

AUDIT COMMITTEE

30 JUNE 2011

Present: Councillor I Brown (Chair)
Councillors A Burtenshaw, A Khan and R Martins

Also present: Councillor Malcolm Meerabux and Paul Dossett (Grant Thornton)

Officers: Head of Strategic Finance
Head of Revenues and Benefits
Acting Audit manager
Fraud Manager
Committee and Scrutiny Officer

1 APOLOGIES FOR ABSENCE/COMMITTEE MEMBERSHIP

Apologies for absence were received from Councillor Rackett.

2 DISCLOSURE OF INTERESTS (IF ANY)

There were no disclosures of interest.

3 MINUTES

The minutes of the meeting held on 16 March 2011 were submitted and signed.

4 REQUESTS MADE UNDER THE FREEDOM OF INFORMATION ACT 2000

The Committee received a report of the Head of Legal and Property Services setting out details of requests made under the Freedom of Information Act 2000 for the period from 1 October 2010 to 31 March 2011.

The Chair advised that any questions would be forwarded to the Head of Legal and Property Services and a response would be circulated at a later date.

A Member asked if it was possible to find out how many hours and what costs were involved in responding to Freedom of Information requests.

Another Member noted the request for information about the purchase of Nintendo DS and DS Lite consoles. He asked why the authority would be purchasing these machines.

A Member noted that a resident had submitted 11 questions about planning. He questioned whether the authority should be exploring the request in more detail and what might lie behind it.

The Portfolio Holder advised that the Constitution Working Party had considered whether redacted responses could be added to the Council's website. The Head of Legal and Property Services was going to investigate whether this was possible.

The Chair asked that the Head of Legal and Property Services was invited to the next meeting.

RESOLVED –

1. that the Head of Legal and Property Services be invited to attend the next meeting.
2. that Members' questions be forwarded to the Head of Legal and Property Services and that the responses be circulated to the Committee.

5 **EXTERNAL AUDITOR'S REPORTS**

The Committee received reports from the Council's External Auditor, Grant Thornton, which covered –

- Certification Work – Planning Memorandum
- Accounts Audit Approach Memorandum
- Annual Governance Statement: Adding Real Value?

Paul Dossett explained each report. He stated that the most important grant claim referred to in the certification work was the Housing and Council Tax Benefit Claim. The Audit Approach set out the plans for the final accounts audit. The Annual Governance Statement explained the External Auditor's findings, having reviewed a number of 2009/10 Annual Governance Statements.

RESOLVED –

that the Committee has considered the reports carefully and notes that they will be extremely valuable documents in planning an orderly audited closure of the 2010/11 Final Accounts.

6 **TREASURY MANAGEMENT QUARTERLY REPORT**

The Committee received a report of the Head of Strategic Finance which provided the first quarter's review of the Council's Treasury Management Strategy.

The Head of Strategic Finance updated the Committee on recent events including the situation in Greece. He also referred Members to the Council's current portfolio, attached as Appendix 1 to the report.

A Member commented that he was aware the Council focussed on investing in UK banks; however, the strongest banks were now found in China and India.

The Head of Strategic Finance acknowledged that two of the five largest banks in the world were based in China. He advised Members that some banks would only want a large investment, for example over the £5 million limit the Council set and it was possible that the Chinese banks might require a higher investment. If the Council did invest in Chinese banks the investment would need to be in sterling and not the local currency.

Paul Dossett suggested that Members might want to wait and monitor how other local authorities manage investing in these markets.

The Head of Strategic Finance informed the Committee that the reference to Santander in the portfolio was Santander UK and not Santander Spain.

A Member questioned the security of the investment in Lloyds TSB. The Head of Strategic Finance responded that the bank was covered by the Government's Guarantee scheme. Officers had invested with the bank due to the good rate of interest and it was not considered to be a risk as it was part owned by the UK Government.

RESOLVED –

that the report be noted.

7

ANNUAL GOVERNANCE STATEMENT

The Committee received a report of the Head of Strategic Finance setting out the Annual Governance Statement which the Council was required to produce annually.

The Head of Strategic Finance explained the basic principles of the Statement which would have to be signed by the Mayor and the Managing Director. He referred to the significant governance issues. For example, the Revenues and Benefits service had ongoing issues regarding reconciliations. Officers wanted to ensure that the appropriate systems were in place to avoid any errors, as this could be costly. With reference to the downtime caused by the ICT problems, the cost to the Council was probably significant. He added that if the External Auditor raised any other issues during the audit process, these would be included in the Statement of Accounts produced for consideration in September.

Paul Dossett said that he wished to draw Members' attention to ICT, which was considered to be the most significant issue. ICT systems had to be robust.

The Portfolio Holder informed the Committee that the Shared Services Joint Committee had discussed ICT in great detail. Officers had been tasked with providing robust proposals. The infrastructure needed to be future-proofed. ICT's performance needed to be substantially improved.

A Member said that he had also been present at the Shared Services Joint Committee and had been shocked at the state of ICT within the Councils. He said that there had been cross party agreement on this matter.

A Member said that he was concerned how reliant the Council was on ICT. If the systems failed it was not possible to do anything.

The Portfolio Holder said that this was an issue faced by both local authorities. Changes to the ICT systems should not limit future development. Resilience still needed to be retained.

A Member commented that the Annual Governance statement looked back in time. He asked whether there should be a section setting out the way forward.

The Head of Strategic Finance responded that if the document were to include future plans it would probably be twice as thick as the current document.

The Portfolio Holder advised that the Council's Corporate Plan was the 'forward looking' document. The Corporate Plan and Annual Governance Statement should 'mesh'.

RESOLVED –

that the Annual Governance Statement set out as Appendix A to the report be approved.

8 STATEMENT OF ACCOUNTS 2010/2011

The Committee received a report of the Head of Strategic Finance which explained the changes to the statutory reporting arrangements for the 2010/2011 Statement of Accounts.

The Head of Strategic Finance informed the Committee that he was required to sign the Statement by the end of the day. Paul Dossett confirmed that it needed to be signed off that day.

It was noted that the calculation for the second potential risk was incorrect and the overall score should have been '4'.

RESOLVED –

that the report be noted.

9 REVENUES AND BENEFITS HEALTH CHECK

The Committee received a report of the Head of Revenues and Benefits which provided an update of the recommendations made by ISCAS Ltd following their review of the Revenues and Benefits Service in August 2010.

The Head of Revenues and Benefits stated that the recommendations had helped him in the first few months in his role as the Head of Service. 41 of the recommendations had been implemented and 29 were still to be completed. Some of the recommendations were more significant than others. Reconciliation procedures had been put in place and assessments were reviewed on a regular basis. Once the systems had been migrated by the end of December the service would focus on the outstanding recommendations.

Following a Member's question about the deadlines revised to June 2011, the Head of Revenues and Benefits advised that these would not be revised again as the reconciliation procedures had been put in place.

RESOLVED –

that the report be noted.

10

INTERNAL AUDIT PROGRESS REPORT

The Committee received a report of the Acting Audit Manager which provided updated information on the work undertaken by the Internal Audit Service.

The Acting Audit Manager reported that 93% of the 2010/11 Audit Plan had been achieved. The 2011/12 Audit Plan had been started.

Paul Dossett referred to the ICT related issues and said that he expected discussions would be held with both authorities. He added that it was important the audits took place and that the recommendations made should be implemented.

The Acting Audit Manager advised that IT related audits were outsourced to Deloitte. The IT audits had recently been deferred until November and the last one would commence in January. Discussions had taken place with the Head of ICT.

The Portfolio Holder advised that the Shared Services Joint Committee had looked at the projects the ICT service was involved in over the year. It would be necessary to consider whether some projects were deferred. It was important to ensure that the service was not overloaded and that staff had time to implement recommendations.

A Member stated that the role of Audit Manager was important and the service was invaluable. He asked for assurance that the service had support and would continue.

The Head of Strategic Finance said that the Council needed an effective internal Audit. The function was being reviewed and in September a report would explain the arrangements being put in place.

A Member commented that ICT had been flagged as an issue for concern. He asked what the financial cost would be to boost the system.

The Portfolio Holder replied that the cost for small district councils was becoming too huge. It was necessary to look at how services were procured; how it was run and administered. All options for the service would be considered.

RESOLVED –

that the report be noted.

11

IMPLEMENTATION OF INTERNAL AUDIT RECOMMENDATIONS

The Committee received a report of the Acting Audit Manager which highlighted any lack of progress in implementing Internal Audit recommendations.

The Chair asked the Head of Strategic Finance for an update on the role of Procurement Officer and recruitment to the post.

The Head of Strategic Finance informed the Committee that the post was still vacant. The Council was able to purchase strategic procurement advice from Dacorum Borough Council. A study was taking place, which was looking at the procurement strategies for Watford Borough Council and Three Rivers District Council. The post would remain vacant for the present time. He advised that a report would be presented to Cabinet in July regarding the latest procurement of gas and electricity services. There was an increased use of other procurement frameworks or consortia. With regard to major projects including the Health Campus and Charter Place external advice was sought. Consideration would need to be given to whether the role was a full-time post.

RESOLVED –

that the report be noted.

12

FRAUD ANNUAL REPORT

The Committee received a report of the Fraud Manager which provided information about the work of the Fraud Section during 2010/11. It included news articles which had highlighted some of the cases completed during the year.

Following a Member's questions about whether the sanctions were higher or lower than the previous year, the Fraud Manager responded that there was a higher risk than in previous years. The data matching had helped to identify the easier cases. The more complex cases were resource intensive. Methods of surveillance were currently under scrutiny due to some high profile cases in the national media. Many of the cases related to people not reporting changes in circumstances, for example when they took on a second job. The more sophisticated cases might involve false wills or death certificates being presented to benefits.

The Head of Strategic Finance informed the Committee that one area the Fraud Team and Revenues and Benefits would be concentrating on would be the single person discount claims for Council Tax. It was possible that some people did not consider the wrongful application for the discount to be fraud.

The Head of Revenues and Benefits added that this initiative was jointly being carried out with the County Council, as 80% of the Council Tax was for the County. There was an £80.00 penalty for failing to report a change in circumstance. Any penalties were paid to Watford Borough Council, which would retain the full penalty charge.

Following a further question about the fraud cases, the Fraud Manager advised that the Council had a reciprocal arrangement with other countries, mainly in Europe.

RESOLVED –

that the contents of the report be noted.

13 EXCLUSION OF PRESS AND PUBLIC

that, under Section 100A (4) of the Local Government Act 1972, the public and press be excluded from the meeting for the following item of business as it was likely, in view of the nature of the business to be transacted or the nature of the proceedings, that if members of the public were present during consideration of the item there would have been disclosure to them of exempt information as defined in Section 100(1) of the Act for the reasons stated below in terms of Schedule 12A.

14 CREDITOR PAYMENT PROCEDURES

The Committee received a report of the Head of Strategic Finance setting out a revised creditor payment procedure following a recent incident.

RESOLVED –

that the Committee notes that a full internal audit report has been produced and is being considered by Senior Managers both within Watford and Three Rivers Councils. The Committee also notes that interim additional security procedures have been put in place to seek to ensure that future fraudulent incidents can be avoided.

Chair

The Meeting started at 7.30 pm
and finished at 9.35 pm