

AUDIT COMMITTEE

17 September 2020

Present: Councillor M Hofman (Chair)
Councillor I Stotesbury (Vice-Chair)
Councillors P Kloss, M Parker and M Turmaine

Also present: Jo Taylor (Manager EY)

Officers: Group Head of Democracy and Governance
Interim Head of Finance
Client Audit Manager, Shared Internal Audit Service
Democratic Services Officer (AG)

13 Apologies for Absence/Committee Membership

There were no apologies for absence.

14 Disclosure of Interests (if any)

There were no disclosures of interests.

15 Minutes

The minutes of the meeting held on 30 July 2020 were submitted and agreed; to be signed on return to the Town Hall.

16 Ombudsman's Annual Letter 2020

The committee received a report of the Group Head of Democracy and Governance regarding the Ombudsman's letter enclosing statistics relating to the number of complaints received and decided in the previous calendar year.

The Group Head of Democracy and Governance introduced the report. She explained that the letter was received annually and covered the financial year ending on 31 March 2020. The Ombudsman had determined 30 complaints during the year; with five being upheld out of nine detailed investigations. This was a high level of upheld complaints compared to other authorities. Apologies had been given to complainants in all of the upheld cases.

The Group Head of Democracy and Governance concluded by explaining that the number of complaints received in a year differed from the number decided because not all complaints were necessarily determined within the year they were received; and there were a number decided during the financial year that were received the previous year.

In response to a question from members, the Group Head of Democracy and Governance explained that the lessons learnt from the upheld complaints was of the importance of the council complying with time limits contained with its own complaints procedure, as a number of the adverse findings had related to this aspect. As a result, the Head of the Customer Experience was examining how Heads of Service would ensure that the time limits were adhered to so that complaints were dealt with more promptly.

RESOLVED –

that the Ombudsman’s Annual Letter be noted.

17 **Draft Statement of Accounts 2019-2020**

The committee received a report of the Interim Head of Finance setting out the Draft Statement of Accounts 2019-2020. The Interim Head of Finance introduced the report and gave a presentation to the committee.

The Interim Head of Finance advised on the role of the Audit Committee in reviewing the Annual Statement of Accounts, the Annual Governance Statement and in considering the external auditors annual letter. She went on to explain the local authority accounting framework, the impact Covid-19 had on the auditing process and the purpose of accounts.

The Interim Head of Finance continued by discussing the contrast between accounting under International Financial Reporting Standards, local authority accounting and the impact of the adjustments required. She concluded by providing an update on the Redmond Review and by outlining the purposes of the Annual Governance Statement.

In response to questions from members, the Interim Head of Finance:

- Explained why income from investment assets outsourced was lower. This predominantly related to a general downturn in the retail sector resulting in vacant units at the Intu Shopping

Centre and at other locations including the Watford Business Park, Charter Place and Coleshill.

- Outlined how negative interest rates could adversely impact on investment income and how this might be offset by a reduction in borrowing costs. However, it was not possible to quantify at this stage.

Jo Taylor provided the committee with an update on the work of the external auditor Ernst and Young. She advised that that the closedown and the audit had been delayed due to Covid-19 but the audit was going well. Ms Taylor outlined the impact of remote working on the auditing process and with a target of reporting to the committee at the November meeting. She discussed the Croxley Business Park and explained that the accounting work around this was substantially completed; and with EY Real Estate now reviewing the valuation. Overall, there had been good progress with the external audit process and with the Council providing helpful assistance.

In response to a question from members, Ms Taylor advised that the initial valuation of the Croxley Business Park had been conducted by the Council. The role of the external auditor was to give an opinion on this valuation and the reasonableness of the valuation process. The Interim Head of Finance added that, where a local authority did not have valuations conducted in-house, a tender process was carried out to appoint a suitable company to do so; and this process was conducted in accordance with a council's procurement rules and the valuer had to hold the Royal Institute of Chartered Surveyors qualification.

Following a further question from members, the Interim Head of Finance advised the committee on the processes for borrowing from council and private sector sources, of working with Treasury advisors and of the importance of getting value for money.

RESOLVED –

that the Draft Statement of Accounts 2019-2020 be noted.

The committee received a report of the Client Audit Manager setting out the progress on the outstanding recommendations from previous

audits and amendments to the current Audit Plan. The Client Audit Manager introduced the report.

The Client Audit Manager advised that this was the normal report brought before each meeting and related to the period to 4 September 2020.

In relation to the audit plan, delivery had been impacted by Covid-19 with no audits conducted in April and May; and with some staff redeployed to the Revenue and Benefits Service and to Operation Shield at Hertfordshire County Council. In mid-June audit work commenced and the council's audit plan was now back loaded to the second half of the year. There had been no changes to the plan since July. The Client Audit Manager provided the committee with an update on the various ongoing audits.

With regard to the implementation status of agreed audit recommendations, the Client Audit Manager advised that there had been fewer requests for extensions and he provided information in relation to a number of the audit recommendations awaiting an update from officers. As a result, it was agreed that the Group Head of Community and Environmental Services be invited to attend the next meeting to provide an update on progress with recommendations in relation to the Tree Surveying and Play Safety Inspections audits.

The Client Audit Manager concluded by drawing members' attention to Appendix D in the report relating to the Herts Home Improvement Agency Audit which, although commissioned by the County Council, was of interest to Watford Borough Council.

RESOLVED –

1. that the Internal Audit Progress Report for the period to 4 September 2020 be noted.
2. that the change to the implementation date for 2 recommendations (paragraph 2.5 of the report) for the reasons set out in Appendix C to the report be agreed.
3. that the removal of implemented audit recommendations (Appendix C to the report) be agreed.

4. that the Group Head of Community and Environmental Services be invited to attend the next meeting to provide an update on progress with recommendations in relation to the Tree Surveying and Play Safety Inspections audits.
5. that the status of the audit recommendations from the Hertfordshire Home Improvement Agency audit (Appendix D to the report) be noted.

Chair

Audit Committee

The Meeting started at 7.00 pm
and finished at 7.55 pm