

## **AUDIT COMMITTEE**

**14 September 2023**

Present: Councillor M Hofman (Chair)  
Councillor K Clarke-Taylor (Vice-Chair)  
Councillors A Khan, C Newstead and K Rodrigues

Also present: Mark Watkin, Portfolio Holder  
Simon Luk (EY)  
Charmaine Cruz, EY

Officers: Group Head of Democracy and Governance  
Chief Finance Officer  
Associate Director of Environment  
Democratic Services Officer (LM)

### **18 Apologies for Absence/Committee Membership**

There was a change of membership for this meeting: Councillor Kennedy replaced Councillor Nembhard.

### **19 Disclosure of Interests (if any)**

There were no disclosures of interest.

### **20 Minutes**

The minutes of the meeting held on 26 July 2023 were submitted and signed.

### **21 Ombudsman's Annual Letter 2023**

The report was presented to the committee by the Group Head of Democracy and Governance, summarising complaints received and resolved from April 1, 2022, to March 31, 2023. During the previous year, nine complaints were received, with 13 being resolved, four of which were carried over from the prior year. In relation to the resolved complaints, only two were investigated, both of which were upheld, and both were formally reported to cabinet. One other matter was also upheld without investigation as the council had accepted at the outset it was at fault. The statistics therefore showed that 100% of complaints

investigated were upheld. Similar statistics were observed in neighbouring councils. Due to the small numbers being investigated. The report also provided information on the remaining matters resolved by the Ombudsman that were not investigated and were either not upheld or deemed premature.

In response to a query from Councillor Rodrigues about lessons learned from the upheld complaints the Group Head of Democracy and Governance stated it was the need to maintain regular contact with complainants. Additionally, one of the cases involving two departments planning enforcement and environmental health and the lesson learned was the need for improved collaboration and communication between these two departments.

In response to an inquiry from Councillor Khan asking to see the Ombudsman reports on the upheld complaints the Group Head of Democracy and Governance agreed to circulate them to all members of the committee after the meeting. Councillor Khan asked about complaints in this financial year the Group Head of Democracy and Governance stated to her knowledge, there were no ongoing complaints with the Ombudsman at present. Finally Councillor Khan asked if the council advertised the existence of the Ombudsman for complainants. The Group Head of Democracy and Governance pointed out that within every Stage 2 letter, whether the complaint was upheld or not, information was provided regarding the option to escalate the matter to the Ombudsman if the complainant remained dissatisfied, along with a link for easy access.

Councillor Newstead inquired about the comparison of current complaints with historical data. The Group Head of Democracy and Governance responded that there were nine complaints last year, which marked an improvement from previous years. Around 18 months ago, in the Ombudsman was receiving and upholding complaints due to non-compliance with our internal time frames for responding to complaints. This issue prompted a review and subsequent streamlining of the complaint's procedure. Additionally, the customer service experience strategy was updated.

RESOLVED –

that the report be noted.

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### **RIPA Update**

The Group Head of Democracy and Governance presented the annual report to the committee, which focused on the Regulation of Investigatory Powers Act 2000 (RIPA) and surveillance activities. It was emphasised that non-compliance with the RIPA Act could result in failed prosecutions. The legal landscape had changed significantly, considerably reducing the scope of surveillance powers.

Currently, RIPA-directed surveillance is only employed in cases such as underage sale of alcohol or tobacco or where the offences are punishable by up to 6 months of imprisonment. In the last financial year, there had been no RIPA authorisations. The RIPA policy had been reviewed and was attached to the report. Additionally, officers underwent comprehensive training on effectively utilising RIPA within legal parameters.

The Group Head of Democracy and Governance explained that few offences investigated by the council resulted in sentences as severe as six months. Typically, the council deals with summary offences, often resulting in fines, with very few cases reaching the severity level warranting such a sentence. Most cases would pertain to fraud. The use of RIPA for addressing issues like fly-tipping is no longer an available option. Matters involving trading standards violations and underage sale of alcohol and tobacco fall under the jurisdiction of the county council, limiting the use of RIPA further by Watford Council. It's important to note that RIPA is not primarily aimed at local authorities; instead, its usage is more prominent among law enforcement agencies, such as the police and customs, who exercise these powers more extensively.

In response to a question from the chair, the Group Head of Democracy and Governance answered that councillors documenting evidence of anti-social behaviour, to be reported to the relevant officers, do not require the use of RIPA.

RESOLVED –

that the report be noted.

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### **Shared Internal Audit Service Progress report**

The HCC Head of Assurance introduced Leigha Britnell as the new Client Audit Manager.

In response to Councillor Rodrigues' earlier question during the week, he focused on the management responses to the internal audit follow-up of recommendations that had been circulated earlier in the day. He highlighted the safeguarding issue on page 13, which ranked high among the outstanding recommendations. The response was due on the following day, with a revised due date set for the end of September. There was potential to request an update at the end of the month regarding the outstanding recommendation and any revised deadlines.

It was common practice only to report high and medium priority recommendations to Audit Committees, while low priority ones were typically monitored by relevant officers and not routinely followed up due to reduce

administrative challenges in doing so. However, low priority recommendations were brought to the Audit committee for both Watford and Three Rivers, including those for shared services. The Committee was invited to decide whether to continue to receive updates on the low-priority recommendations.

As a follow-up from the previous committee meeting, there had been a request for a written update on Watford Museum. Paul Stacey, the Associate Director of Environment, was present at the committee to provide a comprehensive update and address any queries. The primary focus of this update revolved around governance, which stemmed from the recent audit. As part of the Town Hall Quarter project the museum will undergo a service transformation to enable an improved service from a new location at the town hall. This initiative had progressed through various development phases, which included a successful round 1 bid the national Heritage Lottery fund to move the museum and included funding and an outcome for improving the governance of the museum with oversight provided by The Town Hall Quarter member steering group, the broader town hall programme had been the driving force behind these changes. Additionally, the museum was currently in the process of seeking Arts Council England reaccreditation for the museum. The museum operated under its existing ACE accreditation and would move to provisional accreditation once the new location and museum plans were further developed. Governance recommendations had remained relatively the same in the past 12 months. In terms of actual progress, the last member steering group had focused on mission, vision, and values, with plans to build upon the feedback received. The museum service had worked diligently on key documentation, including the documents and policies, activity plan and lottery-related outreach and engagement. In terms of the action around a missing object, a draft report is being revised to include more substantive conclusions and learning points. Attention was also drawn to other important aspects of the process, particularly the collection inventory project an associated documentation required to ensure a successful transition to a new venue. The completion of the insurance valuation, particularly for fine art pieces, had been achieved, resulting in updates to insurance schedules.

In response to Councillor Khan's question regarding the museum's diversity to mirror Watford, the Associate Director of Environment, they explained that it played an integral role in the museum's future. That inclusivity was particularly relevant to securing a lottery grant, which mandated that the museum's exhibits and governance accurately reflected Watford's diverse community. To meet these requirements, the museum has been able to appoint a fixed term Community Curator through the round 1 lottery grant who will work with diverse and hard-to-reach groups to ensure the future museum's initiatives reflected the stories and needs of our diverse communities and were inclusive.

In response to a question from Councillor Watkin, the Associate Director of Environment, explained that the museum is currently accredited by the Arts Council. This accreditation enables the museum to apply for funding and grants. However, once the museum relocates to the town hall, they will need to reapply for a new accreditation to continue benefiting from these opportunities.

The HCC Head of Assurance responded to a question from Councillor Khan, explaining that the document contained updated responses that were unavailable when the report was initially published. Regarding the recommendation for Debtors, it was highlighted that this recommendation was made in June 2021 and had remained unresolved for two years. The HCC Head of Assurance clarified that once officers complete a recommendation, it is then marked as closed. However, long-standing recommendations that remain open are reported to Members.

Councillor Watkin, in his capacity as the portfolio holder, provided assurances that he would communicate with the relevant managers concerning the delays in implementing the recommendations from SIAS. Councillor Khan expressed his concern regarding the cyber security recommendations not being implemented, stressing the need for urgency. He also highlighted his concerns about the safeguarding issue.

The Head of Finance mentioned that she would provide feedback to the officers, communicating that more explanation was required to clarify the mitigations in place. She assured the committee that she would address this with her colleagues to ensure a more comprehensive understanding.

In addition, the HCC Head of Assurance emphasised the significance of posing pertinent questions, which was the primary role of the audit committee. It was highlighted that the audit committee should actively involve itself in matters like these, leveraging its overarching role in governance. Expressing concerns was encouraged, and the right questions were being asked.

The chair concurred that the purging of low-risk recommendations from the SIAS Progress Updates would be delayed. Councillors deliberated whether HR should be invited to the next audit committee meeting to address the safeguarding issue, classified as high risk. The committee reached a consensus to extend an invitation to HR.

RESOLVED –

that the report be noted.

- Note the Internal Audit Progress Report for the period to 1 September 2023
- Approve amendments to the Audit Plan as at 1 September 2023
- Agree the change to the implementation date for two recommendations (paragraph 2.5) for the reasons set out in Appendix C
- Agree removal of implemented audit recommendations set out in Appendix C
- Note the implementation status of high priority recommendations.

#### 24 **Introduction of External Auditors for 2023/24 onwards**

The Head of Finance discussed how this agenda item was included in anticipation of the new auditors' availability. Unfortunately, they were unable to attend as expected. She proposed the option of inviting the new auditors to the November committee. This could involve a closed-door pre-meeting with the auditors, excluding officers, followed by a presentation during the committee. The committee unanimously agreed to this proposal.

#### 25 **Updated Draft Audit Results Report 2020/21**

Simon Luk from EY provided the committee with an update on the Draft Audit Results Report for 2020/21, which included adjustments from 2019/20. During this process, there were some outstanding tasks related to plant, property, and equipment work. A minor issue arose with the working papers. He was pleased to report that this issue has since been successfully resolved, and all outstanding work will be completed at the earliest convenience. Furthermore, most of the testing based on the initial draft of the 20/21 financial statements has been successfully concluded. We have been updating our risk assessment and procedures based on the revised draft financial statements we received on July 27 2023. Delays were encountered in obtaining the necessary information. These delays primarily resulted from the constraints on management's capacity.

Councillor Watkin voiced his concerns and provided Dacorum's completion of their audit for 22/23 as an example. Simon Luk responded that the timeline depended on the authority. In the case of Watford Council, the audit faced multiple issues with 19/20 prior adjustments across a range of accounts spanning three years. This presented a considerable challenge due to the complexity of adjustments, including three significant adjustments and a staff turnover. These challenges had a knock-on effect on 20/21. There were concerns about the government issuing new directions, impacting the national approach to dealing

with audits. EY was in the process of determining the approach, but it was too early to ascertain the full extent of the impact.

Councillor Khan inquired about the requirements for obtaining sign-off for the 20/21 audit and voiced his concern. The Head of Finance responded, stating that the draft accounts had been published for 2021/22 and 2022/23, and a significant amount of work was underway in collaboration with EY, incorporating clear plans. Simon Luk also added his comments, mentioning the need for the 20/21 accounts to be reconciled with the adjustments from 19/20 and ensuring correct posting. This involved revising the balance sheet with accurate figures, and the speed of progress largely depended on the management's prompt responses.

Councillors discussed the need for clear deadlines for the audit process and the history of delays. They emphasised the necessity for well-defined timelines within the audit process and reflected on the historical delays. The Head of Finance responded, indicating that the signing of the 19/20 accounts took place in January 2023, and it had been a challenging process. Subsequently, updates were made. Initially, the 19/20 accounts were due to be signed in March 2022, but national issues concerning fixed assets valuation of infrastructure assets affected all authorities with open accounts. While some aspects were within the council's control and could have been expedited, there were also national considerations. Scrutiny was intensified for the 19/20 accounts, and more oversight was required, making it harder to conclude the audit. Delays led to further delays, and the council found itself revisiting past records, complicated by staff turnover, making the situation more challenging. The authority had published draft accounts for 20/21, 22/23, which were still under review and open to the public. Despite the ongoing struggles to complete the audit, the process remained robust and on track, and we were prepared to finalise the audit work.

Councillor Rodrigues sought clarification in regard to the comment on page 90, which emphasised the importance of management conducting a comprehensive review of the going concern assessment. He asked if the review process was straightforward for management. The Head of Finance responded that the review examined the Medium-Term Financial Strategy (MTFS). However, the situation had become more complicated with the delay to previous audits completion. However, the MTFS was carefully examined to assess the associated risks, specifically with a focus on the earmarked reserves. The exercise revolved around ensuring our financial sustainability and assessing if we would still possess sufficient cash reserves to sustain us throughout the specified period. Councillor Rodrigues sought clarification in regard to the comment on page 90, which emphasised the importance of management conducting a comprehensive review of the going concern assessment. He asked if the review process was

straightforward for management. The Head of Finance responded that the review examined the Medium-Term Financial Strategy (MTFS). However, the situation had become more complicated with the delay to previous audits completion. However, the MTFS was carefully examined to assess the associated risks, specifically with a focus on the earmarked reserves. The exercise revolved around ensuring our financial sustainability and assessing if we would still possess sufficient cash reserves to sustain us throughout the specified period.

26 **Statement of Accounts Update**

The Head of Finance provided a brief updated and noted that many of the pertinent points had been covered in the previous agenda item.

Chair

The Meeting started at 7.00 pm  
and finished at 8.30 pm