

AUDIT COMMITTEE

25 May 2023

Present: Councillor M Hofman (Chair)
Councillor K Clarke-Taylor
Councillors L Nembhard and K Rodrigues

Also present: Councillor Mark Watkin (Portfolio Holder)

Officers: Group Head of Democracy and Governance
HCC Head of Assurance
Democratic Services Officer (LM)
Head of Finance

1 Apologies for Absence/Committee Membership

Apologies were received from Councillor Khan.

There was a change of membership for this meeting: Councillor Rodrigues replaced Councillor Newstead.

2 Disclosure of Interests (if any)

There were no disclosures of interest.

3 Minutes

The minutes of the meeting held on 9 March 2023 were submitted and signed.

4 Freedom of Information Act Requests October 2022 to March 2023

The Group Head of Democracy and Governance presented a report to the committee regarding the half-yearly report of Freedom of Information (FOI) requests received between 1 October 2022 and 31 March 2023. The council had received 275 FOI requests and no Environmental Information Regulations (EIR) requests. This represented an increase of 30 compared to the previous half-year. Out of those 275 requests, only nine went unanswered beyond the 20 working days timeframe. None of the requests remained unanswered entirely. This marked a significant improvement from the last half-year, during which 54 requests were not addressed within the specified timeframe. The improvement could be attributed to the implementation of the Firmstep system, wherein all

requests were logged into, allowing them to be accessed through the Qlik system and easily monitored by managers.

The chair inquired about the reason for the increase in FOI requests. The Group Head of Democracy and Governance explained that during this half-year period, there had been an increase of 30 requests. It was noted that there were multiple requests for each service, with the majority coming from the media. Additionally, individuals posed numerous questions, a standard occurrence for the council.

Councillor Rodrigues inquired about the nine unanswered FOI requests. The Group Head of Democracy and Governance explained that this had been attributed to staff resourcing issues and the complexity of the FOI, which required its referral to the legal team or a partner. Councillor Rodrigues followed up regarding the consequences of unanswered FOI requests and whether officers were aware of any outstanding FOI requests. The Group Head of Democracy and Governance confirmed that the staff were aware of the outstanding FOI requests. Moreover, it was explained that the failure to respond to FOI requests promptly could result in individuals lodging complaints with the Information Commissioner, leading to potential sanctions imposed by the Information Commissioner's Office.

In response to a question from Councillor Clarke-Taylor, the Group Head of Democracy and Governance explained that when people submitted FOI requests to the wrong council, such as in the case of potholes, which fell under the jurisdiction of the county council, the customer service team would redirect individuals to the appropriate authority. Councillor Clarke-Taylor suggested providing more straightforward instructions on the council's website to help individuals direct their FOI requests to the proper authority.

RESOLVED –

that the report be noted.

5 **Internal Audit Annual Report and Annual Assurance Statement 2022/23**

The Head of Assurance presented the report to the committee. Throughout the year, the committee received progress reports from SIAS to keep them updated. At the end of the year, it was the Head of Assurance's responsibility to deliver an annual assurance opinion based on the complete audit plan. The overall assurance opinion headline was 'reasonable assurance' for both financial and non-financial systems, which was considered one of the higher ratings an authority could receive. In the end, there were challenges in ensuring the

completion of the entire plan by the year-end. However, he was pleased to report that the entire plan for 22/23 was successfully accomplished by the time of this report.

The Public Sector Internal Audit Standards (PSIAS) required the Head of Assurance to confirm to the committee that there had been no scope and resource limitations on internal audit for 22/23. SIAS had been allowed to operate effectively with the right level of independence and no interference and to report independently to the committee. The Head of Finance confirmed to the committee that management agreed with the statement.

Another matter the Head of Assurance communicated to the committee was the outcome of the annual self-assessment, as mandated by the PSIAS standards. The result indicated general conformity, which aligned with the findings of the external audit conducted in 2021.

In response to a question from the chair regarding the cancellation of the audit of assets management, the Head of Finance explained that the audit could not be conducted due to insufficient data available at the time. As a result, the audit had been rescheduled and moved up earlier in the audit plan for the 2023/2024 period.

Councillor Rodrigues inquired about the action plans and the observed minor improvements. In response, the Head of Assurance discussed that comparing audit reports year to year posed challenges as they targeted different areas of focus. However, it was acknowledged that certain areas were effectively managed, while others received a 'reasonable' rating. The Head of Assurance emphasised that it would be a cause for concern if any area were assessed as 'limited.' The individual reports had been distributed to committee members earlier this week. Additionally, SIAS provided progress reports to the committee throughout the year, along with recommendations, and the committee exercised oversight in that regard.

Councillor Watkin inquired about what constituted a satisfactory outcome and whether a solely positive outcome would indicate proper scrutiny. Additionally, he questioned whether Watford was being effectively managed financially. In response, the Head of Assurance highlighted that authorities that had garnered media attention received recommendations or qualifications, experienced high-profile mismanagement, or encountered conflicts between officers and members, which did not apply to Watford. None of those factors had the potential to compromise the assurance opinion that the provided assurance aligned with the information and feedback received from external auditors. The Head of Assurance also emphasised the importance of considering other forms of assurance to complement the overall assessment. They expressed confidence in their opinion, stating that a good, substantial outcome was noteworthy, even though audit-related terminology might sometimes seem less impressive.

RESOLVED –

1. Note the Annual Assurance Statement and Internal Audit Annual Report
2. Note the results of the self-assessment required by the Public Sector Internal Audit Standards (PSIAS) and the Quality Assurance and Improvement Programme (QAIP)
3. Approve the SIAS Audit Charter 2023/24
4. Seek management assurance that the scope and resources for internal audit were not subject to inappropriate limitations in 2022/23

6 **Statement of Accounts and Annual Governance Statement 2022/23**

The Head of Finance presented a report outlining the timeline for the publication of the draft Statement of Accounts 2022/23, with a deadline of Wednesday, May 31st. The report emphasised that the draft accounts would be incomplete, specifically regarding asset valuations and pension fund valuations. Due to previous delays in completing the audits for the 2020/21 and 2021/22 periods, certain technical accounting adjustments associated with asset valuations had not been finalised within the draft accounts. Additionally, the system delays experienced were causing further delays in the overall process.

The Annual Governance Statement (AGS), which was required to be published, outlined the governance arrangements. It provided assurance that appropriate governance processes were established and relied on values in the statement of accounts. Within the AGS, it was concluded that, in the management's opinion, the council's governance arrangements were robust and provided a solid foundation for achieving the council's priorities in the 2023/24 period. The statement was signed by the leader of the council, the Mayor, and the Chief Executive.

It was brought to the attention of the committee that a significant governance issue had been identified, as outlined in Appendix 1. The Revenues and Benefits system had been utilised for purposes beyond its intended design, which posed potential risks. However, appropriate actions had been implemented, including ongoing litigation, to mitigate these risks.

The Head of Finance addressed inquiries from councillors concerning the accounts and highlighted the existence of a robust governance process to monitor risks and facilitate decision-making. It was acknowledged that the balance sheet had become more intricate due to factors such as the inclusion of the Croxley Business Park and joint ventures. Inflation remained a concern for 2023/24, but reserves were available to address this issue.

Regarding a question on fraud, it was explained that Gary Turner would be able to address this matter during the July Audit Committee meeting. Additionally, national data matching techniques had been utilised to identify potential instances of fraud. The Head of Finance discussed the delay in completing the outstanding audits, particularly highlighting the significant challenges faced during the 2019/2020 audits. These challenges had ensuing impacts on the progress of the subsequent audits.

RESOLVED –

that the report be noted.

7

Statement of Accounts 2020/21 and 2021/22 update

The Head of Finance presented an oral update on the statement of accounts for the 2020/21 and 2021/22 periods. During the March committee meeting, it was anticipated that the 2020/21 audit would be concluded by the May meeting. However, there were subsequent delays with the external auditors, and their work on the outstanding audits would resume in July. EY, the external auditors, assured officers that the outstanding audits would be prioritised over the 2022/23 audits. The Head of Finance expressed hope for better news regarding the audits at the July committee meeting.

In response to inquiries from the committee, the Head of Finance clarified that there had yet to be communication from the new external auditors, who were in the process of hiring before taking on new local government clients.

Regarding questions about the relationship with our current external auditors, EY, the Head of Finance, explained that the account manager understood the intricacies of the council's accounts, and their annual leave had indeed impacted the process. EY were now working on NHS audits and would not return to local government work until July. A letter detailing the frustrations would be sent to address the situation. On a positive note, the Watford department was now fully staffed, which should result in a quicker turnaround in the future. Unfortunately, it was unlikely that Watford would receive compensation from EY for the delay. Instead, it was anticipated that there would be a higher fee to account for the additional hours required. It was acknowledged that the 2019/2020 audit issues were not EY's fault but something that needed to be addressed collaboratively due to the complexities involved.

8

External Auditor Update

The item has been withdrawn prior to the meeting.

Chair

The Meeting started at 7.00 pm
and finished at 8.00 pm