

AUDIT COMMITTEE

28 July 2022

Present: Councillor M Hofman (Chair)
Councillor M Devonish (Vice-Chair)
Councillors K Clarke-Taylor, L Nembhard and M Turmaine

Also present: Simon Luk (EY)

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

1 Apologies for Absence/Committee Membership

There were no apologies for absence.

2 Disclosure of Interests (if any)

There were no disclosures of interest.

3 Minutes

The minutes of the meeting held on 10 March 2022 were submitted and signed.

4 Role of the Audit Committee

The Head of Finance provided training on the role of the Audit Committee.

5 Freedom of Information Act Requests October 2021 to March 2022

The committee received a report from the Group Head of Democracy and Governance which included details of the Freedom of Information (FOI) requests for the period October 2021 to March 2022. The number of requests for information that had been received for the relevant period was 356 which was only two higher than the previous half year. 73 requests had not been replied to within the requisite time period and four had not been replied to at all. Of the requests not replied to this was restricted to one department.

The Group Head of Democracy and Governance highlighted a decision made by the Information Commissioner's Office (ICO) regarding the council's failure to comply with a FOI request where not all the information was provided. This was due to a planning officer using their personal phone to take photos that were then not included in the response to the FOI request. The council had decided to provide planning officers with phones so that this specific issue would not occur again.

In response to members' questions, the Group Head of Democracy and Governance advised that measures had been taken to improve responses. The Leadership Board had greater oversight as all responses were recorded on the Firmstep system and uploaded into Qlik. Training would be provided for the Customer Service Centre in regards to the Environmental Information requests which varied slightly to FOI.

RESOLVED –

that the report be noted.

6 **Ombudsman's Annual Letter 2021/22**

The committee received a report from the Group Head of Democracy and Governance regarding the Ombudsman's Annual Letter 2021/2022. In total 15 complaints had been received by the Ombudsman for the year 1 April 2021 to 31 March 2022, of those four were investigated. The rest were either sent back as premature as the council's own complaints procedure had not been completed or were not investigated. Of the four investigations, two were upheld and the Group Head of Democracy and Governance advised that these had been reported to Cabinet. The decisions were upheld due to the council not responding to the complaints in a timely manner which lead to distress for the complainants.

In response to members' questions, the Group Head of Democracy and Governance explained the lessons learned from the upheld complaints had included an updated complaints process, more oversight from the leadership team and regarding the complaint relating to the Revenues and Benefits service the introduction of random checks on complaints.

RESOLVED –

that the report be noted.

Fraud Annual Report 2022

The committee received a report of the Fraud Manager which provided the annual review of the Fraud Team's work in the 2021 financial year to date. An update was provided on the changes to the Regulation of Investigatory Powers Act (RIPA) legislation. The inspection that occurred in 2021 was to look at the protocols in place, officers understanding the limitations of surveillance and of the training procedures. To aid the understanding of RIPA and non RIPA a flow chart had been introduced along with new forms. In regards to fraudulent Covid grant applications and test and trace support payments, there had been intelligence checks with other organisations such as the Department of Works and Pensions (DWP) and the Home Office to support the investigation. The investigation into restart grants, had so far identified 56 fraudulent applications that had used false email information and mule bank accounts. The issue of fraudulent Covid grant applications was not restricted to Watford Borough Council and had been an issue nationwide.

The Anti-Fraud and Corruption Strategy had been revised along with the whistleblowing and money laundering policy. The E-Learning training would also be reviewed and communicated to staff following the revision of this policy.

In response to a question from the Chair, the Fraud Manager explained that more cases of fraudulent Covid grant application were expected to be identified. He also highlighted that due to the cost of living crisis he anticipated more fraud in regards to council tax. The department worked with the DWP for council tax fraud and was also part of the data sharing scheme that was administered by National Anti-Fraud Network to combat grant fraud.

RESOLVED –

that the contents of the report be noted.

SIAS 2021/22 Annual Assurance Statement and Internal Audit Annual Report

The Client Audit Manager for SIAS reported to the committee regarding the SIAS Annual Assurance Statement for 2021/22. He explained that each March the plan for internal audits for the year ahead was presented and in the subsequent committees an update was provided. For the first meeting of the civic year an annual assurance statement was presented summarising the outcomes from the audits completed and providing an overall assurance opinion for the year as part of the Council's Annual Governance Statement which formed part of the Statement of Accounts. The reports showed that for both financial and non-financial systems a 'Reasonable' level of assurance had been given as the

majority of audits were rated as reasonable, which was the second of a four level assessment barometer. There were no major shortcomings and only one was rated as limited. An annual self-assessment against the Public Sector Internal Audit Standards was undertaken and this continued to highlight two areas of non-conformance which related to the way SIAS was structured between the host authority (HCC) and the partner councils, including WBC, but these arrangements did not affect the governance of SIAS. The Client Audit Manager confirmed that the Audit Charter had been reviewed and no changes were required but the latest version covering 2022/23 was attached for approval.

The Client Audit Manager went on to confirm that there was no limitation of scope to the internal audits. Requested evidence and questions were responded to by officers of the council and that the working relationship was good. The Head of Finance confirmed to the committee that this was the case from the management's perspective.

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 (PSIAS) and the Quality Assurance and Improvement Programme (QAIP) be noted.
3. that the SIAS Audit Charter 2022/23 be approved.
4. that management assurance be given that the scope and resources for internal audit were not subject to inappropriate limitations in 2021/22

9

SIAS Update Report on Progress Against the 2022/23 Audit Plan

The committee received a report of the Client Audit Manager setting out progress on the audits in the 2022/23 Audit Plan. Delivery was in-line with the profiled target at this stage of the year but the Client Audit Manager confirmed that a number of audits were due to start in the next three months and actions were in-progress to contact key officers to get these scoped and scheduled. For example, the Client Audit Manager had met with the heads of department for Finance and Revenue and Benefits so that the scope could be agreed along with a draft terms of reference. As a result of these meetings three plan changes were noted and brought to the attention of the committee.

In terms of the usual update on progress against the outstanding audit recommendations, there were six recommendations where officers had requested extensions to the target dates.

In response to members' questions regarding the backlog caused by Covid the Client Audit Manager explained that ways of working had been affected by Covid but had also provided an opportunity to learn. In reply to further questions the safeguarding audit had been broken down into four actions, of these three had been completed. The last action was a spot check on temporary staff to be carried out over the year which was why the deadline would be 2023.

RESOLVED –

1. that amendments to the Audit Plan as at 15 July 2022 be approved.
2. that the change to the implementation date for six recommendations (paragraph 2.6) for the reasons set out in Appendix C be agreed.
3. that removal of implemented audit recommendations set out in Appendix C be agreed.

10

Statement of Accounts and Annual Governance Statement 2021/22

The Head of Finance introduced the report on the Statement of Accounts which set out a summary on the statement of accounts and audit from 2019/20 to 2021/22. As of the July committee there were three open accounts. The 2019/20 accounts had been delegated at the March committee to be signed off, however due to a national issue which involved changes to infrastructure asset costs this was delayed till September 2022. The 2020/21 audit, undertaken by EY, had been started on 4 July 2022, a draft of the audit results report was expected at the September Audit Committee. The 2021/22 accounts would be published for public inspection as of 31 July, in regard to the audit there was an extension to the statutory deadline to 30 November. Finance had confirmed with EY that resources had been allocated to January 2023 to complete the audit.

The committee was asked to approve the Annual Governance Statement for publication alongside the 2021/21 draft accounts. The Head of Finance highlighted that in management's view, "It is our opinion that the Council's governance arrangements in 2021/22 were sound and provide a robust platform for achieving the Council's priorities and challenges in 2022/23. It is our opinion that this has remained the case during the COVID-19 pandemic; and that despite the challenges posed by this, the Council's governance in dealing with the

pandemic and our ability to maintain sound governance during the outbreak, has been effective.”

In response to members’ questions the Head of Finance explained that Watford Borough Council was not alone in not concluding the 2019/20 audit. The historic issue of assets wrongly classified had now been corrected. In reply to further questions on the ramification of audits that were not completed on time the Head of Finance advised the committee that a notice was posted on the website. However the risk was one of reputation.

RESOLVED –

1. that the Annual Governance Statement 2021/22 be approved.
2. that the committee notes the Director of Finance will authorise for issue a Draft Statement of Accounts 2021/22 for public inspection by 31 July 2022.

11 **External Audit Planning Report 2020/21**

The committee received the report of the external auditor, EY. Simon Luk from EY provided an overview of their report which highlighted changes to four new significant risks, retained significant risks and inherited risks. The Croxley Business Park was part of the report for the first time. The committee was directed to page 15 of the report which addressed the significant risks faced by the council and the actions advised to tackle the risk. On the issue of Planning materiality had been set at £1.7m, which represented 2% of the year 2020-2021’s draft gross expenditure on provision of services. Performance materiality had been set at £0.9m, which represented 50% of planning materiality.

In response to questions from members, Simon Luk confirmed that the relationship between the council and EY had improved. The 2019/20 audit had been difficult, however it was expected that the 2020/21 would be easier once the issues from 2019/20 were resolved.

12 **Treasury Management Annual Report 2021/22**

The committee received a report of the Head of Finance which included the mid-year and annual year-end review of the Treasury Management function. The Head of Finance introduced the report observing it focused on the council’s borrowing and investment position. The returns on treasury investments had been low as the Council had prioritised the security of investment. Base rates

increased towards the end of the year and officers were reviewing the profile of external borrowing.

The Head of Finance made the committee aware of an internal breach on an internal limit exceeded on an overnight balance on the Lloyds account. The event occurred due to the authorisation email which had not been received by the Finance team due to the security update on the email system.

In response to members' questions the Head of Finance explained that the issue surrounding email authorisation had been resolved and would be unlikely to reoccur. There were further questions regarding rate of return on investment and whether it would be possible to look at alternatives, the Head of Finance explained that there were self-imposed limitations on investments and increased risk was not a guarantee on increased reward. The objectives of investment followed the three rules of security, liquidity and yield.

RESOLVED –

that the Committee notes the Annual Treasury Management Report.

Chair

The Meeting started at 7.00 pm
and finished at 8.40 pm