

AUDIT COMMITTEE

27 September 2017

Present: Councillor D Scudder (Chair)
Councillor J Johnson (Vice-Chair)
Councillors Ahsan Khan, B Mauthoor and T Williams

Also present: Andrew Brittain (Ernst and Young) and Eli Johns (EY)

Officers: Shared Director of Finance
Head of Finance (Shared Services)
Head of Democracy and Governance
Shared Director of Finance
Head of Service Transformation
SIAS Audit Manager
Client Audit Manager, Shared Internal Audit Service
Committee and Scrutiny Support Officer (AG)

14 Apologies for Absence/Committee Membership

There were no apologies for absence.

15 Disclosure of Interests (if any)

There were no disclosures of interest.

16 Minutes

The minutes of the meeting held on 29 June 2017 were submitted and signed.

17 Ombudsman's Annual Letter

The committee received a report of the Head of Democracy and Governance which included the 2016/17 Ombudsman's Annual Letter together with information regarding the complaints received and investigated by them during the year 1 April 2016 to 31 March 2017.

The Head of Democracy and Governance explained that the Ombudsman's letter was self-explanatory – however there was a difference this year in that there had been a finding of maladministration that had been reported to Cabinet as

required by s.5 Local Government and Housing Act 1989. She advised how there could be variances in statistics and invited questions from the Committee.

In response to questions from members, the Head of Democracy and Governance confirmed that the one complaint that had been upheld had been the one she had referred to Cabinet in December 2016. This related to Revenues and Benefits; and details were included on the Ombudsman's website and in the Cabinet agenda. The finding had not lead to similar complaints being received. The Director of Finance added that substantial evidence would be required for any other individual to make a claim.

RESOLVED that –

- the contents of the report be noted.

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ICT Update

The committee received a report from the ICT Client Section Head which provided the committee with an update on the current position of ICT services.

The ICT Client Section Head introduced the report and explained the background to the new contract with Amicus ITS and how the ongoing modernisation of the IT infrastructure within the Council was a large and complex project - with much work taking place over the course of the summer.

She described how the current service model for ICT was mixed, with in-house services combined with third party providers supplying the range of required services. She outlined the staffing structure; that remained a blend of permanent and contract staff.

The ICT Client Section Head provided an overview of the work of the Service Desk and discussed how the Amicus ITS target of resolving/closing 80 percent of all incidents logged was an aspirational figure.

She outlined a number of the ICT technical transformations that had taken place; including removing XP desktops completely and replacing these with Windows 7 or Windows 10, the roll out of Wi-Fi on the Watford estate and the installation of new active directory servers.

The ICT Client Section Head continued by explaining the process by which the Council had been awarded Public Service Network (PSN) compliance in August of this year - where 75 percent of the IT estate had been reviewed. She considered this to be a very positive result and hoped that the Committee was reassured by

the award. She concluded by discussing issues in relation to the Disaster Recovery Plan and cyber security.

Councillor Watkin commented that the ICT Client Section Head had provided a remarkable presentation to the Committee; demonstrating outstanding transformation taking place over the past 12 months. The Council was not yet at the end of the journey but had moved a long way. He formally thanked the ICT Client Section Head for what she had achieved.

In response to questions from members, the ICT Client Section Head:

- Informed the Committee that Housing Service ICT development was a corporate priority and explained how the matter would be progressed.
- Explained how ICT staffing was being re-structured and how contracted staff were employed.
- Advised that the number of servers in the Council had been reduced from 300 to 150 with work ongoing to further reduce the number.
- Explained why 67 percent (compared to the target of 80 percent) of all incidents logged had been resolved/closed. She advised that it might be difficult to increase this figure but work was ongoing in this regard.
- Confirmed that that her staff were fully committed to the ICT Transformation Programme.
- Advised that members could see the Cyber Security Report. The Client Audit Manager undertook to circulate this to the Committee.
- Confirmed that Amicus ITS furnished ongoing reports on the delivery of its services and explained the various instruments which were, and would be, provided in the future – and at no further cost to the Council.

Councillor Watkin advised the Committee that Amicus ITS provided a 24 hour 365 day service to the Council.

The chair complemented the ICT Client Section Head on the quality of her report and for her detailed responses to questions from members. He was of the view that considerable progress had been made. On behalf of the Committee, he thanked the ICT Client Section Head for her work.

RESOLVED that –

1. the contents of the report be noted.
2. the action requested be undertaken.

Internal Audit - SIAS Board Annual Report 2016/17

The committee received a report from the Head of Finance (Shared Services) and the Shared Internal Audit Service (SIAS) that introduced to the Committee the Shared Internal Audit Services annual report for 2016/17.

The SIAS Audit Manager introduced the report and explained his new role and that of the Client Audit Manager, formerly the Principal Auditor for Watford and Three Rivers, including the shared service between them. He explained how the annual report summarised the whole of service performance for the year 2016/17, as well as highlights and key activities in this period - and how the report had been approved by the SIAS Board in June 2017. He invited questions from the Committee.

In response to questions from members, the Audit Manager:

- Clarified that the SIAS Annual Report was an opportunity to demonstrate what the service had achieved and to celebrate successes, but was also an honest assessment and a recognition of challenges experienced during the year.
- Informed the Committee that the new time recording system (a time sheet and performance management system called 'Saturn') had been developed by Hertfordshire County Council and would provide an annual cost saving of circa £12K in managing data needs. Following a successful pilot, it had gone live in early September 2017.
- Explained how the participating local authorities provided customer satisfaction data to the SIAS, covering the scoring mechanisms from each client satisfaction questionnaire and the derivation of the reported 95 percent satisfaction rate.

RESOLVED that –

- the Shared Internal Audit Service Annual Report for 2016/17 be noted.

Shared Internal Audit Service Progress report

The committee received a report of the Shared Internal Audit Service (SIAS) that detailed progress made by the SIAS in delivering the Council's Annual Audit Plan, proposed amendments to the approved 2017/18 Annual Audit Plan, the implementation status of all previously agreed audit recommendations from 2010/11 onwards and an update on performance management as at 8 September 2017.

The Client Audit Manager introduced the report. He advised the

Committee that the two IT audits discussed in paragraph 2.2 of the report had been completed since the date of the previous Audit Committee. These audits had reviewed the long outstanding legacy IT audit recommendations as reported to each meeting of Audit Committee and concluded that these should be closed and replaced by a new set of recommendations. These were detailed in Appendix Nine of the Progress Report. All new recommendations had been agreed by officers and would be monitored and reported back to the Committee in the normal manner.

He described how the table at Appendix C to the report would be streamlined in the future following removal of the legacy IT audit recommendations and explained the proposed audit plan amendments discussed in paragraph 2.8 of the report. He explained how audit plan start dates were documented by month as shown in Appendix B to the report – making reference to the Local Authority Serious and Organised Crime Audit that commenced in July 2017. He concluded that the report demonstrated that good progress was being made.

There were no questions of the Client Audit Manager.

RESOLVED that –

1. the Internal Audit Progress Report for the period to 8 September 2017 be noted.
2. amendments to the Audit Plan as at 8 September 2017 be approved.
3. the removal of the implemented recommendations as set out in Appendix C of the report be agreed.
4. changes to the implementation dates for the 11 recommendations set out in paragraph 2.5 of the report for the reasons set out in Appendix C be agreed.

The committee received a report from the Head of Finance (Shared Services) regarding implementing the actions required resulting from the Annual Governance Statement.

The Head of Finance (Shared Services) introduced the report. He confirmed that this was a standard report to the Committee at each meeting. He advised members how the Annual Governance Statement was approved by the Mayor and by the Managing Director. He informed the Committee that the Disaster Recovery Plan had been issued and an update would be provided at the next meeting. The plan would be tested and then requested to be approved.

There were no questions of the Head of Finance (Shared Services).

RESOLVED that –

- progress was made against the action plan.

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External Auditors Report to those charged with governance - ISA260 - (September 2017) and approval of the Statement of Accounts 2016/17

The committee received a report of the Head of Finance (Shared Services) that enabled the Committee to ask questions of the external auditor concerning the 'Report to those charged with governance (ISA260)' and to approve the Statement of Accounts for 2016/17.

The Head of Finance (Shared Services) introduced the report. He confirmed that this was the external auditors report on the Council's statement of accounts. He explained the role of the Committee, of the Council's Budget Panel and the external auditors in the process.

Mr Brittain discussed the executive summary to the report in detail and explained how the financial statement was determined. He then went on to discuss:

- Revenue recognition and the associated risks and conclusions.
- That no evidence was identified of management override.
- Three further areas of focus outlined on page 18 of the report.

Ms Johns discussed Sections Four to Eight of the report advising the Committee that Appendix C provided a look forward to future accounting changes. She thanked the Council's finance team for their assistance during the audit.

In response to a question from members, Mr Brittain advised that the Council should monitor forthcoming audit and technical changes and consider how these may apply now.

Councillor Watkin commented that he was delighted with the quality of the report and of the stewardship of the Finance Director and the Head of Finance (Shared Services). He considered that the Council was in a comfortable and strong place. He thanked the finance team for their work – this was echoed by the Chair.

The Chair then thanked the Audit Manager and Principle Auditor for their contributions.

RESOLVED that –

1. the external auditor's 'Report to those charged with governance' be noted.
2. the Committee sought any clarification it needed concerning the processes involved in the production of the Annual Statement of Accounts for 2016/17.
3. the Committee confirmed that it was satisfied that the accounting policies adopted were the most appropriate.
4. the Statement of Accounts for 2016/17 be approved.

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Appointment of External Auditor for 2018/19

The committee received a report of Head of Finance (Shared Services) which gave an update on the appointment of the Council's external auditor from the financial year 2018/19.

The Director of Finance introduced the report. She advised the Committee that Public Sector Audit Appointments (PSAA) had proposed that the external auditors for the Council from 2018/19 be Ernst and Young LLP (EY). This would be acceptable and the PSAA Board would consider the appointment at its meeting on 14 December 2017. The decision would ultimately require ratification by Full Council.

RESOLVED that –

- the provisional appointment of EY, and that the committee would be asked to formally approve this appointment at a future committee, be noted.

Committee Work Programme

The committee received a report from the Head of Finance (Shared Services) setting out the Committee's proposed work programme.

The Head of Finance (Shared Services) introduced the report and explained how it was structured in to the current municipal year (2017-18) and the next municipal year (2018-19). He asked members to note that the July 2018 meeting would be held at the end of the month to give time for audit completion. He asked whether members wished to add or amend any items.

Councillor Williams requested that reports on cyber security and General Data Protection Regulations be added to the work programme. The suggestion was debated by members and officers and it was agreed that these items would be discussed at the next meeting of the Committee and added to the work programme by the Head of Finance (Shared Services).

RESOLVED that –

- the action requested be undertaken.

Chair

Audit Committee

The meeting started at 7.00 p.m.
and ended at 8.15 p.m.