>Position - May 2013 Not yet due.</p> <p>Position – August 2013 Reminders are sent out to identified personnel. Transfer of some properties to external operators is now being negotiated to ensure that readings continue to be sent to the Authority for reporting purposes. These will be recorded by the Buildings & Projects section for reporting on by the Energy & Renewal Surveyor. Building Managers remain responsible for the on-site consumption.</p> <p>Position - November 2013 Meter readings that are received are recorded by Buildings & Projects officer on G: Drive and picked up for</p>	Service Manager/ Building Managers	Monthly from May 2013	✓	April 2014

Carbon Management 2012/13 Final report issued May 2013							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved x or ✓	Revised Deadline
			analysis by Carbon Reporting Officer. Position – February 2014 Energy consumption data recorded on spreadsheet is reviewed by Carbon Reporting Officer, Procurement Manager, Head of Facilities Manager. Noticeable trends will be acted upon.				
4.2.5	The Energy and Renewal Surveyor and Buildings and Projects Section Head should ensure that the officers identified by the Asset Management Group for taking and recording the meter readings should continue to record the readings on a monthly basis for a period (e.g. six months) even after the smart meters have been installed.	Important	The implementation date will depend on the installation of the smart meters. Position - May 2013 Not yet due. Position – August 2013 No change from May 2013 update. Position – October 2013 The staff responsibilities of recording the meter readings have been revised following restructure and outsourcing. Meters are now being read – to continue until April 2014. Position – February 2014 Period of monitoring has now	Alan Gough, Head of Environmental Health	End of October 2013. (Not yet due)	✓	April 2014

Carbon Management 2012/13							
Final report issued May 2013							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved x or ✓	Revised Deadline
			expired.				
4.2.6	Service Manager/Building Managers should ensure that the readings on the bills are checked to the readings recorded on the spreadsheet by various establishments to ensure accuracy of the charges made. Once the accuracy of the meter readings is established, the recording could be discontinued.	Important	<p>The implementation date will depend on the installation of the smart meters.</p> <p>Position - May 2013 Not yet due.</p> <p>Position – August 2013 No change from May 2013 update.</p> <p>Position – November 2013 Bills not forwarded to Building Managers. Scanned Bills are available on Budget Monitor to view. Building managers can view consumption electronically. May need some awareness training.</p> <p>Position – February 2014 Not possible to monitor this within the Facilities management service. Individuals are responsible for their own actions/inactions. Confirmation that billing is accurate from finance team suggests this is no longer a required function.</p>	Service Manager/ Building Managers	End of October 2013. (Not yet due)	✓	April 2014

Partnerships 2012/13							
Final report issued May 2013							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
5.2.3	The Partnerships and Performance Section should make arrangements for the regular collation and reporting of agreed partnership performance information to the relevant reporting body. This will ensure that there is an overview of the work of partnerships and the outcomes in terms of meeting their and the council's specific objectives. It will also help identify under-performing partnerships.	Important	<p>Agreed</p> <p>Position - May 2013 Not yet due.</p> <p>Position - August 2013 To be considered as part of the Framework update.</p> <p>Position – November 2013 An overview of performance information of relevance to Watford overall is being considered by the borough's Local Strategic Partnership – One Watford.</p> <p>Position – February 2014 Work progressing.</p>	Partnerships and Performance Section Head	September 2013	*	Mar 2014
5.3.5	The Council should ensure that a risk management framework is applied to the operations of all partnerships and for example the following areas are addressed:	Important	<p>Agreed</p> <p>Position - May 2013 Not yet due.</p> <p>Position – August 2013 This will be discussed with the Head</p>	Partnerships and Performance Section Head	September 2013	✓	Feb 2014

Partnerships 2012/13							
Final report issued May 2013							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved x or ✓	Revised Deadline
	<ul style="list-style-type: none"> Risks associated with working in the partnership are assessed with responsibility for managing each risk assigned to individual partners; Risks are recorded in the relevant risk register maintained by the lead officer in the relevant Service; The risks recorded in the registers are regularly reviewed; There is a mechanism for reporting and dealing with risks if these materialize. 		<p>of Democracy and Governance who now has responsibility for risk management to consider the most effective approach for including this within the council's overall risk management framework.</p> <p>Position – November 2013 Still to be resolved. Risk registers are currently being updated following implementation of the new structure. Once this has been established the Partnerships and Performance will attend the Risk Management Group to advise of partnership risk.</p> <p>Position – February 2014 Risks for significant partnership programmes are recorded and reviewed (for example Watford Health Campus). Services have updated risk registers and the corporate risk register has also ✓been revised and updated.</p>				

Partnerships 2012/13							
Final report issued May 2013							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved x or ✓	Revised Deadline
5.4.4	The Council should ensure that any data sharing within the partnerships complies with national legislation and the council's policies.	Important	<p>Agreed</p> <p>Position - May 2013 Not yet due.</p> <p>Position – August 2013 To be considered as part of the Framework update.</p> <p>Position – November 2013 Data sharing protocol being revised. This will form discussions at Risk Management Group in the new year.</p> <p>Position – February 2014 Requested agenda item for March 2014 Watford BC Risk Management Group.</p>	Partnerships and Performance Section Head	September 2013	✓	Feb 2014

Risk Management 2012/13							
Final report issued May 2013							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
5.2.3	All Heads of Service must regularly (biannually) up-date their risk registers and evidence this control procedure by noting the review date on the risk register.	Important	<p>Agreed</p> <p>Position - May 2013 Not yet due.</p> <p>Position - August 2013 Head of Democracy and Governance just taken over lead responsibility for risk. Meeting of Risk Management Group scheduled early September 2013 to review risk registers.</p> <p>Position - November 2013 Risk Management Group met in September. Corporate Risk Register agreed. All services requested to update service risk registers in new format.</p> <p>Position – February 2014 Service risk registers updated and on G:Drive</p>	Head of Democracy & Governance	30 th June 2013	✓	<p>31 Oct 2013</p> <p>February 2014 for Service Risk Registers to be updated</p>
5.2.6	The intranet should be updated with the current version of the Service risk registers at the earliest opportunity (Medium).	Important	<p>Agreed</p> <p>Position - May 2013 Not yet due.</p>	Head of Democracy & Governance	30 th June 2013	*	<p>31 Oct 2013</p> <p>February 2014 for</p>

Risk Management 2012/13							
Final report issued May 2013							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved x or ✓	Revised Deadline
			Position - August 2013 Head of Democracy and Governance just taken over lead responsibility for risk. Meeting of Risk Management Group scheduled early September 2013 to review risk registers. Position - November 2013 Intranet in the process of being updated. Position – February 2014 Being updated				all service risk registers to be updated on Intranet
5.3.2	There should be effective action plans in place to address significant risks identified in the Service Risk registers. The action plan may include for example the following areas : <ul style="list-style-type: none"> - Detailed action to be taken, - Officer(s) responsible for taking action, - Timescales for implementing 	Important	Agreed Position - May 2013 Not yet due. Position - August 2013 Head of Democracy and Governance just taken over lead responsibility for risk. Meeting of Risk Management Group scheduled early September 2013 to review risk registers. Position - November 2013 Progress on updating service risk	Head of Democracy & Governance	30 th June 2013	*	31 Oct 2013 Feb 2014 for Service risk registers and action plans to be updated

Risk Management 2012/13							
Final report issued May 2013							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved x or ✓	Revised Deadline
	appropriate action.		registers and actions plans to be reviewed at meeting in November. Position – February 2014 Action plan template circulated to service heads for completion. Will be discussed at next Group meeting.				

Benefit Administration System (Shared Services) 2012/13							
Final report issued August 2013							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved x or ✓	Revised Deadline
07	As part of the independent periodic checks, a monthly performance report should be issued by the Quality Assurance team to the Benefits Manager. This record should provide a summary of checks performed per employee and the number of	Important	Agreed. Monthly performance reports were generated directly from quality assurance module within Academy, however this has not been working since within 2012/13. This issue has been logged with IT who are trying to resolve the matter Position - August 2013	Quality Assurance team Robert Della-Sala Head of Service	30/09/13	✓	Dec 2013

Benefit Administration System (Shared Services) 2012/13							
Final report issued August 2013							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved x or ✓	Revised Deadline
	errors detected.		<p>Not yet due.</p> <p>Position - October 2013 QA system has been re-installed this month and refresher training on how to use the system is to take place on 24 October 2013. We will have November's QA report on 1 December 2013.</p> <p>Position – February 2014 The QA system has been re-installed but is still not functional. There is a plan in place to get this module working by the 31/3/14. In the interim, manual QA checks have been undertaken since 1/11/13. Staff are given individual feedback on a daily/weekly and monthly basis. Error rates are being recorded at team and individual level for both financial and non financial errors. As a result errors have reduced from over 40% to between 15 and 20%. We are not dependant on the QA module working as the process</p>				

Benefit Administration System (Shared Services) 2012/13							
Final report issued August 2013							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved x or ✓	Revised Deadline
			that is in place now is fit for purpose. We will continue to see if we can automate the process in the meantime, but consider that the action is completed.				

**WBC Internal Audit Recommendations Follow Up – February 2014
Audit Plan 2013/14**

APPENDIX 3

Procurement and Contract Management Baseline Assessment							
Final report issued October 2013							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved x or ✓	Revised Deadline
03	In order to ensure all information contained on the Council's website is up to date and accurate, we recommend that a review of the 'Tenders and Contracts' area of the website is undertaken and, where necessary, changes are made. The review should include all documents available online and the supplier portal area.	Merits attention	Position – November 2013 Not yet due Position – February 2014 Update CPR's uploaded as key procurement document. Terms of Reference meeting due 06/02 to establish a Task Group, as part of the Contract Management Forum, to develop a Toolkit for Procurement and Contract Management.	Corporate Procurement Manager	31 January 2014	x	31 March 2014
05	In order to identify synergies and off-contract spend, we recommend that management should consider whether there is scope to perform regular analysis of the Council's corporate spending patterns. Given the close working relationship between Watford Borough Council and Three Rivers District Council we	Medium	Position – November 2013 Not yet due Position – February 2014 This work has not yet commenced. It is something that may be considered in the future. But there are no plans to undertake this work at this point in time.	Director of Finance	31 March 2014 and on-going (Not yet due)	✓	

Procurement and Contract Management Baseline Assessment							
Final report issued October 2013							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved x or ✓	Revised Deadline
	would recommend that analysis is completed to identify where synergies are present in order to potentially achieve better economies of scale.						
07	Given that there are numerous shared contracts between Watford Borough Council and Three Rivers District Council, we recommend that the Council give consideration as to whether the procurement function could be shared between the two Councils.	Merits attention	Position – November 2013 Not yet due Position – February 2014 There is already close working between the procurement functions. There are no plans to formally share the service at this point. But this will be reviewed annually as part of the service and financial planning process.	Director of Finance	30 June 2014 (Not yet due)	✓	

Housing Redesign							
Final report issued December 2013							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
01	Regular sample management checks should be carried out on applications and these checks should be evidenced (signed and dated by a senior officer).	Medium	Position – November 2013 Not yet due Position – February 2014 Checks have been carried out for Quarter 3 of 13-14 and will now be carried out quarterly and reported as part of the performance indicator framework within Housing	Housing Demand Manager (for implementation) Housing Section Head (to add to Housing quarterly)	31 January 2014	✓	
02	Employees involved in the allocation of housing should be annually required to declare any interests they have (e.g. relatives on the waiting list). Also the above should include a declaration that that the employee is responsible for informing the Housing section if occasion arises for them to deal with an application/allocation from an individual person known to them in a personal capacity.	Medium	Position – November 2013 Not yet due Position – February 2014 Taken to Housing Team Meeting to explain that this will be implemented shortly. Recommended by Legal Section to take this item to the corporate Risk Management and Business Continuity Steering Group on 10 March 2014	Housing Section Head	31 January 2014	*	31 March 2014 in line with corporate meetings timetable

Housing Redesign							
Final report issued December 2013							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
03	Staff should be reminded of the importance of completing the Nomination Checklist form as evidence of carrying out control checks before an applicant is allowed to apply for a property.	Medium	Position – November 2013 Not yet due Position – February 2014 This is now part of the sample checking. It has been incorporated into a new checklist and procedures revised since the Audit.	Housing Supply Manager (for implementation) Housing Section Head (to add to Housing quarterly monitoring indicators)	31 January 2014	✓	
04	The Council should ensure, for those Housing Associations which carry out their own short-listing of applicants that they comply with the Council's good practices.	Medium	Position – November 2013 Not yet due Position – February 2014 Taken to Herts Choice Homes (HCH) Operational Group in January 2014. Agreed that amendments need to be made to service level agreements and a training session held for registered providers. To be taken forward by HCH Co-ordinator who is based at Three Rivers District Council.	Housing Supply Manager	31 March 2014 (Not yet due)	*	

WBC Internal Audit Recommendations Follow Up – February 2014

APPENDIX 3

06	The Nomination Policy should be completed and approved. A review cycle should be agreed and a designated officer assigned this task.	Medium	Position – November 2013 Not yet due Position – February 2014 In draft and due at Cabinet July 2014.	Housing Section Head	31 August 2014 (Not yet due)	*	
07	Housing assessments and short-listing systems should be fully documented at the earliest opportunity.	Medium	Position – November 2013 Not yet due Position – February 2014 Not yet due. Shortlisting process has been documented. Housing assessments work to be progressed in February 2014.	Housing Supply Manager Housing Demand Manager	31 March 2014 (Not yet due)	*	

Commercial Rents							
Final report issued January 2014							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
01	The Recovery team should be notified of all completed rent reviews, including those where no change in the rent applies.	Merits Attention	Position – February 2014 Completed	Estate Surveyor	31 March 2014 (Not yet due)	✓	
02	Procedure notes should be written for commercial rents activity (rent reviews, aged debt recovery and reconciliations. The procedures should be reviewed and updated	Merits Attention	Position – February 2014 Not yet due	Property Manager	31 March 2014 (Not yet due)	*	

WBC Internal Audit Recommendations Follow Up – February 2014

APPENDIX 3

	periodically (e.g. annually) and a review log maintained.						
03	A regular, for example monthly, reconciliation of rental income should be undertaken between the financial management system and the property system, and any differences investigated and cleared.	Medium	Position – February 2014 Completed	Programme Manager Property Manager Estate Surveyor	31 March 2014 (Not yet due)	✓	

Veolia Contract							
Final report issued February 2014							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved x or ✓	Revised Deadline
01	(1) A risk workshop, involving staff from the client team and the contractor should be organised to identify the key risks and who is best placed to manage the risks. (2) Following the risk workshop, a joint risk register should be created and maintained over the duration of the contract.	Medium	Position – February 2014 Not yet due Position – February 2014 Not yet due Position – February 2014 Not yet due	Lesley Palumbo, Head of Corporate Strategy and Client Services	(1) = Mar 2014 (Not yet due) (2) = May 2014 (Not yet due)	x x x	

WBC Internal Audit Recommendations Follow Up – February 2014

APPENDIX 3

	(3) Joint review of risks should be an integral part of the performance management arrangements and a standing item at operational and strategic board meetings.				(3) = Jun 2014 (Not yet due)		
02	To provide early warning of Veolia and other key contractors used by the council entering into financial difficulty, it would be beneficial for the council to introduce corporate arrangements to monitor on-going financial viability of the main service providers and suppliers, i.e. using a credit agency, so that there is a permanent watch on these companies and the council is informed of any deterioration in their financial position.	Merits Attention	Position – February 2014 Not yet due	Lesley Palumbo, Head of Corporate Strategy and Client Services	On-going (to be reviewed 12 months after issue of final report)	*	

Veolia Contract Final report issued February 2014							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved x or ✓	Revised Deadline
03	<p>(1) The client team should formalise the system for inspecting work delivered by Veolia; there should be clarity around the number of inspections to be carried out by the client team each month and the methodology for selecting locations to be inspected.</p> <p>(2) The client team would like to record their inspections directly on to MIMS using electronic devices rather than maintaining the current paper based system; this is something we would endorse and encourage management to address in a timely manner.</p> <p>(3) Inspections carried out with Veolia should be diarised in advance; the client team should select the locations, informed by feedback from</p>	Medium	<p>Position – February 2014 Not yet due</p> <p>Position – February 2014 Not yet due</p> <p>Position – February 2014 Not yet due</p> <p>Position – February 2014 Not yet due</p>	<p>Jamie Sells, Environmental Services Client Manager (Waste and Recycling) and Paul Rabbitts, Environmental Services Client Manager (Parks and Streets)</p>	<p>(1) = June 2014 (Not yet due)</p> <p>(2) = Sept 2014 (Not yet due)</p> <p>(3) = Feb 2014 (Not yet due)</p>	<p>x</p> <p>x</p> <p>x</p> <p>x</p>	

	<p>service users and perceived levels of risk.</p> <p>(4) The client team has identified that inspections by Veolia are not uploaded on to MIMS; we would endorse this as an area of concern and suggest management raises the matter formally with Veolia and monitors the situation to ensure there is a timely resolution.</p>				<p>(4) = Feb 2014 (Not yet due)</p>		
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Veolia Contract
Final report issued February 2014

Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
04	The client team has identified the need for further training on MIMS and this is something we endorse and encourage as a priority.	Medium	Position – February 2014 Implemented	N/A	Implemented	✓	
05	The client team has identified the need to streamline the performance indicators associated with the contract and this is something we would endorse and encourage management to address as a	Merits Attention	Position – February 2014 Not yet due	Jamie Sells, Environmental Services Client Manager (Waste and Recycling) /	On-going (to be reviewed 12 months after issue of final report)	*	

	priority.			Paul Rabbits, Environmental Services Client Manager (Parks and Streets)			
06	<p>(1) A training needs analysis should be conducted to identify the knowledge and skills gaps within the client team, both at team and individual levels.</p> <p>(2) External training courses delivered by professional bodies (such as the Chartered Institute of Purchasing and Supply), around developing contract management competences should be investigated as well as professional membership.</p> <p><i>Note: Hertfordshire County Council is developing contract management training, which it intends to make available to other local authorities in 2014/2015; this may be a cost effective solution to plugging skills gaps within the client</i></p>	Medium	Position – February 2014 Not yet due	Lesley Palumbo, Head of Corporate Strategy and Client Services	July 2014 (for staff appraisals) and on-going for team training and development	*	

	<i>team.</i>						
Veolia Contract Final report issued February 2014							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
07	We would encourage the client team to continue to approach contract managers at other local authorities to learn lessons from more established contracts.	Merits Attention	Position – February 2014 Not yet due	Jamie Sells, Environmental Services Client Manager (Waste and Recycling) / Paul Rabbitts, Environmental Services Client Manager (Parks and Streets)	On-going (to be reviewed 12 months after issue of final report)	*	

Agenda Item 10

Report to: Audit Committee

Date of meeting: 12 March 2014

Report of: Alan Power - Head of Finance Shared Services

Title: Internal Audit Plans 2014/2015

1.0 **SUMMARY**

1.1 Attached are the proposed Internal Audit Plans for 2014/2015.

2.0 **RECOMMENDATIONS**

2.1 That the Committee approves the Watford Borough Council and Watford & Three Rivers Shared Services Internal Audit Plans for 2014/15 attached to this brief introduction.

Contact Officer:

For further information on this report please contact: -
Alan Power, Head of Finance, Shared Services
telephone extension: 7196
email: alan.power@watford.gov.uk

Report approved by: Alan Power, Head of Finance

3.0 **DETAILS**

- 3.1 The SIAS 2014/15 Internal Audit Plan Report is attached at Appendix 1 and sets out the programme of work to support the Council's wider assurance framework.
- 3.2 The Audit Plan for the Council is attached at Appendix 2 and the Audit Plan for Shared Services is attached at Appendix 3. Both Plans have been constructed following detailed discussions with Heads of Services, the Director of Finance and the Leadership Team.

4.0 **IMPLICATIONS**

4.1 **Financial**

- 4.1.1 The Head of Finance comments that provision has been made within the revenue estimates for 2013/2014 to enable the attached Audit Plan to be completed.

4.2 **Legal Issues** (Monitoring Officer)

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

4.3 **Equalities**

None Specific.

4.4 **Potential Risks**

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

APPENDICES

- Appendix 1 SIAS 2014/15 Internal Audit Plan Report
- Appendix 2 2014/15 Audit Plan – Watford Borough Council
- Appendix 3 2014/15 Audit Plan – Shared Services



Watford Borough Council
Audit Committee

2014/15 Internal Audit Plan Report

12 March 2014

Recommendation

Members are recommended to approve the proposed Watford Borough Council and Watford / Three Rivers Shared Services Internal Audit Plan for 2014/15

Contents

1. Introduction and Background

- 1.1 Purpose
- 1.2 Background

2. Audit Planning Process

- 2.1 Planning Principles
- 2.2 Approach to Planning
- 2.5 Planning Context
- 2.8 Internal Audit Plan 2014/15

3. Performance Management

- 3.1 Update Reporting
- 3.3 Performance Indicators

Appendices

2 Proposed Watford Borough Council
2014/15 Audit Plan

3 Proposed Shared Services 2014/15 Audit
Plan

1. Introduction and Background

Purpose of Report

- 1.1 To provide Members with the proposed Watford Borough Council and Shared Services 2014/15 Internal Audit Plans.

Background

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

2. Audit Planning Process

Planning Principles

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

Approach to Planning

- 2.2 In order to comply with the requirements of the PSIAS, SIAS has revised its approach to planning and for 2014/15 has introduced a standard methodology for all SIAS partners. This revised methodology contains the following elements:

Local and National Horizon Scanning

Where SIAS reviews:

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

It is anticipated that in future years, local and national horizon scanning will be undertaken in-year on a continuous basis. This will support the achievement of principle f) above, 'Accommodation of new risks and issues as they emerge.'

Consideration of risk management arrangements

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

Confirmation of the council's objectives and priorities

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

- 2.3 The approach to audit planning for 2014/15 has been characterised by:
- a) Detailed discussions with senior managers and other key officers within the council to confirm auditable areas and elicit high level detail of the scope of audits. This process incorporates the following four steps to assist in the later prioritisation of projects:

Risk Assessment

Where managers and SIAS agree the level of risk associated with an identified auditable area.

Other sources of Assurance

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

Significance

Where the manager is asked to assess how significant the auditable area is in terms of the achievement of corporate or service objectives and priorities.

Timings

Where the manager is asked to identify when an audit should be undertaken to add most value.

- b) Proposed plans are based on the information obtained from the planning meetings. A contingency allocation is determined to allow flexibility to respond to in-year changes in organisational risk and priorities. Details of audits that have not been included in the proposed draft plan as a result of resource limitations are reported to senior management and the audit committee.
 - c) The proposed 2014/15 plans for all SIAS partner councils are then scrutinised and cross-partner audits highlighted;
 - d) Proposed draft plans were presented to Leadership Team for discussion and agreement;
 - e) The views of the council's external auditor are sought to confirm that their requirements are adequately addressed.
- 2.4 This approach ensures that our work gives assurance on what is important and those areas of highest risk and thus assists the Council in achieving its objectives.

The Planning Context

- 2.5 The context within which local authorities and housing associations provide their services remains challenging:
- Austere public finances will last well into the next parliament, meaning that previous expenditure levels are not sustainable and public leaders expect serious financial difficulty ahead
 - Demand continues to rise, driven by complex needs, an ageing population and higher service expectations from citizens
 - Technology ranging from use of mobile devices and applications, to Big Data and predictive analytics, is developing rapidly and offers opportunities along with significant risks
 - Major, national programmes in areas like welfare reform and business rate reform, and structural changes such as the introduction of Police and Crime Commissioners, Clinical Commissioning Groups and Local Enterprise Partnerships mean the environment has been relatively unstable.
- 2.6 The resultant efficiency and transformation programmes that councils are in the process of implementing and developing are profoundly altering each organisation's nature. Such developments are accompanied by potentially significant governance, risk management and internal control change.
- 2.7 The challenge of giving value in this context, means that Internal Audit needs to:
- Meet its core responsibilities, which are to provide appropriate assurance to Members and senior management on the effectiveness of governance, risk management and control arrangements in delivering the achievement of Council objectives;
 - Identify and focus its effort on areas of significance and risk, assisting the organisation in managing change effectively, and ensuring that core controls remain effective;

- Give assurance which covers the control environment in relation to new developments, using leading edge audit approaches such as 'control risk self assessments' or 'continuous assurance' where appropriate;
- Retain flexibility in the audit plan and ensure the plan remains current and relevant as the financial year progresses.

Internal Audit Plan 2014/15

- 2.8 The draft plans for 2014/15 are included at Appendices 2 and 3 and contain a high level proposed outline scope for each audit and a suggested quarter for delivery. The plans also include a reserve list detailing audits which may feature in the event that an audit in the main plan cannot be conducted. Plan changes are brought before this Committee for approval.
- 2.9 The table below shows the estimated allocation of the total annual number of purchased audit days for the year.

	WBC	Shared Services	Total
Key Financial Systems	13	88	101
Operational audits	47	8	55
Procurement	20	0	20
Joint Reviews	2	8	10
Counter Fraud	0	5	5
Risk & Governance	10	0	10
Ad-Hoc Advice	3	0	3
IT Audits	0	42	42
Contingency	5	0	5
Follow Ups	10	0	10
Strategic Support*	34	0	34
2013/14 Projects Requiring Completion	5	8	13
Total audit days 2014/15	149	159	308

* This covers, for example, supporting the Audit Committee, Monitoring and Liaison and Planning for 2015/16.

- 2.10 Members will note the inclusion of a provision for the completion of projects that relate to 2013/14. The structure of Internal Audit's programme of work is such that full completion of every aspect of the work in an annual plan is not always possible; especially given the high dependence on client officers during a period where there are competing draws on their time e.g. year end closure procedures.
- 2.11 The nature of assurance work is such that enough activity must have been completed in the financial year, for the Head of Assurance to give an overall opinion on the Authority's internal control environment. In general, the tasks associated with the total completion of the plan, which includes the finalisation of all reports and negotiation of the appropriate level of agreed mitigations, is not something that adversely affects delivery of the overall opinion. The impact of any outstanding work is monitored closely during the final quarter by SIAS in conjunction with the Section 151 Officer.
- 2.12 During audit planning discussions with senior managers, Health Campus was identified as an audit that would feature (in addition to the annual key financial systems audits) in the Audit Plan for 2015/16 and beyond. This audit will be formally risk assessed for inclusion in the 2015/16 Audit Plan as part of the planning process for that year.

3. Performance Management

Update Reporting

- 3.1 The work of Internal Audit is required to be reported to a Member Body so that Watford Borough Council has an opportunity to review and monitor an essential component of corporate governance and gain assurance that its internal audit provision is fulfilling its statutory obligations. It is considered good practice that progress reports also include proposed amendments to the agreed annual audit plan. Progress against the agreed plan for 2014/15 and any proposed changes will be reported to this Committee four times in the 2014/15 civic year.

- 3.2 The implementation of agreed high priority recommendations will be monitored by Internal Audit and progress will be reported as part of the update reporting process.

Performance Indicators

- 3.3 Annual performance indicators were approved at the SIAS Board meeting on the 7 September 2011. Details of the targets set for 2014/15 are shown in the table below. Actual performance against target will be included in the update reports to this Committee.

Performance Indicator	Performance Target
1. Planned Days percentage of actual billable days against planned chargeable days completed	95%
2. Planned Projects percentage of actual completed projects to draft report stage against planned completed projects	95%
3. Client Satisfaction percentage of client satisfaction questionnaires returned at 'satisfactory' level	100%
4. Number of High Priority Audit Recommendations agreed	95%
5. External Auditor Satisfaction	Annual Audit Letter formally records that the External Auditors are able to rely upon the range and

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

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Watford Borough Council
Audit Committee
12 March 2014

Watford Borough Council 2014/15 Draft Internal Audit Plan

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days	Target Quarter
KEY FINANCIAL SYSTEMS			
Budget Monitoring	Review of the Budget Monitoring system to confirm implementation of previous audit recommendations and that existing controls are adequate and operating effectively in the following areas: a) Budget monitoring process, b) Accuracy and timeliness of budget data, and c) Budget variance approval.	8	Q3/4
Treasury Management	Review the Treasury Management system to confirm implementation of previous audit recommendations and that existing controls over the management of the Council's investment and loan portfolio are adequate and operating effectively. The use of a Control Risk Self-Assessment (CRSA) methodology has been agreed with management. SIAS will work with management to develop the CRSA approach to identifying, recording and monitoring key controls.	5	Q3/4
OPERATIONAL AUDITS			
Asset Management	Review of the Asset Management system to confirm implementation of previous audit recommendations and that existing controls over the Council's land and property portfolio are adequate and operating effectively.	8	Q3/4
Community	Review the operation of community centres, including bookings and income	6	Q1

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days	Target Quarter
Centres	collection. Review the nature of service provision and monitoring of agreed SLAs with the six organisations running the Community Centres.		
Community Grants	Review of the community grant funding programme, including Palace Theatre, CAB, Watford & Three Rivers Trust and Shopmobility. Review allocation of grants and on-going monitoring of spend.	6	Q3
Enforcement	Review of enforcement activities across the Council. Specific areas of coverage to be determined when the audit assignment is planned. Typical areas to include planning, building control, food safety and parking.	15	Q2/3
Health Campus	Provide on-going assurance during project lifecycle. Focus on the adequacy and effectiveness of internal controls, processes and records in place to mitigate risks in the following areas as the project moves to the next stage: a) Governance, b) Benefits realisation, c) Project resources, and d) Risk and issue management.	12	Q3
PROCUREMENT			
Procurement and Contract Baseline Assessment	Follow up implementation of agreed recommendations and actions from the 2013/14 audit.	3	Q2

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days	Target Quarter
Follow Up			
Sport & Leisure Management Ltd (SLM) and HQ Theatres Contract Management	Examine and evaluate the contract management procedures of these two contracts as part of the wider development of a 'Centre of Excellence'. This will help to ensure alignment and consistency of contract management processes within Client Services.	12	Q1/2
Veolia Contract Monitoring Follow Up	A follow up of implementation of agreed management actions for recommendations made in the 2013/14 audit of this major contract.	5	Q3
JOINT REVIEWS			
Risk Management & AGS	Scope to be confirmed at SIAS Board – anticipated to involve benchmarking, comparison and assessment of differences between the Strategic Risk Registers and Annual Governance Statements of the SIAS client authorities.	2	Q4
COUNTER FRAUD			
	See shared services audit plan.		

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days	Target Quarter
RISK MANAGEMENT AND GOVERNANCE			
Risk Management	The audit will involve a high level review of strategic and operational risk management arrangements, and whether risk management has been embedded in operational decision-making and activity. Any emerging issues will be considered as part of the audit planning process. This audit informs the Annual Governance Statement.	5	Q4
Corporate Governance	The audit will involve a review of strategic and operational corporate governance arrangements, and whether corporate governance has been embedded effectively within the Council. Any emerging issues will be considered as part of the audit planning process. This audit informs the Annual Governance Statement.	5	Q4
AD HOC ADVICE			
Ad Hoc Advice	This planned time has been allocated to provide for ad hoc advice to management on matters, issues or queries relating to risk, control, governance and anti-fraud. Ad hoc advice is relevant to activities that typically take less than one day to complete, e.g. advice on new policies or strategies.	3	As and when required
IT AUDITS			

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days	Target Quarter
	See shared services audit plan.		
CONTINGENCY			
	To provide for adequate response to risks emerging during 2014/15.	5	As required
FOLLOW-UP AUDITS			
Follow-up of outstanding audit recommendations	Obtaining updates on the status of internal audit recommendations from action owners and reporting these quarterly to Audit Committee.	10	Quarterly
STRATEGIC SUPPORT			
Audit Committee	To provide services linked to the preparation and agreement of Audit Committee reports and presentation of reports / participation at Audit Committee, as well as to provide Committee Member training prior to Audit Committee meetings.	12	Quarterly
External Audit Liaison	To meet the external auditors and providing information as required.	1	On-going

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days	Target Quarter
Head of Internal Audit Opinion 2013/14	To prepare and agree the Head of Internal Audit Opinion for 2013/14.	2	Q1
Monitoring & Client Meetings	To produce and monitor performance and billing information, work allocation and scheduling, and to meet with the Council's Audit Champion and other key officers.	10	Quarterly
SIAS Development	Included to reflect the Council's contribution to developing the partnership.	3	Q1
2015/16 Audit Planning	To provide services in relation to preparation and agreement of the 2015/16 Annual Audit Plan.	6	Q3/4
2013/14 PROJECTS REQUIRING COMPLETION			
2013/14 projects requiring completion	Additional time, if required, for the completion of 2013/14 audit work carried forward into 2014/15.	5	Q1
TOTAL AUDIT PLAN DAYS		149	

2014/15 RESERVE LIST			
Compliance Maintenance Contract	New contract procured across a number of Hertfordshire District / Borough Councils. Contract expected to go-live on 1 April 2014. Review operation of the new contract.	8	
Vinci contract	Review enforcement activities for the parking services contract.	5	
Social Media	Review of this emerging risk for Council's, using a methodology applied at other SIAS clients.	8	
Veolia Contract	New contract commencing July 2013 for a 7 year period (with an 8 year extension clause). Contract audited in 2013/14 and follow up planned for 2014/15. Retain on reserve list in view of the size of the contract.	6	
Equalities	Review application of the new equalities agenda.	6	
Cemetery	Service reorganisation underway in conjunction with Veolia. Review how this new arrangement is working.	6	
Use of Consultants	Analyse the use of consultants by service areas across the Council. Ascertain the reasons for using consultants, whether it is cost-effective and whether the correct procedures have been followed, including compliance with the Council's Contract	8	

	Procedure Rules and EU procurement regulations.		
Parking Services	Review decision making processes for restricted parking zones and disabled bays. Assess how these decisions link to the overall parking strategy and how changes in restricted parking areas are reported.	10	
Cassiobury Park	Review of application process for Lottery grant funding.	8	

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Watford Borough Council
Audit Committee
12 March 2014

Watford & Three Rivers Shared Services 2014/15 Draft Internal Audit Plan

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days	Target Quarter
<p>KEY FINANCIAL SYSTEMS Key financial systems are of critical importance to sound financial management and financial reporting. As such, external audit and management need to be assured that these systems are soundly controlled in order to meet organisational objectives.</p>			
Main Accounting	Review of the Main Accounting system to confirm implementation of previous audit recommendations and that existing controls are adequate and operating effectively.	15	Q3/4
Payroll	Review of the Payroll system to confirm implementation of previous audit recommendations and that existing controls are adequate and operating effectively.	14	Q3/4
NDR	Review of the NDR system to confirm implementation of previous audit recommendations and that existing controls are adequate and operating effectively.	12	Q3/4
Council Tax	Review of the Council Tax system to confirm implementation of previous audit recommendations and that existing controls are adequate and operating effectively.	12	Q3/4
Benefits Administration	Review of the Benefits system to confirm implementation of previous audit recommendations and that existing controls are adequate and operating effectively. Audit scope to include testing on the latest welfare reform developments as appropriate.	15	Q3/4
Creditors	Review of the Creditors system to confirm implementation of previous audit	9	Q3/4

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days	Target Quarter
	recommendations and that existing controls are adequate and operating effectively. The use of a Control Risk Self-Assessment (CRSA) methodology has been agreed with management. SIAS will work with management to develop this approach to identifying, recording and monitoring key controls.		
Debtors	Review of the Debtors system to confirm implementation of previous audit recommendations and that existing controls are adequate and operating as intended.	11	Q3/4
OPERATIONAL AUDITS			
Sickness Absence	Review the effectiveness of the new sickness reporting system and arrangements including the external partner.	8	Q4
PROCUREMENT			
	No joint procurement proposals at this time.		
JOINT REVIEWS			
NDR Anti-Avoidance	Review NDR anti-avoidance arrangements, identified as a key area of risk at the recent Herts CFO's conference. Reduced levels of NDR billing now have a direct	8	tbd

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days	Target Quarter
Arrangements	impact on a Council's funding. This work would be in addition to the annual NDR key financial systems audit scheduled for Q3/4.		
COUNTER FRAUD			
Review of counter-fraud arrangements	To be determined.	5	Q3/4
RISK MANAGEMENT AND GOVERNANCE			
	See local audit plans.		
IT AUDITS			
Disaster Recovery	New contract commencing 1 April 2014 and recovery site moving from Uxbridge to Wiltshire. Review to include suitability of arrangements, as well as other traditional disaster recovery areas such as existence, review and testing of disaster recovery plans.	12	Q1/2
IT Operations & Contract	Review operation of Capita contract in relation to quality of technical support - is the Council getting what they are paying for, e.g. appropriate skills, knowledge etc.	15	Q1

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days	Target Quarter
Management			
Change Control	Review robustness of specifications for change programmes - technical review.	15	Q1
FOLLOW-UP AUDITS			
	See local audit plans.		
STRATEGIC SUPPORT & CONTINGENCY			
	See local audit plans.		
2013/14 projects requiring completion	Additional time, if required, for the completion of 2013/14 audit work carried forward into 2014/15.	8	Q1
TOTAL AUDIT PLAN DAYS		159	

2014/15 RESERVE LIST			
Safe Staffing / Safeguarding	Review of the introduction of the new DBS requirements and application of the Safeguarding policy in the light of learning from work carried out at other SIAS clients.		

DRAFT

Agenda Item 11

Report to: Audit Committee

Date of meeting: 12 March 2014

Report of: Alan Power - Head of Finance Shared Services

Title: Annual Governance Statement (AGS) – Action Plan Update

1.0 **SUMMARY**

1.1 This report gives details of the progress in implementing the actions required resulting from the Annual Governance Statement.

2.0 **RECOMMENDATIONS**

2.1 That the Committee notes the progress made against the action plan.

Contact Officer:

For further information on this report please contact: -
Alan Power, Head of Finance, Shared Services
telephone extension: 7196
email: alan.power@watford.gov.uk

Report approved by: Alan Power, Head of Finance

3.0 **DETAILS**

3.1 The 2012/13 Annual Governance Statement was published with the Statement of Accounts and contains a high level action plan to ensure continuous improvement of the system of internal control. An update of action taken is attached at Appendix 1.

3.2 The recommendation enables the Committee to note the progress made against the action plan.

4.0 **IMPLICATIONS**

4.1 **Financial**

4.1.1 None Specific.

4.2 **Legal Issues** (Monitoring Officer)

4.2.1 None Specific.

4.3 **Equalities**

None Specific.

4.4 **Potential Risks**

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

APPENDICES

Appendix 1 Annual Governance Statement – High Level Action Plan

Issue	Action	Resolved	Lead	Update
The outsourcing of ICT and waste, street cleansing, recycling, parks and open spaces can result in an unacceptable fall in levels of service	Detailed key performance indicators have been included within contract documentation and need to be rigorously monitored	✓	Head of Corporate Strategy and Client Services	<p>Position - September 2013</p> <p>Monthly monitoring in place</p> <p>Outsourced Scrutiny Panel to receive performance reports</p> <p>Position January 2014</p> <p>The Shared Internal Audit Service (SIAS) are reviewing the contract management arrangements and will be reporting in the New Year.</p> <p>Position March 2014.</p> <p>Audit report received and an overall moderate assurance that there are effective controls in operation was awarded. Of the 7 recommendations made 4 were in the “medium” category and 3 in the “merits attention” category. None were in the “high” category. One of the recommendations has been completed and 2 will be ongoing in relation to reducing the number of PIs over the life of the contract and building relationships with other councils contract managers. The remainder have</p>

				<p>target dates set which will be monitored quarterly</p> <p>An Audit on the ICT Capita contract management will be undertaken in 2014/15</p>
<p>Welfare Benefit changes and the preparation for Universal Credit needs to ensure no unacceptable impact on the service delivered to benefit recipients</p>	<p>Monitoring of existing client base needs to identify where distortions occur. Testing of current ICT systems need to ensure a seamless transfer of caseloads to central government</p>	✓	<p>Head of Shared Services Revenues and Benefits</p>	<p>Position - September 2013</p> <p>Quarterly monitoring and reporting to the Shared Services Joint Committee will occur</p> <p>Monthly updates to be provided to Leadership Team</p> <p>Position January 2014</p> <p>A Housing Benefit Information Bulletin issued in November 2013 stated the Minister "will make clear to the House the plan and programme for the full roll-out, all the way through to complete delivery, in detail in the next couple of weeks". Clarification and details are awaited.</p> <p>Position March 2014</p> <p>The Minister has announced that only 40,000 claims will be out into Universal Credit this year and there are further</p>

				<p><i>exemptions. We are undertaking no further planning work on this until we are provided with a proper timeline from central government and clarity about what cases are and are not included. We are simply maintaining a watching brief.</i></p>
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Agenda Item 12

Report to: Audit Committee

Date of meeting: 12 March 2014

Report of: Alan Power - Head of Finance Shared Services

Title: Treasury Management Update

1.0 **SUMMARY**

1.1 This report presents to members:-

- a) The Annual Treasury Management Report and Prudential Indicators for 2012/13;
- b) A mid year review of the Treasury Management function 2013/14.

2.0 **RECOMMENDATIONS**

2.1 That members note the contents of the Report.

Contact Officer:

For further information on this report please contact: -
Stephen Exton (Finance Manager), Shared Services
Telephone extension: 7197
Email: stephen.exton@threerivers.gov.uk

Report approved by: Alan Power, Head of Finance

3.0 **DETAILS**

3.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) defines treasury management as: “The management of the local authority’s investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks”.

3.2 This report meets the requirements of both the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities and complies with the Local Government Act 2003.

3.3 **Annual Treasury Management Report and Actual Prudential Indicators 2012/13**

3.4 Attached at Appendix 1 is the Annual Treasury Management Report and Prudential Indicators for 2012/13. The report provides details of actual prudential and treasury indicators and actual treasury operations during 2012/13 compared to the estimates within the strategy. The report is made in line with the Council's approved policy on Treasury Management.

3.5 During 2012/13, the Council complied with its legislative and regulatory requirements. The Director of Finance confirms that the statutory borrowing limit (the authorised limit) was not breached.

3.6 The financial year 2012/13 continued the challenge of low investment returns and continuing risk.

3.7 The Director of Finance also confirms that no borrowing was undertaken.

3.8 The report contains:

- Capital activity during the year;
- Reporting of the required prudential and treasury indicators;
- Impact of this activity on the Council’s underlying indebtedness (the Capital Financing Requirement);
- Overall treasury position and the impact on investment balances;
- Summary of the economy and interest rates;
- Investment Rates in 2012/13;
- Investment Outturn for 2012/13.

3.9 **Mid Year Review of the Treasury Management Function**

3.10 Attached at Appendix 2 is a mid year review of the Treasury Management function for 2013/14. The review updates members with the progress on the capital position, amends prudential indicators as necessary, considers whether the Council is meeting the strategy and whether any policies require revision.

3.11 The underlying economic environment remains difficult for the Council, foremost being the concerns over investment counterparty risk. This background encourages the Council to continue maintaining investments short term (i.e. up to one year) and with high quality counterparties. The downside of such a policy is that investment returns remain low.

3.12 The basis of the treasury management strategy, the investment strategy and the performance indicators are not changed.

3.13 The prudential code requires the Council to update:

- The Council's capital expenditure plans;
- How these plans are being financed.

These requirements are met by the Council's Budget Monitoring reports, which include revised capital expenditure and funding statements.

3.14 The Treasury Management Strategy for 2014/15 – 2016/17 was agreed by Council on 29 January 2014. This included a requirement to report the year end position by June of the following year and a mid-year report after 30 September.

4.0 **IMPLICATIONS**

4.1 **Financial**

4.1.1 None Specific.

4.2 **Legal Issues** (Monitoring Officer)

4.2.1 None Specific.

4.3 **Equalities**

None Specific.

4.4 **Potential Risks**

The subject of this report is covered by the Finance (Shared Services) Service Plan. Any risks resulting from this report will be included in the risk register and, if necessary, managed within this plan.

Background Papers:

UK Economic Forecasts provided by Capita Asset Services;
CIPFA Prudential Code for Capital Finance in Local Authorities,
2012 Edition;
CIPFA Treasury Management in the Public Services – Code of
Practice and Cross-Sectoral Guidance Notes, 2011 Edition;
CIPFA Treasury Management in the Public Services – Guidance
Notes for Local Authorities, 2011 Edition.

APPENDICES

Appendix 1 Annual Report on the Treasury Management Service 2012/13
(Incorporating Outturn Prudential Indicators).

Appendix 2 Mid-Year Treasury Management Monitoring Report for 2013/14.

ANNUAL REPORT ON THE TREASURY MANAGEMENT SERVICE 2012/13

1. The Council's Capital Activity During 2012/13

The Council undertakes capital expenditure on long-term assets. These activities may either be:

- Financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.) which has no resultant impact on the Council's borrowing need; or
- If insufficient financing is available, or a decision is taken not to apply resources, the capital expenditure will give rise to a borrowing need;
- The Council did not borrow during 2012/13.

2. Reporting of the Required Prudential and Treasury Indicators

- During 2012/13, the Council complied with its legislative and regulatory requirements. The key actual prudential and treasury indicators detailing the impact of capital expenditure activities during the year, with comparators, are as follows:

Actual Prudential and Treasury Indicators	2011/12 Actual	2012/13 Actual
Actual Capital Expenditure	£10.066m	£4.955m
Total Capital Financing Requirement (CFR)	£2.974m	£2.514m
Net Borrowing	-£29.112m	-£28.111m
External Debt	£0.000m	£0.000m
Investments - Under 1 Year	£29.112m	£28.111m

The actual capital expenditure forms one of the required prudential indicators. The table below shows the actual capital expenditure and how this was financed.

Actual Capital Expenditure and Financing	2011/12 Actual £000	2012/13 Estimate £000	2012/13 Actual £000
Capital Expenditure	10.066	4.904	4.955
Total Capital Expenditure			
Resourced by:			
• Capital Receipts	8.384	3.106	3.157
• Capital Grants and Other Contributions	1.682	1,798	1.798
• Other Contributions and MRP	0.366	0.460	0.460
Over Financed Capital Expenditure	-0.366	-0.460	-0.460

3. Impact of This Activity on the Council's Underlying Indebtedness (the Capital Financing Requirement)

The Council's underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR). This figure is a gauge of the Council's debt position. The CFR results from the capital activity of the Council and what resources have been used to pay for the capital spend. The Council's CFR for the year was zero.

The borrowing activity is constrained by prudential indicators for net borrowing and the CFR, and by the authorised limit.

The Authorised Limit - the authorised limit is the "affordable borrowing limit" required by section 3 of the Local Government Act 2003. The Council does not have the power to borrow above this level. The table below demonstrates that during 2012/13 the Council has maintained gross borrowing within its authorised limit.

The Operational Boundary – the operational boundary is the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the boundary is acceptable subject to the authorised limit not being breached.

Actual Financing Costs as a Proportion of Net Revenue Stream - this indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream.

Gross Borrowing Within Authorised Limit	2011/12 Actual	2012/13 Actual
Authorised Limit	£7.0m	£7.0m
Maximum Gross Borrowing Position	£5.0m	£5.0m
Operational Boundary	£5.0m	£5.0m
Average Gross Borrowing Position	Nil	Nil
Financing Costs(+) / Income (-) as a Proportion of Net Revenue Stream	-4.34%	-1.71%

4. Overall Treasury Position and the Impact on Investment Balances

The Council's debt and investment position is organised by the treasury management service in order to ensure adequate liquidity for revenue and capital activities, security for investments and to manage risks within all treasury management activities. Procedures and controls to achieve these objectives are well established both through Member reporting detailed in the summary, and through officer activity detailed in the Council's Treasury Management Practices. At the beginning and the end of 2012/13 the Council's treasury position was as follows:

Treasury Position	31 March 2012 Principal	Rate / Return	31 March 2013 Principal	Rate / Return
Total Debt	Nil		Nil	
CFR	Nil		Nil	
Investments - in House	£29.112m	1.22%	£28.111m	1.38. %
Total investments	£29.112m	1.22%	£28.111m	1.38%

The maturity structure of the investment portfolio was all under one year.

The exposure to fixed and variable rates was as follows:

Exposure to Fixed and Variable Rates	31 March 2012 Actual	31 March 2013 Actual
Fixed Rate (Principal)	£18.970m	£11.000m
Variable Rate (Principal)	£10.142m	£17.111m

5. The Economy and Interest Rates

Sovereign Debt Crisis - the EU sovereign debt crisis was an ongoing saga during the year. However, the ECB statement in July that it would do “whatever it takes” to support struggling Eurozone countries provided a major boost in confidence that the Eurozone was (at last) beginning to get on top of its problems. This was followed by the establishment of the Outright Monetary Transactions Scheme in September. During the summer, a €100bn package of support was given to Spanish banks. The crisis over Greece blew up again as it became apparent that the first bailout package was insufficient. An eventual very protracted agreement of a second bailout for Greece in December was then followed by a second major crisis, this time over Cyprus, towards the end of the year. In addition, the Italian general election in February resulted in the new Five Star anti-austerity party gaining a 25% blocking vote; this has the potential to make Italy almost ungovernable if the grand coalition formed in April proves unable to agree on individual policies. This could then cause a second general election – but one which could yield an equally ‘unsatisfactory’ result! This result emphasises the dangers of a Eurozone approach heavily focused on imposing austerity, rather than promoting economic growth, reducing unemployment, and addressing the need to win voter support in democracies subject to periodic general elections. This weakness leaves continuing concerns that this approach has merely postponed the ultimate debt crisis, rather than provide a conclusive solution. These problems will, in turn, also affect the financial strength of many already weakened EU banks during the expected economic downturn in the EU. There are also major questions as to whether the Greek Government will be able to deliver on its promises of cuts in expenditure and increasing tax collection rates, given the hostility of much of the population.

The UK Coalition Government - maintained its tight fiscal policy stance against a background of warnings from two credit rating agencies that the UK could lose its AAA credit rating. Moody’s followed up this warning by actually downgrading the rating to AA+ in February 2013 and Fitch then placed their rating on negative watch, after the Budget statement in March. Key to retaining the AAA rating from Fitch and S&P will be a return to strong economic growth in order to reduce the national debt burden to a sustainable level, within a reasonable timeframe.

UK Growth - 2012/13 started the first quarter with negative growth of -0.4%. This was followed by an Olympics boosted +0.9% in the next quarter, then by a return to negative growth of -0.3% in the third quarter and finally a positive figure of +0.3% in the last quarter. This weak UK growth resulted in the Monetary Policy Committee increasing quantitative easing (QE) by £50bn in July to a total of £375bn on concerns of a downturn in growth and a forecast for inflation to fall below the 2% target. QE was targeted at further gilt purchases. In the March 2013 Budget, the Office of Budget Responsibility yet again slashed its previously over optimistic growth forecasts, for both calendar years 2013 and 2014, to 0.6% and 1.8% respectively.

UK CPI Inflation - has remained stubbornly high and above the 2% target, starting the year at 3.0% and still being at 2.8% in March; however, it is forecast to fall to 2% in three years time. The MPC has continued its stance of looking through temporary spikes in inflation by placing more importance on the need to promote economic growth.

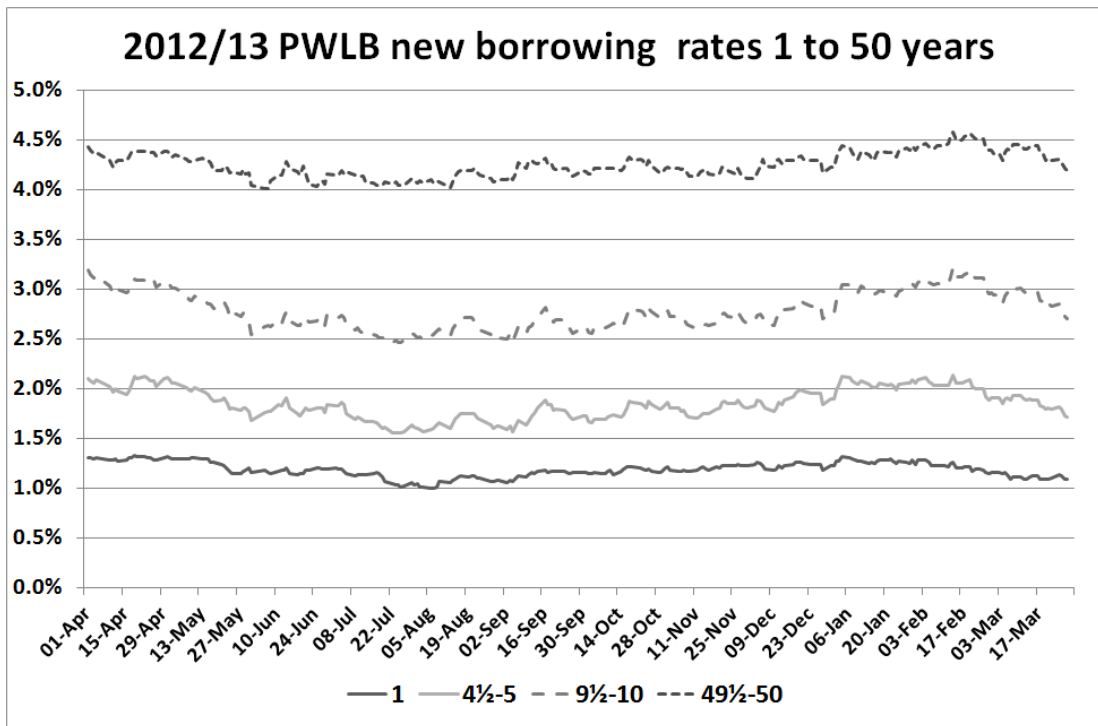
Gilt Yields - oscillated during the year as events in the ongoing Eurozone debt crisis ebbed and flowed, causing corresponding fluctuations in safe haven flows into / out of UK gilts. This, together with a further £50bn of QE in July and widely expected further QE still to come, combined to keep PWLB rates depressed for much of the year at historically low levels.

Bank Rate - was unchanged at 0.5% throughout the year, while expectations of when the first increase would occur were pushed back to quarter 1 2015 at the earliest.

Deposit Rates - the Funding for Lending Scheme, announced in July, resulted in a flood of cheap credit being made available to banks and this has resulted in money market investment rates falling sharply in the second half of the year. However, perceptions of counterparty risk have improved after the ECB statement in July that it would do "whatever it takes" to support struggling Eurozone countries. This has resulted in some return of confidence to move away from only very short term investing.

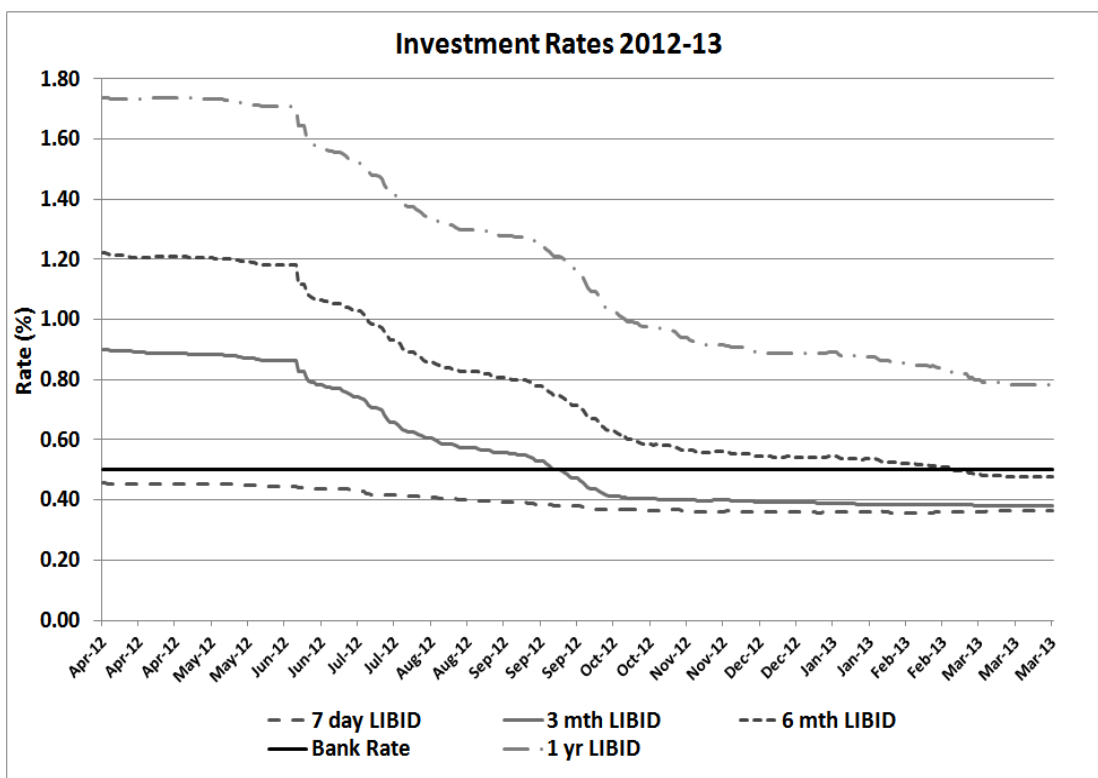
6. Borrowing Rates in 2012/13

PWLB Borrowing Rates - the graphs and table for PWLB maturity rates below, and in appendix 3, show, for a selection of maturity periods, the high and low points in rates, the average rates, spreads and individual rates at the start and the end of the financial year.



7. Investment Rates in 2012/13

Bank Rate remained at its historic low of 0.5% throughout the year; it has now remained unchanged for four years. Market expectations of the start of monetary tightening were pushed back during the year to early 2015 at the earliest. The Funding for Lending Scheme resulted in a sharp fall in deposit rates in the second half of the year.



8. Investment Outturn for 2012/13

Investment Policy – the Council's investment policy is governed by CLG guidance, and the policy was approved by Council on 14 March 2012. This policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit rating agencies supplemented by additional market data (such as rating outlooks, credit default swaps, bank share prices etc).

The investment activity during the year conformed to the approved strategy, and the Council had no liquidity difficulties.

Resources – the Council's longer term cash balances comprise, primarily, revenue and capital resources, although these will be influenced by cash flow considerations. The Council's core cash resources comprised as follows, and met the expectations of the budget:

Balance Sheet Resources	31 March 2012 £000	31 March 2013 £000
General Fund	1.350	1.350
Earmarked Reserves	13.306	13.362
Usable Capital Receipts	12.872	12.616
Total	27.528	27.328

Investments Held by the Council - the Council maintained an average balance of £28.611m of internally managed funds. The internally managed funds earned an average rate of return of 1.38%. The comparable performance indicator is the average 3 month LIBID rate, which was 0.56%.

MID YEAR TREASURY MANAGEMENT MONITORING REPORT 2013/14

1. Capital Financing Requirement (CFR), External Debt and Operational Boundary

The CFR and Operational Boundary estimates are shown below:

Prudential Indicator	Opening Position 2013/14	Current Position	Forecast end of year
Capital Financing Requirement	£3.0m	£6.0m	£8.5m
External Debt / The Operational Boundary			
Long Term Borrowing	£10.0m	£6.0m	£10.0m
Short Term Borrowing	£3.0m	£0.0m	£3.0m

Limits to Borrowing Activity

The first key control over the treasury activity is a Prudential Indicator (PI) to ensure that over the medium term, net borrowing (borrowings less investments) will only be for a capital purpose. As the Council is currently not debt free, this control will always need to be checked and confirmed that it is being met.

2. The Authorised Limit

This PI, which is required to be set and revised by Members, controls the overall level of borrowing and represents the limit beyond which borrowing is prohibited. It is the expected maximum borrowing need with some headroom for unexpected movements. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003.

Authorised Limit For External Debt	2013/14 Original Indicator	Current Borrowing Position	2013/14 Revised Indicator
Long & Short Term Borrowing	£13.0m	£6.0m	£13.0m

3. Interest Rate Movements and Expectations

The information relating to the interest rate movements and future expectations is shown within the Treasury Management Strategy Statement 2014/15 – 2016/17.

4. Current Investment Position

This information is reported in the Members Information Bulletins. The Council held £45.4m of investments at 30 September 2013 and the list of investments and counterparties is shown below:

Sector	Country	Up To One Year
Banks	UK	£29.9m
Building Societies	UK	£2.0m
Debt Management Office *	UK	£13.5m

* Includes £6.0m invested on behalf of Hertfordshire Local Enterprise Partnership (Growing Places Fund) for the Health Campus project.

List of Investments as at 30 September 2013:

Counterparty	Principal £
Clydesdale Bank	3,000,000
Co-Operative Bank	3,900,000
Deutsche Bank	3,000,000
Lloyds Bank	1,000,000
Lloyds Bank	2,000,000
Lloyds Bank	2,000,000
Nat West Bank	2,000,000
Nat West Bank	3,000,000
Nat West Bank	5,000,000
Santander Bank	5,000,000
Nationwide Building Society	2,000,000
Debt Management Office*	3,000,000
Debt Management Office*	3,000,000
Debt Management Office	3,000,000
Debt Management Office	4,500,000
Total	45,400,000

* Includes £6.0m invested on behalf of Hertfordshire Local Enterprise Partnership (Growing Places Fund) for the Health Campus project.

The Council has no sums invested for greater than 364 days.

The revised budget position for investment income, on an accruals basis, is:

Investment Income	2013/14 Original Estimate	2013/14 Latest Estimate	2013/14 Revised Estimate
Interest Receivable	£0.270m	£0.270m	£0.200m

The following reports the current position against the benchmarks originally approved.

5. Security

The Council's maximum security risk benchmark for the current portfolio, when compared to these historic default tables, was set as follows:

0.01% Historic risk of default when compared to the whole portfolio.

Note: The benchmarks are an average risk of default measure, and would not constitute an expectation of loss against a particular investment. The benchmarks are embodied in the criteria for selecting cash investment counterparties and these will be monitored and reported to Members. As this data is collated, trends and analysis will be collected and reported. Where counterparty is not credit rated a proxy rating will be applied.

The Director of Finance can report that the investment portfolio was maintained within this overall benchmark during this year to date.

6. Liquidity

The Council set liquidity facilities / benchmarks to maintain:

- Bank overdraft - £0.5m;
- Liquid short term deposits of at least £2m available with a week's notice;
- Weighted Average Life benchmark is expected to be 0.5years, with a maximum of 10 years.

The Director of Finance can report that liquidity arrangements were adequate during the year to date.

7. Yield

Local measures of yield benchmarks are:

- Investments – returns 0.12% above average bank rate.

The Director of Finance can report that return up to 30 September 2013 averaged 0.56%, against a benchmark rate of 0.62%. The actual investment interest rate is therefore -0.06% (10%) below the benchmark rate.

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