

AUDIT COMMITTEE

26 July 2018

Present: Councillor D Scudder (Chair)
Councillor J Johnson (Vice-Chair)
Councillors P Kloss and M Turmaine

Also present: Andrew Brittain (Ernst and Young),
James Bundy (EY),
Councillor Mark Watkin, Portfolio Holder
Councillor Imran Hamid (for minute numbers 1 to 4) and
Councillor Rabi Martins (for minute numbers 1 to 4)

Officers: Head of Democracy and Governance
Interim Head of Finance - shared services
Client Audit Manager, Shared Internal Audit Service
Fraud Manager
Committee and Scrutiny Officer

1 Apologies for Absence/Committee Membership

There was a change of membership for this meeting: Councillor Turmaine replaced Councillor Khan.

Apologies for absence were received from Councillor Saffery.

2 Disclosure of Interests (if any)

There were no disclosures of interest.

3 Minutes

The minutes of the meeting held on 15 March 2018 were submitted and signed.

4 External Auditor's 'Audit Results Report' and Statement of Account 2017/18

The committee received a report of the Interim Head of Finance Shared Services and the external auditor, EY, providing councillors with the opportunity to question the external auditor and ask about the Statement of Accounts for 2017/18.

The Chair agreed that this item should be brought forward at the meeting.

The Interim Head of Finance Shared Services informed the committee that there had been major changes to the Statement of Accounts this year. In addition the deadline for the final report had been brought forward by two months. The major changes included a material impact on the pension account, prior year adjustments for 2016/17 and amendments to the current year, 2017/18. The group accounts also had an impact. The audited accounts for Watford Health Campus could not be signed off by 31 July. The council had been advised this afternoon by PWC via EY that they would not be available until 7 August. This meant that the council's external auditor, EY, could not sign off Watford's accounts until after this time.

In response to a question about potential penalties if the accounts were not finalised by 31 July, councillors were advised that previously local authorities were 'named and shamed'. However, as the deadline had been brought forward by two months, the council was unlikely to be on its own. This year had been a learning experience for officers about future preparations.

The Chair explained that he had understood the council was on track to sign off the accounts by the end of July. However, this was prior to the information that had come to light earlier in the day.

Andrew Brittain from EY stated that Watford was not in a unique situation. The faster closing time had been a significant change for the council and auditors. He added that in previous years the accounts for Watford Health Campus had not been significant, but this had changed and they were now more complex. This had led to the delay by the auditors (PWC) for this section of the accounts.

Following a question about pension fund valuations, Mr Brittain explained the process and how an exercise had been carried out in January to estimate the value of the assets, however, this year this had significantly changed at the end of March.

James Bundy from EY informed the committee about the third significant change. It was explained that it was important to ensure items had been recorded in the correct place.

Mr Bundy advised the committee about the two uncorrected adjustments which were above the reporting threshold. These were shown in the auditor's draft report. Mr Brittain added that an explanation would be provided in the council's letter of representation as to why these adjustments had not been corrected. Mr Brittain highlighted aspects of the draft report and explained the timetable.

It was noted that the Housing Benefits grant claim would not be completed until the end of November which was the deadline. He advised that the committee would be provided with the auditor's findings.

The Chair noted the recommendations and advised councillors that if there were any significant changes to the Statement of Accounts he may need to call an extra meeting at short notice.

RESOLVED –

1. that the external auditor's 'Audit Results Report' be noted.
2. that the clarification provided by the officers and the auditors to the committee about the processes involved in the production of the annual Statement of Accounts for 2017/18 be noted.
3. that approval of the Statement of Accounts for 2017/18 and the letter of management representation be delegated to the Audit Committee Chair and the Director of Finance, subsequent to the completion of the audit.

5 Fraud Annual report 2017/18

The committee received a report of the Fraud Manager which informed councillors of the work of the Fraud section for the financial year 2017/18. It also included updates on progress for the current financial year.

The Fraud Manager highlighted key points from his report. The fraud hotline was still the most popular way of people reporting fraud, although contact through the website was increasing in popularity. He explained about data matching and how it enabled officers to identify people who may not have reported change in circumstances when claiming Council Tax Reduction.

In response to a question about comparisons with previous years, the Fraud Manager advised these had not been included in this annual report due to the way Housing Benefit cases were now investigated.

RESOLVED –

that the contents of the report be noted.

6 Freedom of Information Act requests 1 October 2017 to 31 March 2018

The committee received a report of the Head of Democracy and Governance setting out the requests made under the Freedom of Information Act between 1 October 2017 and 31 March 2018.

The Head of Democracy and Governance confirmed that the subjects covered a broad spectrum. There were still quite a few that were not relevant to Watford Borough Council. There were some that were submitted regularly, for example sales related requests; those for people who had died without any relatives and journalists submitting questions about popular topics at that time.

The Head of Democracy and Governance said that it was difficult to quantify the cost of providing the responses to the requests. Each service had its own Customer Liaison Officer whose role was to collate the responses to the Freedom of Information requests. There was no dedicated service or officer who dealt with all requests received within the council.

RESOLVED –

that the report be noted.

7 RIPA Inspection report

The committee received a report of the Head of Democracy and Governance, which explained that since the last meeting the council had had its four yearly inspection by the Investigatory Powers Commissioners Office. The Inspector's report was attached as an appendix.

The Head of Democracy and Governance reported that the inspection was carried out as a desktop exercise as the last authorisation had been requested in 2016. The recommendations had been carried out and a training session had been arranged for September. It would be shared with Three Rivers District Council.

RESOLVED –

that the Inspector's report be noted.

8 Ombudsman's Annual letter

The committee received a report of the Head of Democracy and Governance and the Ombudsman's Annual Letter, including statistics on the number of cases received and decided during 2017/18.

The Head of Democracy and Governance informed the committee that two cases of maladministration had been found against the council. Both cases related to Revenues and Benefits and were duly reported to Cabinet in July 2017 and March 2018.

RESOLVED –

that the contents of the report be noted.

9 **SIAS 2017/18 Annual Assurance Statement and Internal Audit Annual Report**

The committee received a report of the Shared Internal Audit Service (SIAS) which provided an overall opinion on the adequacy and effectiveness of Watford Borough Council's control environment. It summarised the audit work carried out during the year and SIAS's performance in delivering the council's audit plan.

The Client Audit Manager explained that the assurance opinion for the council's non-financial systems had been affected by the Cyber security audit, which had six recommendations, three of which were assessed as high priority. The Internal Audit service was aware that the IT team had already responded to two of the high priority recommendations. A further audit would be carried out during 2018/19.

The Client Audit Manager informed the committee that the last remaining audit from 2017/18 was now at draft report stage.

The Interim Head of Finance gave management assurance that the scope and resources for internal audit were not subject to inappropriate limitations in 2017/18.

The Client Audit Manager stated that the annual self-assessment of compliance, against the Public Sector Internal Audit Standards (PSIAS), had been completed and the two areas of non-conformance, as detailed in Appendix C to the report, were the same as in previous years and were accepted. These areas did not affect the overall assessment that SIAS was fundamentally compliant with the PSIAS.

The Client Manager introduced the 2018/19 version of the Audit Charter and informed members that only minor changes had been made to the previous version.

RESOLVED –

1. that the Annual Assurance Statement and Internal Audit Annual Report be noted.
2. that the results of the self-assessment required by the Public Sector Internal Audit Standards and the Quality Assurance and Improvement Programme be noted.
3. that the SIAS Audit Charter be accepted.
4. that management assurance that the scope and resources for internal audit were not subject to inappropriate limitations in 2017/18 be noted.

10

Internal Audit Progress Report

The committee received a report of the Shared Internal Audit Service that detailed progress made in delivering the Council's Annual Audit Plan for 2018/19.

The Client Audit Manager highlighted key points in the report notably that year-to-date performance against key performance indicators was on track. The committee was asked to consider the request from management to extend target dates for the implementation of outstanding internal audit recommendations. He also informed councillors that the service had revised the assurance definitions and priority levels. These would be used for audits completed from the 2018/19 audit plan.

RESOLVED –

1. that the Internal Audit Progress Report for the period to 6 July 2018 be noted.
2. that the removal of the implemented recommendations (as shown in Appendix C of the report) be agreed.
3. that changes to the implementation dates for seven recommendations (as shown in paragraph 2.5 of the report) for the reasons set out in Appendix C of the report be agreed.
4. that the revised assurance definitions/priority levels be noted.

11 **Annual Governance Statement 2017/18**

The committee received a report of the Interim Head of Finance (Shared Services) asking councillors to agree the Annual Governance Statement for inclusion in the Statement of Accounts.

It was confirmed that the Annual Governance Statement was included within the Statement of Accounts. There had been no major changes since the previous version.

RESOLVED –

1. that the Annual Governance Statement, attached as Appendix 1 to the report, be approved.
2. that, subject to any changes required prior to their signing, the Annual Governance Statement be included in the Statement of Accounts for 2017/18.

12 **Treasury Management Annual Report 2017/18**

The committee received a report of the Interim Head of Finance Shared Services including the annual report on treasury management and prudential code performance indicators for 2017/18.

The Interim Head of Finance advised that the report set out the council's capital activity during the year. It assured members that the council was not over-borrowing and that there had been no new borrowing during the year. It reported on investment rates during the year and the outturn for 2017/18.

In response to a question about borrowing, the Interim Head of Finance advised that £7.5 million had been borrowed to support the Watford Riverwell and Watford Business Park projects.

RESOLVED –

that the Treasury Management Annual Report 2017/18 be noted.

13 **Committee Work Programme**

The committee received a report from the Interim Head of Finance (Shared Services) setting out the committee's proposed work programme for 2018/19.

The Committee and Scrutiny Officer advised that the programme had been updated to incorporate those reports from the Head of Democracy and Governance. However it was noted that the Corporate Risk Register, which was usually presented in March, had been omitted. This would be added to the work programme.

It was agreed that at the next meeting the Head of Finance Shared Service would talk about the role of Audit Committee in risk management.

RESOLVED –

that the work programme be noted.

Chair

The Meeting started at 7.05 pm
and finished at 8.40 pm