



**WATFORD  
BOROUGH  
COUNCIL**

# **AUDIT COMMITTEE**

**30 June 2011**

**7.30 pm**

**Town Hall, Watford**

**Contact**

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**Publication date: 24 June 2011**

# Committee Membership

Councillor I Brown (Chair)

Councillor

Councillors A Burtenshaw, A Khan, R Martins and S Rackett

## Agenda

### Part A - Open to the Public

**1. Apologies for Absence/Committee Membership**

**2. Disclosure of Interests (if any)**

**3. Minutes** (Pages 4 - 12)

The minutes of the meeting held on 16 March 2011 to be submitted and signed.  
*(All minutes are published on the Council's website.)*

**4. Requests Made Under the Freedom of Information Act 2000** (Pages 13 - 46)

This is a half year report of requests made under the Freedom of Information Act 2000.

**5. External Auditor's Reports** (Pages 47 - 75)

The External Auditor's report covers the following issues:

- Audit Progress Report June 2011
- Certification Work – Planning Memorandum
- Accounts Audit Approach Memorandum
- Annual Governance Statement: Adding real value?

**6. Treasury Management Quarterly Report** (Pages 76 - 78)

This report provides the first quarters review of the Council's Treasury Management Strategy and investment performance.

**7. Annual Governance Statement** (Pages 79 - 92)

This report sets out the Annual Governance Statement that the council is required to produce annually, for inclusion in the Statement of Accounts.

**8. Statement of Accounts 2010/2011** (Pages 93 - 95)

This report informs the Committee of changes to the statutory reporting arrangements for the Statement of Accounts for 2010/2011.

**9. Revenues and Benefits Health Check (Pages 96 - 106)**

This report provides an up to date picture of the recommendations made by ISCAS Ltd in their review of the Revenue and Benefits Service.

**10. Internal Audit Progress Report (Pages 107 - 115)**

This report and appendices provide updated information on the work undertaken by Internal Audit on the audit plan for 2010/2011 and the 2011/2012 Audit Plan in the period 1 April 2011 to 31 May 2011.

**11. Implementation of Internal Audit Recommendations (Pages 116 - 118)**

This report highlights any lack of progress in implementing Internal Audit recommendations.

**12. Fraud Annual Report (Pages 119 - 128)**

This report informs Members of the work of the Fraud Section for the financial year 2010/2011 and provides updates on developments for the current financial year.

**13. Exclusion of Press and Public**

**THE CHAIR TO MOVE:** 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 is 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 be 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.

**NOTE: if approved, the Chair will ask members of the press and public to leave the meeting at this point.**

**Part B - Closed to the Public**

**14. Creditor Payment Procedures**

Report of the Head of Strategic Finance

Paragraphs 3 and 7 Part 1 Schedule 12A

# Agenda Item 3

Final

## AUDIT COMMITTEE

16<sup>th</sup> March 2011

Present: Cllr I Brown (Chair)  
Cllrs Brodhurst, Martins and Poole

Also present: Councillor Wylie Portfolio Holder for Finance  
Paul Dossett Grant Thornton  
Richard Lawson Grant Thornton  
Maryum Malik Director, Sector

Officers Head of Strategic Finance  
Head of Legal & Property (for items AUD31-34)  
Head of Finance (Shared Services)  
Finance Manager (Shared Services)  
Audit Manager (Shared Services)  
Democratic Services Manager

AUD31 **APOLOGIES FOR ABSENCE/COMMITTEE MEMBERSHIP**  
10/11

Apologies were received from Councillor Mortimer.

AUD32 **DISCLOSURE OF INTERESTS**  
10/11

There were no disclosures of interest.

AUD33 **MINUTES**  
10/11

The minutes of the meeting held on 12<sup>th</sup> January 2011 were submitted and signed.

AUD34 **FREEDOM OF INFORMATION**  
10/11

At the last meeting the Committee had invited the Head of Legal & Property Services to attend this meeting to talk about the process for dealing with FOI requests.

The Head of Legal & Property Services explained what happened when an FOI was received by the Council. Most came in by email to the Customer Service Centre and were then passed on to the relevant department's Customer Liaison Officer who acted as the departmental co-ordinator for such requests. They were responsible for ensuring that the request was seen and dealt with by the appropriate officer for monitoring progress and co-ordinating the response. All requests were logged on the Council's Lagan CRM system and the response was sent out in the format requested by the person submitting the FOI (where possible). Where the request was from a news agency, a copy of the response was also sent to the Communications Team. There was often a trend with enquiries and the same questions were sent to a number of authorities, for example land charges and councillors' allowances.

The process for dealing with FOIs varied from authority to authority; some had a single point of contact or even a dedicated team. The process used at Watford

worked well as a large number of FOIs were received and having requests disseminated to the relevant departments helped to spread the workload.

In response to a question about exemptions, the Head of Legal & Property Services explained that the majority did not apply to local authorities but were more relevant to central government. She outlined the exemptions that did apply to local government but explained that ultimately it was still necessary to consider whether or not it was in the public interest to disclose the information.

A Member asked about the publication of FOI requests and responses. The Head of Legal & Property Services responded that, as the Council's FOIs were dealt with by the individual departments, it would be difficult to publish all the responses. The nature of the response and whether a response had been given was stored on the system; it did not, however, include a full history. If Members were interested in a particular request, information could be provided.

In response to a further question, the Head of Legal & Property Services confirmed that if a member of the public wanted information about a particular answer it would be dealt with as a further FOI.

The Chair thanked the Head of Legal & Property Services for attending the meeting to talk about FOIs and answering Members' questions.

AUD35  
10/11

## **INVESTMENT PERFORMANCE**

Maryum Malik, Director of the Council's Financial Advisors - Sector, gave a presentation on the Council's investment performance. She covered areas such as UK interest rate forecasts and information on the creditworthiness of the Council's counterparties. The Council's investments totalled £36,910,000 for which it received an overall interest rate of 1.25% (compared to the current average interest rate earned by her other local authority clients of 0.8%.) This demonstrated that the Council had done well with its investments.

In response to a question from the Chair, Maryum said that she met with the Head of Strategic Finance twice a year to review the position although regular telephone/ email contact was maintained. The Head of Strategic Finance added that Sector were always available for questions about new products and other enquiries.

He went on to explain that a medium level of risk was adopted by the Council as opposed to a low risk strategy which would put the portfolio with the Government Debt Management Account which only paid a 0.4% rate of interest.

Maryum stressed the importance of not putting all the investments in one place and also having some liquid assets available to invest should interest rates start to improve. She confirmed that the Council's portfolio was average risk and was well spread.

A Member asked whether it was possible to invest directly in the markets. Maryum explained that it was possible to invest in bonds but any investments had to be in the spirit of the Guidance and ensure return of the original investment; interest was a secondary consideration for local authorities. Bonds

were AAA rated but the issue related to interest rates and the risk if the money needed to be withdrawn before the maturity date. She advised that, with regard to the Council's investment with the Co-operative Bank, there were a couple of money market funds which were now yielding slightly higher and which the Council may wish to consider as an alternative.

The Chair thanked Maryum for a very informative presentation.

AUD36  
10/11

### **TREASURY MANAGEMENT STRATEGY AND TREASURY MANAGEMENT PRACTICES FOR 2011/12**

The Committee received a report on the Council's proposed Treasury Management Strategy for 2011/12 together with details on Treasury Management Practices.

The Finance Manager (Shared Services) presented the report which, she explained, followed on from the presentation just received from Sector. Council approval had to be sought to agree a temporary borrowing limit should the need arise. Such a facility would only be used in the short term.

She also drew Members' attention specifically to the information in the report relating to the use of additional information other than credit ratings including, for example, Credit Default Swaps, negative rating, watches/outlooks which would be applied to compare the relative security of differing investment counterparties.

### **RESOLVED**

That the following key elements be **recommend to Council**:

1. The Prudential Indicators and Limits for 2011/12 to 2013/14 contained within Appendix A of the report, including the Authorised Limit Prudential Indicator.
2. The Minimum Revenue Provision (MRP) Statement contained within Appendix A of the report which sets out the Council's policy on MRP.
3. The Treasury Management Strategy 2011/12 to 2013/14, and the Treasury Prudential Indicators contained within Appendix B of the report.
4. The Investment Strategy 2011/12 contained in the Treasury Management Strategy (Appendix B), and the detailed criteria included in Annex B1 of the report.

**ACTION:** Head of Strategic Finance

AUD37  
10/11

### **AUDIT PLANNING UPDATE 2010/11**

The Committee received Grant Thornton's audit planning update for the financial year 2010-11. It set out the work they would deliver in discharging their responsibilities to give an opinion on the Council's financial statements and a conclusion on the Council's arrangements for achieving value for money.

Richard Lawson presented the report and explained that they would be providing comment on the Council's accounts and value for money. Specific risks identified included the adoption of IFRS and financial performance pressures.

In response to a question about how IFRS sat with the work done by Grant Thornton, Richard confirmed that they would ensure compliance and that the Council was heading in the right direction. Specialist technical support would be available to the Council as required.

RESOLVED

that the report be noted

AUD38  
10/11

**CERTIFICATION WORK REPORT 2009/10**

Various grant-paying bodies required external certification of claims for grant or subsidy and returns of financial information. As Watford Borough Council's external auditors, Grant Thornton undertook certification work at the Council, acting as an agent of the Audit Commission.

Richard Lawson presented the report. For the financial year 2009/10, they had certified 3 claims and returns for the Council. Performance in preparing claims and returns had slightly improved since 2008/9 which provided further evidence that the shared service with Three rivers DC was gradually embedding.

It was noted that the DWP had now closed off the previous Housing Benefit claim and therefore no provision was required in the accounts for claw back.

He drew the Committee's attention to the issues highlighted in the report relating to Housing and Council Tax Benefit Scheme and National Non Domestic Rates. Changes to staff and systems over the past year had also had an impact.

The recommendations in Appendix B of the report had been agreed with management along with the implementation dates.

RESOLVED

that the report be noted

AUD39  
10/11

**REVIEW OF THE COUNCIL'S ARRANGEMENTS FOR SECURING FINANCIAL RESILIENCE**

The Committee received Grant Thornton's report on the draft specification for agreement with management.

Paul Dossett presented the report which he explained was about Council spending plans in the light of the Spending Review and other challenges. It also tested some of the assumptions the Council was making in its MTFS around issues such as savings, inflation, fee increases etc. It would act as a driver for the value for money conclusion in September and if adequate plans were in place the Council should expect an unqualified value for money conclusion.

The Head of Strategic Finance referred to a very detailed questionnaire which they would start working on the following week. The Portfolio Holder spoke about the strategic ratio and the need to bear in mind that Watford, as a sub regional centre, serviced a much wider area than its Council Tax base. Additional comments to this effect needed to be included.

The Committee was asked to note that the Audit Commission had recently released the individual fees for Councils for 2011/12 and the Watford BC audit fee had been set at £114,000, a reduction of 5% on the 2010/11 fee. The Audit Commission had also published arrangements for rebating councils for fees in respect of both 2010/11 and 2011/12 which meant the net fee paid would be less than the published scale fees.

RESOLVED

that the report be noted.

AUD40  
10/11

**UPDATE ON THE PROGRESS OF THE IFRS RE-STATEMENT.**

The Finance Manager (Shared Services) introduced a report which followed on from the Implementation of International Financial Reporting Standards report dated 13<sup>th</sup> January 2010 and updated the Audit Committee about the progress the Council had made in restating the accounts following the introduction of International Financial Reporting Standards (IFRS) to local government. It highlighted for Members what had been done to date by officers; the major substantive changes and what effects it would have on the authority.

The Chair referred to the changes in some of the terminology. In response the Finance Manager gave examples such as “fixed asset” now “long term” and “stock” now “inventory”. She added that the look would be different but the balance sheet similar. There would be more opportunity for analysis of revenue.

In response to a question about the collection of employee benefits, the Finance Manager explained that this related to benefits such as annual leave and TOIL which may have accrued and may have to be paid for if an employee left the authority. The Portfolio Holder added that this information could be quite difficult to gather and collate and was dependent on having accurate systems in place.

RESOLVED

that the Committee notes the report and periodically monitors the progress of the implementation of IFRS in the Council by way of future reports to Committee.

ACTION: Finance Manager (Shared Services)

AUD41  
10/11

**INTERNAL AUDIT ANNUAL WORK PLAN 2011/12**

Before inviting the Audit Manager to introduce his report the Chair advised the Committee that this was Barry Austin’s last meeting as he was retiring at the end of March. On behalf of the Audit Committee he expressed his thanks to Barry for



the hard work he had done and support he given the Committee over the years.

The Audit Manager presented a report setting out an interim Internal Audit Work Plan for the coming financial year for Watford BC and Three Rivers DC. He had prepared the report as he was leaving the Council and arrangements for the future provision of internal audit had not been finalised. This plan would enable the work to continue but he advised it may need to change at a later date.

A Member commented on the significant contribution made by the Audit Manager and stressed the need for internal audit to continue to be robust. The Head of Strategic Finance endorsed these views and commented on how dependent the external auditors were on the internal audit service.

**RESOLVED**

that the interim 2011/2012 Internal Audit Work Plan be approved.

AUD42  
10/11

**IMPLEMENTATION OF INTERNAL AUDIT RECOMMENDATIONS**

The Committee received a report highlighting any lack of progress in implementing Internal Audit recommendations.

**RESOLVED**

that the contents of the report be noted.

AUD43  
10/11

**INTERIM INTERNAL AUDIT ANNUAL REPORT 2010/11**

The Committee received the Audit Manager's Interim Annual Report on the work of the Internal Audit Service for 2010/2011 and his opinion of the adequacy and effectiveness of the Council's control environment. He advised that this report would normally be presented in June and any changes would be reported to that meeting.

A number of issues relating to the key financial systems had been highlighted in the report. Officers and Members were aware of the issues which were being addressed and the position should improve.. The Head of Strategic Finance added that, for Shared Services to be wholly effective, it was necessary for both authorities to use the same software platforms and changing software inevitably caused disruption. Watford and Three Rivers systems were different and there had been significant issues to be resolved. Regular meetings were taking place regarding these system changes and it was anticipated that by the time of the external audit all issues highlighted by the Audit manager would have been resolved.

The Portfolio Holder advised that the reconciliation issues had been discussed at the Shared Services meeting. The Council was very sensitive to reconciliation problems due to issues which had arisen in the past.

The Finance Manager (Shared Services) confirmed that there had been some problems with bank reconciliations and with the way information was being imported. Reports from the income management system were, however,

regularly being looked at and reconciled with the ledger. Revenues and Benefits also looked at what was coming from Income Management and going to Revenues and Benefits. The situation should be up to date by 31<sup>st</sup> March 2011.

The Portfolio Holder advised that a review of infrastructure had been carried out. Issues such as server needs, capacity building and, capital spend had been identified. They were also looking at protocols to protect security and future resilience.

RESOLVED

that the contents of the interim annual internal audit report be noted.

AUD44  
10/11

## **RISK MANAGEMENT STRATEGY**

The Committee received an update on risk management across the Council. It was structured in three parts:

- Quarterly report of the Corporate Risk Manager
- Risk Management Strategy
- Future arrangements for risk management

The Head of Strategic Finance introduced the report. He stressed the need for risk management to be embedded throughout the authority. The risk element had to be considered in each project and the standard report template included a paragraph on potential risks.

He explained that the Risk Management post had been deleted following the service prioritisation process and he would be taking on the lead responsibility for risk management and business continuity. He spoke about the training exercise referred to in the Corporate Risk Manager's report and stressed the need to carry out such exercises on a regular basis. A budget of £10K had been retained to ensure the continued dissemination of good practice across the authority.

The Committee would have an opportunity to look at the Corporate risk register at its June meeting.

The Portfolio Holder advised all Members to be aware of their responsibility in ensuring that all identified risks had been considered as part of the decision making process and seeking clarification from the Portfolio Holder if risks were not specifically identified in reports. The Committee agreed that an article to this effect should be placed in the Members' Bulletin along with Appendix A of the report which gave an explanation of the scoring risk and how it was represented.

RESOLVED

1. that the quarterly report and future arrangements for risk management be noted.
2. that the Risk Management Strategy be approved.

3. that an article be placed in the next Members' Bulletin as agreed by the Committee.

ACTION: Member Development & Civic Events Officer

AUD45  
10/11

### **REVIEW OF REVENUES AND BENEFITS HEALTH CHECK**

The Committee received a report providing an up to date picture of the recommendations made by ISCAS Ltd in their review of the Revenues & Benefits Service conducted in August 2010.

The Head of Strategic Finance said that this report was very much about work in progress but good progress had been made. There would be a further report in June.

The Portfolio Holder referred to the recommendation to either write off debts or re-instate committal proceedings unless it was uneconomical to do so. He said this issue had also been discussed by Shared Services and consideration was being given on whether there should be more write offs.

He added that, whilst a lot of work was being done, some would not progress until the income system was fully integrated between the two authorities. He said that the health check had proved to be a useful benchmark.

### **RESOLVED**

that the report be noted

AUD46  
10/11

### **INTERNAL AUDIT – FUTURE ARRANGEMENTS**

The Committee received a preliminary report regarding the future provision of an internal audit service.

The Head of Finance (Shared Services) introduced the report. A report had also been submitted to the Shared Services Joint Committee and a copy of the report to that committee had been circulated. This report contained a number of options which had been considered.

The Chair warned of the risk of diluting the service too much and another member added that he would like to see a good business case accompanied by a risk assessment to support any reduction in audit resource.

A Member asked about compatibility of software and whether this was likely to be an issue if the Council entered into a partnership with another authority. The Portfolio Holder responded that this was not really an audit issue but that different versions of the same system were obviously not ideal. Harmonisation was being looked at so that the potential for sharing services could be explored. Other issues such as contracts, staff training and pensions also needed to be taken into account.

Final

RESOLVED

1. that one of the current 3 audit staff be appointed as an interim manager in the short term.
2. that options for the provision of a fully resourced audit service continue to be explored and a report be made to the next meeting of this committee.

ACTION: Head of Finance (Shared Services).

Chair  
Audit Committee

The meeting started at 7.30 p.m.  
and ended at 9.45 p.m.

PART A

AGENDA  
ITEM

4

Report to: Audit Committee  
Date of Meeting 30 June 2011  
Report of: Head of Legal and Property Services  
Title: Requests made under the Freedom of Information Act 2000

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**1. SUMMARY**

This is a half year report of requests made under the Freedom of Information Act 2000.

From 1<sup>st</sup> October 2010 until 31<sup>st</sup> March 2011 the Council received 184 requests all but 26 of which were replied to in the required time. A list of the requests is attached at appendices 1 and 2 for information

**2. RECOMMENDATIONS**

To note the contents of this report.

Contact Officer:

For further information on this report please contact: Carol Chen  
telephone extension: 8350 e-mail: carol.chen@watford.gov.uk

Report approved by Managing Director

**3.0 DETAILED PROPOSAL**

- 3.1 The Freedom of Information Act 2000 came fully into force on 1<sup>st</sup> January 2005. As a public authority we are obliged to answer written requests for information under the Act within 20 working days
- 3.2 This report covers the periods 1<sup>st</sup> October 2010 until 31<sup>st</sup> March 2010.

- 3.3 In this period the Council recorded receiving 184 requests for information under the Act all but 26 were replied to within the statutory 20 working days.
- 3.4 The requests have been varied. Appendices 1 and 2 give a brief summary of each request.
- 3.5 We received the most ever requests in the period January to March 2011, with a total of 107 requests, the majority coming in via e-mail. We have had a number seeking information about people who have died without next of kin, where we have had to deal with their burial, the answer to date being we have not had any. We have also had a number of requests relating to issue of personal search fees and correspondence with the LGA on the subject and a number of requests generated by one individual over a planning matter.
- 3.6 Unfortunately as with my previous report there are a number of requests that have not been replied to within the ambit of Revenues and Benefits. This has primarily been due to pressure on the service to reduce the backlog of claims as a result of implementing the new computer system, and staff who previously dealt with FOI requests leaving the Council's employment.
- 3.7 The Customer Service Improvement Officer continues to emphasise to departments the need to respond to requests within the statutory time frame. The Head of Legal and Property Services is continuing with her quarterly lunch and learn sessions on the Act to provide a refresher and they are proving very popular.
- 3.8 The Mayor and Managing Director now receive a weekly list of all new FOI requests that are received.

#### 4.0 **IMPLICATIONS**

##### 4.1 Financial

The Head of Strategic Finance comments that this report indicates that information is found using existing staff resources. If, in the future, the requests increase in number and/or complexity then it may become necessary to review this situation.

##### 4.2 Legal Issues (Monitoring Officer)

The Head of Legal & Property Services comments that ongoing training will be provided across the council to ensure officers are aware of the Council's responsibilities under the Act

##### 4.3 Staffing

Requests are currently being managed within existing resources

4.4 Accommodation

No implications

4.5 Equalities

No implications

4.5 Community Safety

No implications

4.6 Sustainability

No implications

**Potential Risks**

Potential Risk	Likelihood	Impact	Overall score
Request not replied to within statutory time limit	2	2	4
Those risks scoring 9 or above are considered significant and will need specific attention in project management. They will also be added to the service's Risk Register.			

Appendix 1

Summary of FOI requests October - December 2010

Appendix 2

Summary of FOI requests January - March 2011

Background papers:

The following background papers were used in the preparation of this report. If you wish to inspect or take copies of background papers please contact the officer named on the front page of the report.

Lagan database

**SUMMARY OF FOI REQUESTS OCT-DEC 2010 (TOTAL 67 )**

<b>REASON FOR REQUEST</b>	<b>RESPONDED WITHIN TIMESCALE?</b>	<b>INFORMATION PROVIDED?</b>	<b>CUSTOMER ADVISED ON ALTERNATIVE LOCATION OF INFORMATION</b>	<b>REQUEST FROM INDIVIDUAL OR ORGANISATION?</b>
Annual running cost to the Council for each of the 5 Council greens.	Yes	Yes	No	Organisation
How many Nintendo DSs or DS Lites have the Local Authority purchased in each year from 2004 Which pieces of software, i.e. Nintendo DS or DS Lite games, have been purchased by the Local Authority	Yes	Yes	No	Individual – address unknown



Appendix 1

<p>1) How many public space projects did the Council fund, or part-fund, in 2008, 2009 and 2010? For each year please tell me the total cost of the projects.</p> <p>2) How many public space projects does the Council plan to fund, or part-fund, in 2011, 2012, and 2013? For each year please tell me the total cost of the projects.</p> <p>3) How many public space projects funded under Section 106 agreements were granted planning permission by the Council, in 2008, 2009 and 2010? For each year please tell me the total cost of the projects.</p>	Yes	Yes	No	Individual – address unknown
copies of the Centrepont Steering Committee minutes from May 2009 to present ?	Yes	Yes	No	Non WBC resident
Questionnaire re childrens public play areas	Yes	Yes	No	Organisation
Various questions re applications for home adaptations	Yes	Yes	No	Organisation
Details relating to third sector organisations who receive grant funding	Yes	Yes	No	Organisation
Number of caravan parks owned and/or operated by WBC	Yes	Yes	No	Organisation

Appendix 1

Evaluation of arts projects since 2007	Yes	Yes	No	Individual unknown – possible journalist
<b>Name of the successful tenderer for watford weed control contract 2010 and annual value of contract</b>	<b>No</b>	<b>Yes</b>	<b>No</b>	<b>Organisation</b>
Details re waste collection contract	Yes	Yes	No	Organisation
List of every food business within your council area, currently in operation.	Yes	Yes	No	Organisation
Bin policy and the amount collected from fines for bin	Yes	Yes	No	Organisation
Anyone who has died intestate with no known next of kin	Yes	Yes - none	No	Non WBC resident
As above	Yes	Yes – none	No	Individual – address unknown
As above	Yes	Yes – none	No	Individual – address unknown
Details of current Department structure of your EH team, indicating the numbers of district/specialist officers, principal officers and Chief officers or an equivalent posts...please see attached letter.	Yes	Yes	No	Non WBC resident
Information that is contained in the public registers that you maintain in accordance with section 8(1) of the Licensing Act 2003.	Yes	Yes	No	Individual – address unknown

<b>What use local authorities have made of the powers under the Housing Health and Safety Rating Systems</b>	<b>No</b>	<b>Yes</b>	<b>No</b>	<b>MP</b>
Anyone who has died intestate with no known next of kin	Yes	Yes – none	No	Non WBC resident
As above	Yes	Yes – none	No	Non WBC resident
Research study on plastic scrap/waste products, plastic recycling bodies & their contracts.	Yes	Yes	No	Individual – address unknown
Anyone who has died intestate with no known next of kin	Yes	Yes - none	No	Non WBC resident
As above	Yes	Yes – none	No	Non WBC resident
As above	Yes	Yes – none	No	Non WBC resident
<b>List of empty properties</b>	<b>No</b>	<b>Yes</b>	<b>No</b>	<b>Individual – address unknown</b>
Information advice and papers considered by the Council when it decided, contrary to government advice, not to refund or make efforts to refund the above fees to personal searchers.	Yes	No	No	Organisation
Further request re above	Yes	Yes in part	No	Organisation
Use of investigatory powers covered by the Regulation of Investigatory Powers Act since May 12th, 2010?	Yes	Yes	No	Non WBC resident

<b>Full register or residential freehold properties under ownership of the council, Housing Assn or any other associated Arms Length Management Assn (ALMO) with full breakdown of the tenure and door numbers of all associated residential flats/units</b>	<b>No</b>	<b>Yes</b>	<b>No</b>	<b>Non WBC resident</b>
Various information re personal searches and refund of charges	Yes	Yes in part	No	Individual – address unknown
<b>Details of each abandoned/empty building (commercial or residential) owned by the council.</b>	<b>No</b>	<b>Yes</b>	<b>No</b>	<b>Individual – address unknown</b>
Would like a full list of all those buildings within the local authority area that meet the criteria specified in the Regulations as requiring them to have a DEC.	Yes	Yes	No	Organisation
Information relating to the local authority's familiarity with the OGC Common Minimum Standards, and the requirement to ensure that all construction workers on public sector sites are registered on the Construction Skills Certification Scheme or similar	Yes	Yes	No	Organisation

Appendix 1

<p>Total number of public space CCTV cameras employed by the council and the total cost, in the last financial year, of the fibre transmission lines leased from BT or similar provider e.g. NTL to deliver the video signals from the council's public space CCTV cameras back to the control room. Please advise the company/organisation responsible for maintaining the council's public space CCTV cameras.</p>	Yes	Yes	No	Non WBC resident
<p>How much money did the local authority make/how much did they spend from selling/buying personal details of its residents to/from third party organisations in the 2008/09 2009/10 financial year?</p>	Yes	Yes	No	Organisation
<p>How much money has the council made from selling personal details in the last two financial years?To which companies has the data been sold?</p>	Yes	Yes	No	Organisation
<p>Current value of the outstanding council tax arrears owed to your authority? What is the current value of outstanding parking fines owed to your authority?</p>	Yes	Yes	No	Organisation

Appendix 1

<p>Details of the proposed contingent liability in your Council's Statement of Accounts to cover refunds to those persons/organisations charged by you for the following:</p> <p>Personal search fees LLC1 fees</p> <p>Traffic scheme information Building control information</p> <p>Highway information</p> <p>Charges made for planning documentation in excess of the Markinson rate</p> <p>Commons Registration fees</p> <p>LLC1 fees where restrictions were imposed on our members as to the number of personal searches they could conduct and they were forced to undertake LLC1s All other Ei's</p>	Yes	Yes – none	No	Individual – address unknown

Appendix 1

<p>Information to improve efficiencies in services.</p> <p>1. Please complete the questions in the attached spreadsheet relating to use of systems in the format provided.</p> <p>2. Which fields of information from the Full Electoral Roll are added into  a) the LLPG system?  b) the Citizen file (or its equivalent, if you have one)</p> <p>2. Approximately how much debt is recovered by the council each year, in an average 12 month period?</p> <p>3. Approximately how much debt is written off each year, in an average 12 month period?</p>	Yes	Yes	No	Organisation
<p>Structure of local government and the allowances paid to members</p>	Yes	Yes	No	Individual – address unknown
<p>Information about council away days</p>	Yes	Yes	No	Non WBC resident
<p>MD salary and expenses</p>	Yes	Yes	No	Individual – address unknown (probably journalist)

Appendix 1

<p>Internal circulars, policies, procedures, guidance materials and related documentation pertaining to:</p> <ul style="list-style-type: none"> <li>(a) Development of raised platforms / patios</li> <li>(b) Permitted development rights for garden residential structures</li> <li>(c) Planning permission considerations</li> <li>(d) Retrospective planning permission considerations</li> <li>(e) Enforcement action ? criteria for deciding whether or not to pursue enforcement action</li> <li>(f) Cases in Watford where planning permission for raised patios was declined</li> <li>(g) Cases in Watford where enforcement action against raised patios was undertaken</li> <li>(h) Follow-up procedures following enforcement action</li> <li>(i) Dealing with objections from neighbouring properties and the weight given to objections</li> <li>(j) Approaches to assessing impact on privacy and amenity of neighbouring property</li> <li>(k) Detailed guidance on application of the Council's Planning Enforcement Policy</li> </ul>	<p>Yes</p>	<p>Yes</p>	<p>Yes – website</p>	<p>WBC resident</p>
<p>List of all the regeneration services contracts signed by your authority in the 2009/10 financial year with both private and voluntary organisations</p>	<p>Yes</p>	<p>Yes</p>	<p>No</p>	<p>Organisation</p>



Appendix 1

Number of Planning Officers employed	Yes	Yes	No	Organisation
<b>Income from and expenditure on onstreet and offstreet parking and traffic provision and enforcement over the past 20 years.</b>	<b>No</b>	<b>Yes</b>	<b>No</b>	<b>Individual – address unknown</b>
How many residential tower blocks - 6 storeys and higher - there are in your local authority area	Yes	Yes	No	Organisation
(1) What annual (a) affordable (b) market housing target was being used to inform planning decisions in your local authority area on (i) 1st May 2010 (ii) 1st November 2010 (iii) 1st December 2010, and what was the source of each of these targets?  (2) Has the council updated its Strategic Housing Market Assessment (SHMA) since January 2010 and, if so, what is the new assessment of affordable housing required?  (3) Is your local authority currently determining or consulting on new annual housing targets and, if so, what are these draft targets? Please provide a copy of any consultation documents.	Yes	Yes	No	Organisation
Council owned public car parks that are regulated by an Off Street Parking Places Order made by the council under the provisions of the Road Traffic Regulation Act 1984.	Yes	Yes	No	Individual – address unknown

Appendix 1

Planning applications for telecommunications equipment/ masts made since 1985	Yes	Yes	No	Individual – address unknown
<b>Identify the ten landlords who received: the highest total payments of housing benefit in FY2009/10. Please identify how much they receive and for how many properties. Who received the highest total payments of housing benefit in FY2008/09. Please identify how much they receive and for how many properties. Who received the highest total payments of housing benefit in the financial year to date. Please identify how much they receive and for how many properties. The biggest payment made for a single property in a) FY2008/09 b) FY2009/10 c) FY to date.</b>	<b>No - unresolved</b>			<b>Non WBC resident</b>
Empty commercial properties with a rates payable of £18,000 and above	No	Yes	No	Individual – address unknown
Schedule of all National Non-Domestic Rate accounts in your billing authority area that still have a credit balance from 1 April 1990 to date.	No	No	No	Non WBC resident

Appendix 1

<b>Owners of properties which have a rateable value in excess of £100,000 on a qualifying industrial hereditament?</b>	<b>No</b>	<b>Yes</b>	<b>No</b>	<b>Organisation</b>
Copy of Annual Treasury Management Strategy Report for 2010/2011?	Yes	Yes	No	Organisation
Information about your current Accounts Payable processes	Yes	Yes	No	Organisation
Details of staff using first class travel	Yes	Yes – none	No	Organisation
Accounts for the Hackney Carriage office of Watford Borough Council, between april 2005 and april 2010.	Yes	Yes	No	Organisation
Services outsourced 2000/01 and 2011/11	Yes	Yes	No	Individual – address unknown
How much the Council has spent on Management consultancy for the financial years: 2007/2008 2008/2009 2009/2010	Yes	Yes	No	Possible WBC resident
Staff breakdown of Watford	Yes	Yes	No	WBC resident
Details of job reductions carried out or proposed, agreed and in the process of being made by the authority in response to Treasury requirements since May, 2010.				Organisation
Details of a severance policy pursuant to the - Any staff retention policies	Yes	Yes	No	Non WBC resident

Appendix 1

Information regarding your employee absenteeism/sickness, specifically the levels of absenteeism for the past 2 years as well as the head count of employees for the same years?	Yes	Yes	No	Organisation
Organisational structure charts	Yes	Yes	No	Individual – address unknown
Number of staff currently employed as at December 2010	Yes	Yes	No	Individual – address unknown

**SUMMARY OF FOI REQUESTS JAN-MARCH 2011 (TOTAL 107)**

REASON FOR REQUEST	RESPONDED WITHIN TIMESCALE?	INFORMATION PROVIDED?	CUSTOMER ADVISED ON ALTERNATIVE LOCATION OF INFORMATION	REQUEST FROM INDIVIDUAL OR ORGANISATION?
<p><b>1. Vacant 2010 List Assessment with a Rateable Value greater than or equal to £20,000</b></p> <p><b>2. All live 2010 (non Vacant) assessments with a Rateable Value greater than or equal to £20,000</b></p> <p><b>3. All 2005 Rating list reductions in Rateable Value where the compiled Rateable Value was originally greater than £15,000 and where the 2000 Rateable Value hasn't been certified</b></p>	No	Yes	No	Non WBC resident

<p><b>4. Your current 2010 Business Rates collection rate (%)</b></p> <p><b>5. Your current 2010 Business Rates billing rate (%)......i.e. % of bills get to the rate payers</b></p>				
<p><b>List of companies that are eligible to pay business rates in your area</b></p>	<p><b>No - unresolved</b></p>			<p><b>Individual – address unknown</b></p>
<p><b>Commercial premises which are currently vacant and where the rateable value of the property exceeds £25,500</b></p>	<p><b>No</b></p>	<p><b>Yes</b></p>	<p><b>No</b></p>	<p><b>Individual – address unknown</b></p>
<p><b>Business Rates related information for specific properties</b></p>	<p><b>No - unresolved</b></p>			<p><b>Individual</b></p>
<p><b>Business Rates related information for specific properties,</b></p>	<p><b>No - unresolved</b></p>			<p><b>Individual –</b></p>

<p><b>List of Council Tax and BID accounts that meet the following criteria:</b></p> <p><b>Current overpayment/credit shown for 2008/2009 or any other financial year if credit balance hasn't been carried forward</b></p> <p><b>Accounts where a 'write on' has been used since 1st April 2000 to cancel an overpayment which has not since been reversed</b></p> <p><b>Ratepayer name</b>  <b>Address of property</b>  <b>Amount of overpayment/write on</b>  <b>Period/financial year relating to overpayment/credit/write on</b></p>	<p><b>No</b></p>	<p><b>No</b></p>	<p><b>No</b></p>	<p><b>Organisation</b></p>

<p><b>Various information relating to the Government plans to introduce the Universal Credit and plans to incorporate Housing Benefit within that structure.</b></p>	<p>No - unresolved</p>			<p><b>Organisation</b></p>
<p><b>All credits held on your business rates system, as well as credits written away to suspense/control accounts and amounts written off during the last 12 months, which are due to non individuals.</b></p>	<p>No - unresolved</p>			<p><b>Organisation</b></p>
<p>All businesses held on your Food Premises Register</p>	<p>Yes</p>	<p>Yes</p>	<p>No</p>	<p>Individual – address unknown</p>
<p>Who has died with no known next of kin from 23/11/2010 to the present</p>	<p>Yes</p>	<p>Yes</p>	<p>No</p>	<p>Non WBC resident</p>



<b>All fees you have paid the LGA in addition to your subscription during the last 5 years and details of what these fees related to.</b>	No	Yes	No	Individual – address unknown
<b>Do staff have access to full Electoral Register and current protocol</b>	No	Yes – part response sent	No	Organisation
Funds allocated to charities 2010/11 & 2011/12	Yes	Yes	No	ITV
Number of vacant plots and number of people on waiting lists for all allotment sites.	Yes	Yes	No	Organisation
Funding for the voluntary sector and intended cuts	Yes	Yes	No	Non WBC resident
People buried in communal graves	Yes	Yes	No	Individual – address unknown
what programmes designed to engage specifically with the Muslim community will be funded by the council?	Yes	Yes	No	Individual – address unknown

Appendix 2

Details of all contracts Watford Borough Council has with voluntary sector organisations for the provision of services including funding	Yes	Yes	No	Individual – address unknown
How many names are currently on the waiting list for allotments, and how many plots are currently vacant.	Yes	Yes	No	WBC resident
Current burial space available and any plans to reuse burial plots	Yes	Yes	No	Organisation
Vacant allotments and waiting list	Yes	Yes	No	Individual
Information on budgets, expenditure, employee reductions etc for young people's services for 2010-11 and 2011-12 and beyond.	Yes	Yes	No	Organisation
Number of home adaptations and waiting list	Yes	Yes	No	Organisation
Amount paid to voluntary sector 2010/11	Yes	Yes	No	Organisation

Appendix 2

Notice and consultations to voluntary sector for changes to funding during 2010/11	Yes	Yes- none	No	Organisation
Use of GIS system	Yes	Yes	No	Individual – address unknown
How much has the council spent hiring celebrities for council events, campaigns or training from Jan 2008 to date?	Yes	Yes	No	Non WBC resident
Details regarding postal service	Yes	Yes	No	Individual – address unknown
Details regarding in-house print, copying and graphic design	Yes	Yes	No	Individual – address unknown
Celebrity speakers paid to attend council functions for the years: 2005/06, 2006/07, 2007/2008, 2009/2010, 2010/2011.	Yes	Yes	No	Individual – address unknown
Details about WBC refuse collection service	Yes	Yes	No	Organisation
<b>Notices, fines or FPN's issued refuse collections</b>	<b>No</b>	<b>Yes</b>	<b>No</b>	<b>Organisation</b>
People died with no next of kin	Yes	Yes	No	Organisation

Appendix 2

People died with no next of kin (different period)	Yes	Yes	No	Organisation
All businesses held on your Food Premises Register	Yes	Yes	No	Individual – address unknown
Schemes run or supported by the council which promote the use of reusable (non-disposable) nappies.	Yes	Yes	No	Individual – address unknown
People died with no next of kin	Yes	Yes	No	Non WBC resident
People died with no next of kin	Yes	Yes	No	Non WBC resident
<b>Copies of documents and other information following court action by EHL</b>	<b>No – unresolved</b>			<b>Non WBC resident</b>
DWA licences issued relating to primates	Yes	Yes	No	Individual - address unknown
Statistics for waste and recycling 2009/10	Yes	Yes	No	Individual - address unknown
Details of estates relating to persons dying with no known next of kin	Yes	Yes	No	Organisation

Appendix 2

Up-to-date listing of boarding kennels and catteries licensed by the council	Yes	Yes	No	Individual - address unknown
Total number of hot/takeaway food retails within your area.	Yes	Yes	No	Individual - address unknown
Information relating to site waste management plans?	Yes	Yes	No	Organisation
From October 2010 how many deaths have your council sent or will be sending to the Treasury Solicitor, Duchy of Lancaster or Cornwall or for Scotland the QLTR department.	Yes	Yes	No	Non WBC resident
Information on empty residential properties.	Yes	Yes	No	Individual - address unknown
Information about collection of household waste.	Yes	Yes	No	Individual - address unknown
Copies of the most recent food standards and food hygiene reports carried out for all the hospitals within your area.	Yes	Yes	No	Non WBC resident

Appendix 2

Persons who have died intestate and with no living blood relatives being known when they died, from 1st June 2010 to date.	Yes	Yes	No	Non WBC resident
Persons who have died with no known next of kin	Yes	Yes	No	Non WBC resident
data concerning residential bulky/special waste collections	Yes	Yes	No	Organisation
anyone who has died with no known next of kin	Yes	Yes	No	Non WBC resident
In the financial year to date, how many employees received redundancy payments	Yes	Yes	No	Individual - address unknown
Value of the top 25 past service reserves for current staff in your council pension fund	Yes	Yes	No	Non WBC resident
Details of the mileage allowance payments	Yes	Yes	No	Organisation

Appendix 2

What was the remuneration package for the council's chief executive in: 2008/2009, 2009/2010, 2010/2011 2011/12?	Yes	Yes	No	Individual - address unknown
<b>Job losses and redundancy payments</b>	<b>No</b>	<b>Yes</b>	<b>No</b>	<b>Individual - address unknown</b>
Whether your council provides its staff with any guidance to advise them on their use of language when dealing with one another or with the public	Yes	Yes	No	Organisation
How many new staff posts your council has created since 1st May 2010?	Yes	Yes	No	Organisation
Annual figures for the total of current employees / ex-employees of the Council who have signed compromise agreements	Yes	Yes	No	Individual

Appendix 2

Number of Council officials working full time on trade union business and the amount of money spent by the Council funding full time union officials since 2008.	Yes	Yes	No	Individual - address unknown
IT structure prior to any recent restructuring	Yes	Yes	No	Individual - address unknown
Information concerning your current IT/ICT Contracts in place,	Yes	Yes	No	Organisation
Various information relating to ICT systems and equipment	Yes	Yes	No	Individual - address unknown
ICT staff, expenditure and procurement process	Yes	Yes	No	Individual - address unknown
Information relating to land charge budget and search fees	Yes	Yes	No	Individual - address unknown
Make and model of the vehicle used for the Mayor? and/or Chairman's and/or Leader of the Council's official engagements. Costs for chauffer/driver	Yes	Yes	No	Individual - address unknown
Charges for Building Regulation Information.	Yes	Yes	No	Individual - address unknown



Appendix 2

Response to the LGA e-mail 21.6.10 requesting estimates of potential liability for personal search fees wrongly charged.	Yes	Yes	No	Individual - address unknown
Information relating to PFI schemes	Yes	Yes	No	Organisation
Detail all firms and organisations with whom the Council have enjoyed a solicitor/client relationship since 2004 or received documents subject to legal professional privilege?	Yes	No – cost exemption	No	Individual - address unknown
Details relating to restrictions you have continued to impose on personal searchers since September 2005.	Yes	Yes	No	Individual - address unknown
Details of Neighbourhood Councils/Committees	Yes	Yes	No	Non WBC resident
Details of the council's winter maintenance programme	Yes	No – Not WBC	No	Non WBC resident
Details relating to LGA subscription	Yes	Yes	No	Individual - address unknown

Appendix 2

Charges set/to be set for searches of the Local Land Charges Register 1.4.11. to 31.3.12.	Yes	Yes	No	Individual - address unknown
Details allowances has former Councillor Sheila Smillie claimed for/repaid	Yes	Yes	No	WBC resident
how much the Council has spent outsourcing to either Barristers Chambers or Solicitors at Employment Tribunals for all Council Staff	Yes	Yes	No	Individual
Please confirm the amount (if any) paid under any grants, consultancies or contracts by the public sector to Electoral Reform Society	Yes	Yes	No	Individual - address unknown
<b>Do council staff have access to electoral roll and what are undertakings in relation to staff who use this function</b>	<b>No</b>	<b>Yes</b>	<b>No</b>	<b>Organisation</b>
Public services provided at Post Offices	Yes	Yes	No	Organisation

Appendix 2

Cars bought or leased for Members or council staff	Yes	Yes	No	Non WBC resident
<b>Details relating to equality and diversity assessments</b>	<b>No</b>	<b>Yes</b>	<b>Yes – WBC website</b>	<b>Organisation</b>
Details relating to use of third party debt-recovery agencies used by WBC in the past three years.	Yes	Yes	No	Organisation
CCTV cameras controlled by WBC and microchips used in refuse bins	Yes	Yes	No	Organisation
Cut backs Watford Council are making regarding the Governments desire to clear the current financial deficit.	Yes	No. Further clarification sought – no response from requestor	No	WBC resident
Council spend and other documentation on trade union staff, purchasing alcohol for events, town twinning and highest redundancy payments	Yes	No – cost exemption	No	Organisation
Various details relating to use of IT equipment and software	Yes	Yes	No	Individual - address unknown

Appendix 2

<b>Long term vacant residential and commercial properties</b>	<b>No</b>	<b>Yes</b>	<b>No</b>	<b>Individual - address unknown</b>
Revenue and budgets a) Off-street car parks b) On-street parking (meters, pay & display etc) c) Parking permits (residents' and other). d) Other parking charges e) Parking penalties Other details relating to on street parking zones	Yes	Yes	No	Organisation
Details relating to traffic enforcement officers and PCNs	Yes	Yes	No	Individual - address unknown
Cost of parking permits and council car parks	Yes	Yes	No	Individual - address unknown
Details relating to parking meters and overspend	Yes	Yes	No	Organisation
Policy on fly posting	Yes	Yes - none	No	Organisation
Section 106 payments to the Council from developers in the Nascot Ward.	Yes	Yes	No	Individual - address unknown

Appendix 2

Details relating to planning application neighbouring property	Yes	Yes	No	WBC resident
Details relating to planning application neighbouring property and additional premises	Yes	Yes	No	WBC resident
Details relating to planning application neighbouring property	Yes	Yes	No	WBC resident
Details relating to planning application neighbouring property	Yes	Yes	No	WBC resident
Copy of all Approved Device Certificates issued to Watford Council by the Vehicle Certification Agency used in the enforcement of parking restrictions	Yes	Yes - none	No	Individual - address unknown
All information publicly displayed on the council's Civil Enforcement Officer (parking) uniform and confirm in each case, what garment that information is written on.	Yes	Yes	No	Individual - address unknown

Appendix 2

Information relating to Building Control Officer posts, career grading and staff retention	Yes	Yes	No	Organisation
Salary details of contracted member of staff	Yes	No	No	Organisation
Planning applications for installation of solar panels	Yes	Yes	No	Individual - address unknown
Research project concerning whether Low Impact Development should lead to exceptions within rural planning authorities? decision making process.	Yes	Yes	No	Organisation
Council Tax arrears since 1993	Yes	Yes	No	Organisation

PART A

AGENDA  
ITEM

# 5

**Report to:** Audit Committee  
**Date of meeting:** 30 June 2011  
**Report of:** Head of Strategic Finance  
**Title:** Four Reports from Grant Thornton

## 1.0 SUMMARY

- 1.1 Attached are four reports from the Council's External Auditor, Grant Thornton. The reports cover the following issues:
- Audit Progress Report June 2011
  - Certification Work - Planning Memorandum
  - Accounts Audit Approach Memorandum
  - Annual Governance Statement: Adding Real value?

## 2.0 RECOMMENDATIONS

- 2.1 That the Committee considers carefully the reports and note that they will be extremely valuable documents in planning an orderly audited closure of the 2010/2011 Final Accounts.

**Contact Officer:**

For further information on this report please contact: Bernard Clarke, Head of Strategic Finance  
telephone extension: 8189 email: [bernard.clarke@watford.gov.uk](mailto:bernard.clarke@watford.gov.uk)

### 3.0 **Detail**

Dealing with the four reports in turn, the Head of Strategic Finance comments as follows:

#### 3.1 **Audit Progress Report June 2011.**

This report is actually covered within the following two reports.

#### 3.2 **Certification Work – Planning Memorandum**

This report confirms that arrangements for the approach, criteria and certification of grant claims are similar to previous years. There were issues arising out of the 2009/2010 Housing and Council Tax Benefit Subsidy Claim (and as referred to within the attached Paper). Due to the constructive help of Grant Thornton, the Subsidy Claim was approved by the Department for Works and Pensions without amendment or the claw back of any subsidy. It is hoped that the certification work for 2010/2011 will prove more straightforward as there has been no part year change of revenues and benefits software—as occurred in 2009/2010.

#### 3.3 **Accounts Audit Approach Memorandum**

This report clarifies the Grant Thornton approach to auditing the final accounts for 2010/2011. The guidance includes definitions of materiality, reliance on Internal Audit, and the internal control environment. It particularly focuses upon compliance with International Financial Reporting Standards, financial sustainability going forward, appropriate valuation of assets, and finally the ICT control environment. The report includes an overall timetable which Finance Shared Services must adhere to and its clarity is welcomed.

#### 3.4 **Annual Governance Statement: Adding Real Value?**

The final report, in many ways, has been received three months too late. The Annual Governance Statement for Watford appears elsewhere on the Agenda of this Committee. It does have real status within the Council and has been initially prepared by the Heads of Strategic Finance (Section 151 statutory officer) and Legal and Property Services (statutory Monitoring Officer). It has subsequently been considered by the Council's Leadership team on 31<sup>st</sup> May and amended accordingly.

3.5 Where agreement with the attached Grant Thornton report can be readily given relates to the length of local authority governance statements which have been, in many respects, governed by the former Comprehensive Performance Assessment/ Use of Resources checklist supported by the detailed guidance provided by CIPFA/ SOLACE. For comparison, the recent Statement of Accounts for Henry Boot PLC (partner in developing the Charter Place Redevelopment Scheme) indicates a Corporate Governance Statement of under three pages long. Whether it would meet the main aims in the Grant Thornton attached Paper is however open to question.

3.6 Two of the key aims of the Council has to be to:

- do better with less (following the requirement for leaner government)
- get it right first time

The Annual Governance Statement elsewhere on this evening's Agenda is considerably shorter than in previous years (due to the increased freedom following the demise of the CPA/ UOR process which, despite protestations, encouraged slavish adherence to process). The AGS is however completed and has been considered at the highest levels. It is not the intention therefore to revisit



it for 2010/2011 as this will defeat (through no fault of Watford's authors) the 'get it right first time' objective.

3.7 It would however be the intention to update the significant issues section of the Governance Statement to reflect any further matters arising out of Grant Thornton's audit work. It is hoped that this compromise will be acceptable to our external auditors.

#### 4.0 **IMPLICATIONS**

##### 4.1 **Financial Issues**

The Head of Strategic Finance comments that there are no financial implications arising directly out of this report.

##### 4.2 **Legal Issues** (Monitoring Officer)

The Head of Legal and Property Services comments that there are no legal implications arising directly out of this report.

##### 4..3 **Potential Risks**

<b>Potential Risk</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Overall score</b>
That the accounts are not statutorily finalised by 30 <sup>th</sup> June 2011	1	4	4
That the Accounts are found to be materially misstated when audited by Grant Thornton.	1	4	8

##### 4.4 **Staffing**

None Directly

##### 4.5 **Accommodation**

None Directly

**WATFORD BOROUGH COUNCIL****AUDIT PROGRESS REPORT - JUNE 2011**

<b>Work</b>	<b>Progress</b>
<b>Annual Audit Approach Memorandum</b>	Please see separate agenda item.
<b>Annual Governance statement</b>	Please see separate agenda item.
<b>Certification Work plan</b>	Please see separate agenda item.

**Grant Thornton UK LLP**

**June 2011**

## Watford Borough Council

Certification Work - Planning Memorandum 2010-11

June 2011

<b>Contents</b>		<b>Page</b>
<b>1</b>	<b>Introduction and approach</b>	<b>2</b>
<b>2</b>	<b>Claims history</b>	<b>4</b>
<b>3</b>	<b>Relationship between certification work and other work</b>	<b>5</b>
<b>4</b>	<b>Roles and responsibilities</b>	<b>6</b>
<b>5</b>	<b>Protocol for 2010-11 claims &amp; returns</b>	<b>7</b>
<b>6</b>	<b>Team and timing of work</b>	<b>9</b>

#### **Appendices**

- A Summary of all claims and returns for the year ended 31 March 2011**

# 1 Introduction and approach

## **Introduction**

Various grant-paying bodies require external certification of claims for grant or subsidy and returns of financial information. As Watford Borough Council's (the Council) external auditors, Grant Thornton undertakes certification work at the Council, acting as an agent of the Audit Commission.

The Audit Commission makes certification arrangements with grant-paying bodies, this includes confirming which claims and returns require certification and issuing certification instructions. These instructions are tailored to each scheme and they clearly set out the specific procedures to be applied in examining a claim or return. The Audit Commission agrees the deadline for submission of each claim by authorities and the deadline for certification by auditors.

## **Certification arrangements**

The Audit Commission's certification arrangements are designed to be proportionate to the claim or return: The arrangements for 2010/11 are:

- for claims and returns below £125,000, certification by us is not required, regardless of any statutory certification requirement or any certification requirement set out in grant terms and conditions;
- for claims and returns above £125,000 and below £500,000, we are required to perform limited tests to agree entries on the claim or return to underlying records, but were not required to undertake any testing of the eligibility of expenditure or data; and
- for claims and returns over £500,000, we are required to assess the control environment for the preparation of the claim or return and decide whether or not to place reliance on it. Where reliance is placed on the control environment, we are required to undertake limited tests to agree entries on the claim or return to underlying records but not to undertake any testing of the eligibility of expenditure or data. Where reliance is not placed on the control environment, we are required to undertake all the tests in the relevant certification instruction and use our assessment of the control environment to inform decisions on the level of testing required.

In determining whether we place reliance on the control environment, we consider other work we have undertaken on the Council's financial ledger and any other relevant systems, and make appropriate use of relevant internal audit work.

### Our certificate

Following our work on each claim or return, we issue our certificate. The wording of this depends on the level of work performed as set out above, stating either the claim or return is in accordance with the underlying records, or the claim or return is fairly stated and in accordance with the relevant terms and conditions. Our certificate also states that the claim has been certified:

- without qualification;
- without qualification but with agreed amendments incorporated by the authority; or
- with a qualification letter (with or without agreed amendments incorporated by the authority).

Where a claim is qualified because the authority has not complied with the strict requirements set out in the certification instruction, there is a risk that grant-paying bodies will retain funding claimed by the authority or, claw back funding which has already been provided or has not been returned. In addition, where claims or returns require amendment or are qualified, this increases the time taken to undertake this work, which impacts on the certification fee.

### Certification work fees

Each year the Audit Commission sets a schedule of hourly rates for different levels of staff, for work relating to the certification of grant claims and returns. When billing the Council for this work, we are required to use these rates. They are shown in the table below.

#### Hourly rates for certifying claims and returns for 2010-11

Role	2010/11
Engagement lead	£345
Manager	£195
Senior auditor	£125
Other staff	£95

## 2 Claims history

The most significant claims in 2009-10 were:

- housing and council tax benefit; and
- national non-domestic rates.

There are an estimated 3 claims and returns to be submitted for 2010-11.

In our 2009-10 grants report, the key points we reported to the Audit Committee were:

- Our review of a sample of cases against the requirements of the regulations show that there were instances where the information used to assess rent allowance benefits was incomplete and this resulted in cases been classified in the wrong cells. This could potentially lead to the award of over or under entitlement of benefits.
- The Council went live on a new Revenues and Benefits software (ACADEMY) in February 2010. Due to an administrative error, un-cashed cheques were omitted from the final claim form. This led to a reduction in the amount of subsidy due to the Council.

The table below summarises performance against best practice targets.

<b>Performance Target</b>	<b>Best Practice Target</b>	<b>Performance in 2009-10</b>
Claims submitted on time	100%	100%
Claims amended	0%	33%
Claims qualified	0%	0%
Certified within Audit Commission deadline or 3 months from receipt	100%	100%

### 3 Relationship between certification work and other work

The 2010-11 accounts audit is due to be completed and the audit opinion signed by 30 September 2011. This is before the certification deadline for some of the major claims and returns.

In order to gain assurance that the accounts are not materially misstated with respect to grant income and related expenditure, we perform analytical procedures and key tests from the certification instructions which are material to the Council's accounts as a part of our accounts audit work.

By the earlier of 30 September and the date on which the accounts are signed, we will complete sufficient work on the certification of these material claims and returns to conclude that there were no material misstatements to the accounts due to expenditure incurred or income received. We will complete the remaining tests, to cover the requirements of the certification instructions, prior to the certification deadlines.

As in 2009-10, one integrated piece of work on benefits will be undertaken, covering claim certification, data quality and some elements relevant to the accounts opinion. The scope of this work is set out by the Audit Commission in the housing and council tax benefits certification instruction and HB COUNT workbooks.

We are required to complete enough work to inform our Value For Money conclusion and accounts opinion by 30 September 2011. All work on this claim, including any additional testing as a result of identifying errors in the initial sample, is required to be completed by the certification deadline of 30 November 2011.



## 4 Roles and responsibilities

The table below summarises the respective roles and responsibilities of the parties involved in the certification process.

Party	Role and responsibility
Grant paying body	Sets conditions of grant and deadline for submission for pre-certified and certified claims.
Audit Commission	Issues certification instructions for auditor work.
Council	Submits claims for certification to the Appointed Auditor within grant paying body submission deadlines.
Appointed Auditor	Certifies claims submitted in accordance with Audit Commission Instructions and within certification deadlines.

The Council's role can be further analysed areas as follows:

- the Head of Strategic Finance is responsible for ensuring that supporting accounting records are sufficient to document the transactions for which claims are made. These records should be maintained in accordance with proper practices and kept up to date, including records of income and expenditure in relation to claims and returns;
- the Council should ascertain the requirements of schemes at an early stage to allow those responsible for incurring eligible expenditure to assess whether it falls within the scheme rules and to advise those responsible for compiling claims and returns to confirm any entitlement;
- the Council should ensure all deadlines for interim and final claims are met to avoid sanctions and penalties from the grant paying bodies;
- to comply with Audit Commission Certification Instructions, claims and returns should be supported by adequate working papers. The Council should have procedures in place to ensure that not only are the claims and returns prepared for external auditor certification but also that the documentation is in place to support the information declared;
- grant-paying bodies usually require the Council's certificate to be given by an appropriate senior officer. This is typically the Head of Strategic Finance or an officer authorised by written delegated powers; and
- the Council should monitor arrangements with any third parties involved in the certification process.

## 5 Protocol for 2010-11 claims & returns

The following summarises the proposed protocol for the certification process during 2010-11.

- The Council has identified all claims and returns and this information is incorporated into Appendix A to this grants plan.
- When each expected claim or return is completed, a copy of the signed original version should be sent to Nick Taylor at the following address:

**Grant Thornton UK LLP**  
**Grant Thornton House**  
**Melton Street**  
**Euston Square**  
**London**  
**NW1 2EP**

- The original claims and returns should be retained by the Council with one central named co-ordinator.
- If additional claims and returns are identified by either us or the Council they will be incorporated into the appendix in this plan.
- All claims and returns should be sent to us, even if below the de minimis limit so that we can confirm that no certification is required where necessary. We are required to report the value for these claims to the Audit Commission in our annual certification work report.
- We will inform the Council's claim co-ordinator as to which claims and returns have been received, and also to highlight any which have not been received after a submission deadline. We can also provide an update as to which certifications have been completed and which are ongoing on a monthly basis if requested.
- Copies of the certification instructions can be provided on request for any new claims and returns received.
- Once claims and returns are received we will arrange staffing for the certification with the named contact for the particular claim or return.
- We intend to certify all claims and returns in accordance within the deadlines set out by the Audit Commission. If we receive any claims after the Council's submission deadline, we will endeavour to certify them within the Audit Commission deadline but, where this is not possible, within the permitted three months from receipt.
- Once we have completed our on-site certification processes we will collect the original claim or return from the named co-ordinator.
- A copy of each certified claim or return will be sent to the relevant named contact when the certification process is complete, along with a copy of a qualification letter if applicable.
- We will issue a bill at the end of each month (with the first bill being issued in July 2011), which will break down the overall fee on a claim by claim basis.

- We expect to complete the certification all of claims by late 2011. After this point we will issue a certification work report highlighting any issues we feel should be brought to the Council's and Audit Committee's attention.

## 6 Team and timing of work

The team will be led by Kate Wheeler (Senior Auditor) and managed by Richard Lawson (Audit Manager). Nick Taylor (Audit Manager) will review the certification work performed, except for the National Non-Domestic Rates return and the Housing and Council Tax benefits scheme, which will be reviewed by Richard Lawson (Audit Manager). Nick and Richard are responsible for the review of these claims and returns across local authorities audited by Grant Thornton in London and the South East. Paul Dossett and Paul Hughes (Engagement Leads) will be responsible for final review and certification of the claims and returns.

Our work will be undertaken between June and December 2011 to ensure completion of certification work in accordance with individual statutory deadlines.

Appendix A sets out details of the deadlines for submission of the claims to us, certification deadlines and an estimate of the input required.

The estimated time for each certification is set out in the appendix to the plan and makes the following assumptions:

- the certification instructions for 2010-11 do not vary from 2009-10 to any significant degree, except where there are known adjustments;
- the Council provides adequate working papers to support each entry in the claim/return;
- the Council's staff are available to deal with our queries in a timely manner and provide such explanations and supporting evidence necessary to support entries; and
- we have assumed that there will be no change in the scope of our work due to the control environments in place during the year.

Should these assumptions not prove to be correct once we commence our work then the budgeted number of days will be increased or decreased accordingly.

## A Summary of all claims and returns for the year ended 31 March 2011

Claim	Authority Deadline	Certification Deadline	Claim certified in prior year	Prior year outcome	Estimated number of days on site
Housing and council tax benefits scheme (BEN01)	31/05/11	30/11/11	4	Amended	15
Disabled Facilities (HOU21)	29/07/11	31/10/11	4	Without amendment	3
National Non Domestic Rates return (LA01)	24/06/11	23/09/11	4	Without amendment	3

(On this basis, and time required, we estimate that our fee for this work in 2010-11 will be approximately £20,000 (2009-10: £24,243).



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# Watford Borough Council

## Accounts Audit Approach Memorandum

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June 2011

Page 63



# Our accounts audit approach

Page 64

## Introduction

This memorandum is intended to provide additional detail regarding our audit approach, as set out in our Audit Plan 2010/11 issued in February 2011, as well as an update on our response to key risks from the results of interim audit work carried out to date.

## Audit approach reminder

We will:

- work closely with the finance team to ensure that we meet audit deadlines and conduct the audit efficiently
- plan our audit on an individual task basis at the start of the audit, and agree timetables with all staff involved; and
- consider the materiality of transactions when planning our audit and when reporting our findings

**The logistical details of our annual accounts audit, as agreed with the Head of Strategic Finance, are detailed in Appendix A to this memorandum.**

In summary our audit strategy comprises:

<b>Planning</b>	<ul style="list-style-type: none"> <li>• Updating our understanding of the Council through discussions with management and a review of the performance reports to Committee.</li> </ul>
<b>Control evaluation</b>	<ul style="list-style-type: none"> <li>• Reviewing the design effectiveness and implementation of internal financial controls including IT, where they impact the financial statements</li> <li>• Assessing audit risk and developing and implementing an appropriate audit strategy</li> <li>• Testing the operating effectiveness of selected controls</li> <li>• Assessing the effectiveness of internal audit against the CIPFA Code of Practice</li> </ul>
<b>Substantive procedures</b>	<ul style="list-style-type: none"> <li>• Reviewing material disclosure issues in the financial statements</li> <li>• Performing analytical review</li> <li>• Verifying all material income and expenditure and balance sheet accounts, taking into consideration whether audit evidence is sufficient and appropriate</li> </ul>
<b>Completion</b>	<ul style="list-style-type: none"> <li>• Performing overall evaluation</li> <li>• Determining an audit opinion</li> <li>• Reporting to Audit Committee</li> </ul>



# Our accounts audit approach (continued)

Page 65

## Materiality

An item would be considered material to the financial statements if, through its omission or non-disclosure, the financial statements would no longer show a true or fair view.

Materiality is set at the outset of planning to ensure that an appropriate level of audit work is planned. It is then used throughout the audit process in order to assess the impact of any item on the financial statements. Any identified errors or differences greater than 2% of materiality will be recorded on a schedule of potential misstatements.

These are assessed individually and in aggregate, discussed with you and, if you do not adjust, signed off by you in your letter of representation to us, confirming your view that they are immaterial to the financial statements.

An item of low value may be judged material by its nature, for example any item that affects the disclosure of directors' emoluments. An item of higher value may be judged not material if it does not distort the truth and fairness of the financial statements.

## Reliance on internal audit

We will work with the internal audit function to ensure our audit approach takes account of the risks identified and the work they have conducted, subject to our review of the effectiveness of the internal audit function.

## Review of IT and outsourced systems

Our audit approach assumes that our clients use a computer system for accounting applications that process a large number of transactions. Accordingly, our approach requires a review of the Council's internal controls in the information technology (IT) environment supporting the general ledger.

We will involve Technology Risk Services (TRS) team members during the audit, this was based on the complexity of IT used in the significant transaction cycles and the control risk assessment.

## Internal controls

Auditing standards require that we evaluate the design effectiveness of internal controls over the financial reporting process to identify areas of weakness that could lead to material misstatement. Therefore, we will focus our control review on the high risk areas of the financial statements.

We are also required to assess whether the controls have been implemented as intended. We will do this through a combination of inquiry and observation procedures, and, where appropriate, systems walkthroughs. However, our work cannot be relied upon necessarily to identify defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive controls review exercise might identify.

# Update on accounts audit risk assessment

As part of our planning and control evaluation work we have reviewed the audit risks identified in our Audit Plan 2010/11 and have set out opposite the outcome of work completed to date and further work planned.

Page 66

Our updated review of the risks facing the Council has identified four new risks which are covered in the following pages.

We will report our full findings and conclusions in respect of each risk identified in our Annual Report to Those Charged with Governance (ISA 260) on completion of our final accounts audit.

Issue	Audit areas affected	Work completed	Further work planned
Accounting under IFRS	All areas of the financial statements	<ul style="list-style-type: none"> <li>A specific review of the Council's preparedness for IFRS has been completed. The results of this review have been communicated to the Finance team in April 2011 in a red/amber/green (RAG) format.</li> <li>We have maintained on-going liaison with the Finance Team regarding emerging IFRS issues and guidance and we have provided support for any proposed changes to accounting treatment being considered under IFRS.</li> </ul>	<ul style="list-style-type: none"> <li>We will continue to maintain on-going liaison with the Finance Team regarding emerging issues and new guidance released up until the signing of the 2010/11 financial statements.</li> <li>Our substantive audit procedures will focus on the high risk areas identified as a result of the transition to IFRS, in particular property, plant and equipment (PPE).</li> </ul>
Financial performance pressures	All areas of the financial statements	<ul style="list-style-type: none"> <li>We have monitored the Council's financial position throughout the year through review of Council meeting papers and liaison meetings with the Head of Strategic Finance.</li> <li>The Council has to achieve significant savings in the next financial period. There is a risk to its going concern position, as this could impact on the level of reserves held by the Council.</li> </ul>	<ul style="list-style-type: none"> <li>We will undertake procedures on revenue and expenditure to ensure that they have been accounted for in the correct year and are a complete representation of the Council's revenue and expenditure for the year.</li> <li>We will carry out an updated review of the Council's financial position as part of our going concern procedures.</li> </ul>

# Update on accounts audit risk assessment (continued)

Page 67

The specific accounts assertion risks by cycle which we consider to present a 'reasonably possible' risk of material misstatement to the financial statements are detailed in appendix B to this memorandum

Issue	Audit areas affected	Work completed	Further work planned
Revaluation of fixed assets	Property, plant and equipment	<ul style="list-style-type: none"> <li>Based on discussions with management, work has been undertaken to carry out valuations based on the guidance provided by the Royal Institute of Chartered Surveyors (RICS) and the Code to ensure these are in line with IFRS.</li> </ul>	<ul style="list-style-type: none"> <li>We will review any valuations undertaken and ensure that these are in compliance with the requirements of IFRS. We will also consider the timeliness of the Councils work on valuations.</li> <li>We will undertake a detailed review of property, plant and equipment accounting to ensure all issues arising from the adoption of IFRS have been identified</li> </ul>
Information Technology	Accounts opinion and value for money opinion	<ul style="list-style-type: none"> <li>We are in the process of completing our review of the IT control environment, part of which we will be reviewing and incorporating the results of the internal IT report currently being produced by the Council.</li> </ul>	<ul style="list-style-type: none"> <li>We will assess the impact of the results of our IT review on our accounts and value for money opinions.</li> </ul>

# Results of interim audit work

Page 68

## Scope

As part of the interim audit work, and in advance of our final accounts audit fieldwork, we considered:

- the effectiveness of the Internal Audit function;
- internal audit's work on the Council's key financial systems;
- a review of closedown procedures in preparation for the final accounts under International Financial Reporting Standards (IFRS);
- walkthrough testing and tests of controls to confirm whether controls are implemented as per our understanding in areas where we have identified high accounting risk; and
- a review of Information Technology controls

## The internal audit function

We will review internal audit's overall arrangements against the 2006 CIPFA Internal Audit Standards. Where the arrangements are deemed to be adequate, we can gain assurance from the overall work undertaken by internal audit and can conclude that the service itself is contributing positively to the internal control environment and overall governance arrangements within the Council.

In preparation for our final accounts audit, we will review internal audit's work on the financial systems.

In assessing the effectiveness of internal audit work, we will review three internal audit files to ensure that:

- systems are adequately documented;
- key controls have been identified and evaluated;
- key controls have been tested; and
- weaknesses have been reported to management

We will report our findings as part of our Annual report to those charged with Governance (ISA 260).

## Closedown procedures

Our review considered the Council's timetable for closedown and the arrangements for preparing the draft IFRS accounts, including guidance provided on working papers required to be made available as part of the closedown process.

The Council has established a suitable timetable and expects to meet the accounts submission requirements in a timely manner. The Council also expects to be able to provide detailed working papers to support the accounts at the start of our final accounts audit fieldwork, which is scheduled to commence on 15th August 2011, as well as providing the draft Annual Governance Statement in advance of this date.

## Results of interim audit work (continued)

### Walkthrough testing and tests of controls

Walkthrough tests and tests of controls were undertaken in April 2011 for the majority of the specific accounts assertion risks by cycle which we consider to present a 'reasonably possible' risk of material misstatement to the financial statements. (These risks are detailed in Appendix B to this memorandum).

Unfortunately we have not yet been able to complete our work in the area of property, plant and equipment which we will complete prior to the commencement of the accounts audit. This work has accordingly been rescheduled for completion in June 2011 and the results will be considered as part of our accounts audit planning process prior to the commencement of our final accounts audit fieldwork.

No significant issues were noted where walkthrough testing was able to be completed as planned and in-year internal controls were observed to operate satisfactorily in accordance with our documented understanding.

### Review of information technology controls

Our information systems specialist is in the process of performing a high level review of the general IT control environment, as part of the overall review of the internal controls system.

We will be reviewing the findings of the internal IT report that is currently being produced assessing the impact alongside our IT controls review on the accounts and value for money opinions.

We will be reporting the results of our IT controls review as part of our annual report to those charged with governance (ISA260).

# Appendices

## A. Logistics

### Timetables and milestones

The following proposed timetable and deadlines have been set and agreed with management:

Event	Date
Pre year end fieldwork including internal controls review	March 2011
Completion of outstanding internal controls reviews	June 2011
Statutory accounts emailed to auditor	30 June 2011
Commence accounts audit fieldwork	15 August 2011
Manager visit to review work	August 2011
Partner visit to review work	August 2011
Clearance meeting to discuss our findings	TBA
Report to Audit Committee (ISA 260)	30 Sept 2011

The audit process is underpinned by effective project management to ensure that we co-ordinate and apply our resources efficiently to meet your deadlines. It is therefore essential that we work closely with your team to achieve this timetable. An agreed format and schedule of informal update arrangements will be maintained throughout the course of our audit fieldwork in support of this aim.

### Engagement team

In accordance with our Audit Plan 2010/11 issued February 2011, the main engagement team for the accounts audit will include:

Name	Role	Contact details
Paul Dossett	Engagement partner	T: 0207 728 3180 E: <a href="mailto:paul.dossett@uk.gt.com">paul.dossett@uk.gt.com</a>
Richard Lawson	Audit Manager	T: 0207 728 2084 E: <a href="mailto:richard.lawson@uk.gt.com">richard.lawson@uk.gt.com</a>
Kate Wheeler	Audit senior	T: 0207 728 2033 E: <a href="mailto:kate.e.wheeler@uk.gt.com">kate.e.wheeler@uk.gt.com</a>

### Information requirements

The information and working paper requirements that would assist us in an efficient and timely audit of the year-end financial statements have been communicated to the finance team within our Arrangements Letter, which was issued in April 2011.

## B. Accounts assertion risks by cycle

A reasonably possible risk is defined as being where:

- Numerous and often very precise controls should be established by management
- Substantive procedures would vary if controls were tested
- Inherent risk factors increase the likelihood of a material misstatement

### Property, plant and equipment

#### Valuation - Gross

##### Risks

Revaluation measurements not correct

##### Intended control reliance

Walkthroughs will be performed to verify that controls are implemented

#### Valuation - Net

##### Risks

Property, plant and equipment activity not valid

Walkthroughs will be performed to verify that controls are implemented

### Operating expenses

#### Completeness

##### Risks

Creditors understated or not recorded in correct period

##### Intended control reliance

Walkthroughs will be performed to verify that controls are implemented



## Accounts Audit Approach Memorandum

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### Council Tax Revenue

#### Existence/Occurrence

##### Risks

Recorded debtors not valid

##### Intended control reliance

Walkthroughs will be performed to verify that controls are implemented

#### Completeness

##### Risks

Tax revenue transactions are incorrectly recorded

##### Intended control reliance

Walkthroughs will be performed to verify that controls are implemented



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# Annual Governance Statement: adding real value?

Spring 2011

## Overview

Local authorities have been required to produce an Annual Governance Statement (AGS) since 2007/08. The AGS replaced the Statement on Internal Control as local government needed a holistic assurance rather than a narrow financial and control basis. The AGS produced by local authorities appears in the published annual accounts and is normally signed by the Chief Executive and leader of the Council. CIPFA/SOLACE have prescribed a framework for the AGS which requires authorities to document the scope, purpose and responsibility of the Governance Framework as well as reporting on its effectiveness and documenting any significant control weaknesses, and actions taken to mitigate them.

## The AGS – still in development?

We have significant experience of the AGS and its development and our research has involved review of a number of 2009/10 AGSs across the country. It is our view that most authorities are still in the “compliance” phase of their development, and their main focus is ensuring compliance with the specified CIPFA/SOLACE framework. Many of the statements we review lack much local flavour or perspective and are often anodyne and bland. Conversely, others contain excessive commentary on local process, making it difficult to draw out the key messages. Most tellingly it is often difficult to understand why governance failings recorded in the document are deemed significant.

## What are the main issues?

- **The AGS is static and lack status** – Our experience shows that in preparing the AGS authorities primarily concerned with “ticking the boxes” ready for member/audit review. The AGS is all too often:
  - a year end rather than year round exercise
  - not updated to reflect significant issues arising between the draft accounts and audit opinion
  - written and presented by internal audit
  - amended incrementally each year to document new control weaknesses and follow up last year’s issues, rather than fundamentally reviewed with the council’s strategic objectives and vision in mind
  - not challenged by officers, members and auditors on the value it adds to governance arrangements.
- **The overall purpose of the governance framework is rarely articulated** - The AGS is often a description of a long list of processes the Council has put in place to achieve sound governance. The AGS rarely addresses some basic questions such as: *What is the level of assurance we are trying to achieve? Will these processes and controls provide sufficient assurance?*

- **Assurances obtained from governance processes are very rarely articulated?** - Our experience shows that few AGS explicitly link the assurances actually obtained in the current year from the processes described. The better AGS have documented assurances obtained from external audit and inspection, and in some cases from internal audit. We have found very few examples where assurances obtained from internal governance procedures are documented or evidenced. Readers are unclear over: *What assurances have these processes actually given and to whom? Have we achieved the level of assurance we need?*
- **Significant weaknesses are often vague** - The majority but not all authorities include significant weaknesses at the end of the AGS. However:
  - it is often unclear whether weaknesses recorded are significant in the context of achievement of the council’s vision and strategic objectives
  - it is difficult to understand which part of the framework identified the weaknesses and what this means for the wider governance processes
  - “significant weaknesses” identified in year and follow up of action on prior year issues are often vaguely articulated and action planning rarely meets the ‘SMART’ test.

## What needs to be done?

To add real value we believe the AGS should:

- Have greater status within the council’s management and reporting processes as the key document that records the planned and obtained assurances over achievement of the vision and strategic objectives
- Be owned from the top, used to plan and monitor internal and external assurance gathering throughout the year
- Be fundamentally reviewed each year so that it clearly includes what is significant and excludes what is not
- Have only significant weaknesses recorded with SMART action planning
- Provide a robust, transparent and honest assessment of the governance framework for the year.

## Who should I contact?

The Grant Thornton Governance Institute will continue to issue briefing notes in the interests of wider awareness, and we intend to hold a variety of other promotional and thought-development events. For further information:

**Paul Hughes**  
Grant Thornton Governance Institute  
T 020 7728 2256  
E paul.hughes@gt.uk.com

# Agenda Item 6

PART A

AGENDA  
ITEM **6**

**Report to:** Audit Committee  
**Date of meeting:** 30 June 2011  
**Report of:** Head of Strategic Finance  
**Title:** Treasury Management Quarterly Report

1.0 **SUMMARY**

1.1 This report provides the first quarters review of the Council's Treasury Management Strategy and investment performance.

2.0 **RECOMMENDATIONS**

2.1 That the Committee notes the report.

**Contact Officer:**

For further information on this report please contact: Bernard Clarke, Head of Strategic Finance  
telephone extension: 8189 email: [bernard.clarke@watford.gov.uk](mailto:bernard.clarke@watford.gov.uk)

### 3.0 **Background**

3.1 The UK economy has experienced a slowing of its overall growth projections. This has been attributed to a global slowdown in economic activity (which has affected our export markets), combined with less consumer activity on the high streets (due to the real reductions in disposable income). This has resulted in the anticipated May 2011 increase in Base rate being delayed until probably February 2012. This is bad news for the Council's investment portfolio as the Base rate (currently 0.5%) determines the rates of interest that can be achieved on the money markets.

3.2 The estimate of interest to be earned in 2011/2012 was geared to achieving an average rate of return of 1.3% for the year (for the first quarter the average rate of return is currently 1.25%). At the present time the portfolio is earning circa 0.75% on its short term deposits; 1.2% on six month money; and 1.6% on 12 month money. In order to achieve an average 1.3% it will be necessary to lend a large proportion of the portfolio out for between 6 to 12 months. This is however subject to our cash flow forecasts regarding when funding is required for financing the capital programme/ and making precept and business rate payments. The current portfolio is attached at **Appendix 1**.

### 4.0 **IMPLICATIONS**

#### 4.1 **Financial Issues**

The Head of Strategic Finance comments that all financial comments have been included within the body of the report.

#### 4.2 **Legal Issues** (Monitoring Officer)

The Head of Legal and Property Services comments that there are statutory limitations governing cash fund investments and all proposals within this report ensure continued compliance.

#### 4.3 **Potential Risks**

<b>Potential Risk</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Overall score</b>
Investment with non approved body	1	4	4
Failure to achieve investment interest budget targets	2	4	8
Those risks scoring 9 or above are considered significant and will need specific attention in project management. They will also be added to the service's Risk Register.			

#### 4.4 **Staffing**

None Directly

#### 4.5 **Accommodation**

None Directly

## Investments as at 17 June 2011

Appendix 1

Loan Ref	Lender	Loan Type	Broker	Profile	Fix/Var	Notice	Start Date	Maturity	Principal	Rate
1005	CLYDESDA	D		V	V		06-Apr-10	- -	-3,000,000.00	0.85
1010	NATWESTS	D		V	V		27-Apr-10	- -	-6,000,000.00	0.90
1025	CO-OP	D		V	V	C	01-Jul-10	- -	-4,920,000.00	0.56
1026	NATIONWI	D	PREB	M	F		28-Jul-10	27-Jul-11	-2,000,000.00	1.36
1027	COVENTRY	D	PREB	M	F		02-Aug-10	01-Aug-11	-2,000,000.00	1.33
1028	SKIPTON	D	PREB	M	F		02-Aug-10	01-Aug-11	-1,000,000.00	1.57
1032	LLOYDSTS	D		M	F		07-Sep-10	06-Sep-11	-5,000,000.00	2.00
1034	NATIONWI	D	STER	M	F		24-Nov-10	23-Nov-11	-2,000,000.00	1.33
1035	BARCLAYS	D	TRAD	M	F		09-Feb-11	08-Feb-12	-3,000,000.00	1.50
1036	BARCLAYS	D	TRAD	M	F		09-Feb-11	09-Aug-11	-2,000,000.00	1.00
1037	SANTAND	D	PREB	M	F		03-May-11	05-Sep-11	-5,000,000.00	1.20
1038	NATWESTS	D		M	F		19-May-11	18-May-12	-2,000,000.00	1.51
									<b>-37,920,000.00</b>	

PART A

AGENDA  
ITEM **7**

**Report to:** Audit Committee  
**Date of meeting:** 30 June 2011  
**Report of:** Head of Strategic Finance  
**Title:** Annual Governance Statement

## 1.0 **SUMMARY**

1.1 This report sets out the Annual Governance Statement (Appendix A) that the council is required to produce annually, for inclusion in the Statement of Accounts. Best practice requires that Members consider this separately before inclusion within the accounts.

## 2.0 **RECOMMENDATIONS**

2.1 That the Annual Governance Statement set out as Appendix A be approved.

### **Contact Officer:**

For further information on this report please contact: Bernard Clarke, Head of Strategic Finance, telephone extension: 8189 email: [bernard.clarke@watford.gov.uk](mailto:bernard.clarke@watford.gov.uk)

3.0 **DETAILED PROPOSAL**

3.1 It is a statutory requirement that all authorities are required to produce an Annual Governance Statement (AGS). The purpose of the Statement is to demonstrate that the council has put in place proper arrangements for the governance of its affairs and for their continued effectiveness.

3.2 Appendix A sets out the Statement, in the form required. Members' attention is particularly drawn to the section on Significant Governance issues, which sets out priority areas for improvement. The guidance on the AGS is very clear that an AGS with no such issues to report is likely to be a sign of an ineffective governance culture. The Governance Statement is based on a format compiled by CIPFA as a good practice example.

3.3 In accordance with recommended practice, the Governance Statement has been reviewed by Leadership Team on 31<sup>st</sup> May 2011.

4.0 **IMPLICATIONS**

4.1 **Financial**

4.1.1 The Head of Strategic Finance comments that there are no financial implications arising directly from this report.

4.2 **Legal Issues** (Monitoring Officer)

4.2.1 The Head of Legal and Property Services comments that the requirement to publish an Annual Governance Statement arises from the Accounts and Audit (Amended) Regulations (England) 2006.

4.3 **Equalities**

4.3.1 The Council's commitment to equalities is reflected in its values and hence in this Statement.

4.4 **Potential Risks**

Potential Risk	Likelihood	Impact	Overall score
Failure to correctly identify key issues	1	3	3
The compilation process is designed to minimise the risk of over-looking important issues. Failure to do so could lead to problems for the council, including adverse comment from the external auditor.			



## Appendices

Appendix A - Annual Governance Statement

## Background Papers

If you wish to inspect or take copies of the background papers, please contact the officer named on the front page of the report.”

Delivering Good Governance in Local Government – SOLACE/CIPFA  
The Annual Governance Statement – CIPFA Finance Advisory Network

## File Reference

None

**Audit Committee – 30 June****Annual Governance Statement****1.0 Scope of responsibility**

- 1.1 Watford Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for. Watford Borough Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, Watford Borough Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the exercise of its functions, and which includes arrangements for the management of risk.
- 1.3 Watford Borough Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE framework *Delivering Good Governance in Local Government*. A copy of the code is on our website at [www.watford.gov.uk](http://www.watford.gov.uk) or can be obtained from the Head of Legal and Property Services. This statement explains how Watford Borough Council has complied with the code and also meets the requirements of Regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

**2.0 The purpose of the governance framework**

- 2.1 The governance framework comprises the systems and processes, culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
- 2.3 The governance framework has been in place at Watford Borough Council for the year ended 31 March 2011 and up to the date of approval of the Statement of Accounts for the 2010/2011 financial year

**3.0 Strategic Aims and Objectives**

- 3.1 The Governance Framework enables the Council's key objectives to be met and these can be summarised as follows:

**VISION:**

A Town to be proud of, where people will always choose to live, work and visit

**OUR OBJECTIVES:**

- Improve the health of the town and enhance its heritage
- Enhance the town's 'clean and green' environment
- Enhance the town's sustainability

- Enhance the town's economic prosperity and potential
- Supporting individuals and the community
- Securing an efficient, effective, value for money council
- Influence and partnership delivery

3.2 Underpinning these over arching priorities are a series of measurable objectives so that every member of staff and our community can feel fully engaged in the process.

3.3 The Council, under its statutory duty, plays a major role in the Local Strategic Partnership, **One Watford**, which is made up of key stakeholders such as Hertfordshire County Council, Hertfordshire Police Authority, West Herts College, Watford and West Herts Chamber of Commerce, the Council for Voluntary Service, Hertfordshire NHS, Watford Community Safety Partnership, The District Children's Trust, John Lewis plc, Watford Football Club, Wenta, Watford Community Housing Trust and WatCom. One Watford has produced the borough's Sustainable Community Strategy. This cascades down whereby the Council identifies and communicates its aims and ambitions for Watford through the Corporate Plan. This Plan has recently been reviewed and agreed by Cabinet on 6 June 2011 and by full council on 20 July 2011; it covers the period 2011/2015.

3.4 The Corporate Plan is the key document for translating the aims and ambitions for Watford into a concise, readable document with SMART targets.

#### **4.0 Decision Making Structures**

4.1 Watford Borough Council has a directly elected Mayor (just one of 11 local authorities to have this form of leadership) and means that the community elect the person to lead the Council. The Mayor is supported by a Cabinet that plays a key role in determining the overall budget and policy framework of the Council. Each member of the Cabinet has a Portfolio for which they are responsible and they can make decisions within their area of responsibility.

4.2 The major check upon executive decisions taken by the Mayor and Cabinet is the Full Council and key decisions such as setting the Annual Budget and establishing the Constitutional Framework can only be approved by Council.

4.3 In addition the Council has three scrutiny panels which review and scrutinise the policy of the Council, its performance and its budget. There are also four further committees covering development control, licensing, audit and functions.

4.4 At an officer level, the senior management comprises the Managing Director and two Executive Directors and is supported by Heads of Service. This combined management comprise the Leadership Team who meet fortnightly to review and progress the key objectives of the Council. There is also an Executive Group comprising the Managing Director and two Executive Directors which meets regularly to review the strategic aims and ambitions of the Council.

#### **5.0 The governance framework**

5.1 The Council has approved a Code of Corporate Governance which identifies community focus, service delivery arrangements, structures and processes, risk management, internal control arrangements and standards of conduct.

5.2 The key documents driving the governance framework are included in the council's Constitution (published in full on the Council's website [www.watford.gov.uk](http://www.watford.gov.uk)). This sets out how the council takes decisions, roles and responsibilities of members and officers, codes of conduct and procedure rules and also sets out the rights of citizens. A wide range of detailed policy and procedure documents supplement this for operational use by officers. Both the Constitution and these supplementary documents are kept under review and updated as necessary. Training is provided for Members and staff on relevant changes.

- 5.3 Council, Cabinet and Committee meetings are open to the public and written reports are available to the public through the website. Information is only treated as confidential when it is necessary to do so for legal/ commercial reasons or as a matter of proper practice.
- 5.4 Each year, the full council meeting sets key policies and objectives, including the corporate plan and the budget, as well as individual strategies for key activities.
- 5.5 The council publishes its Corporate Plan annually, which sets out key service improvement priorities for the medium term, with targets for performance and deadlines for achievement. This has been informed by public consultation on the Sustainable Community Strategy and agreed by the Local Strategic Partnership, One Watford, and by consultation and surveys carried out on a range of topics. It is also informed by a detailed analysis and understanding of Watford in terms of what are the key issues and factors influencing the context of the borough. Feedback from members and external review organisations is also taken into account as is the council's budget and financial planning.
- 5.6 The Corporate Plan is publicised and published on the council's website and distributed in hard copy to various premises. Progress on the plan is reported to the public through About Watford, including an 'annual report' on the council's achievements and how well it has delivered its commitments within the Plan.
- 5.7 Councillors are assisted in their policy and decision-making roles by the advice of staff with suitable qualifications and experience, under the leadership of the Managing Director. All reports requiring a decision from Members include comments on financial, legal, equalities, sustainability, community safety and other appropriate issues such as potential risks to non achievement, all of which ensures that comprehensive advice is provided. The scrutiny function within a local authority provides a necessary check upon the role of the Executive and is a key component of corporate governance. The scrutiny function has been reviewed by Full Council and is to change for the 2011/2012 Municipal Year. This review of governance arrangements is necessarily backward looking and refers to the arrangements applying during 2010/2011. Policy Development Scrutiny Committee considered selected topics and advised Cabinet on its findings. Call-in and Performance Scrutiny would review Cabinet decisions as well as reviewing performance. Budget Panel considers the draft budget proposals made by Cabinet, other financial matters and value for money progress. The Audit Committee reviews the overall and service related control and risk management environment including Freedom of Information requests as well as Annual Accounts and Treasury Management policies.
- 5.8 Monitoring reports on the achievement of service improvements and financial performance are submitted to Cabinet meetings, to the Call-In and Performance Scrutiny Committee and to the Budget Panel. In addition, Cabinet Members, in their capacity as Portfolio Holders with specific responsibilities, hold quarterly meetings with Directors and Heads of Service to review performance.
- 5.9 The Council's protocols and procedures are reviewed and updated on a regular basis for standing orders, financial regulations, a scheme of delegation and supporting procedure notes/ manuals clearly defining how decisions are taken and the process and controls required to manage risks. Compliance with established policies, procedures, laws and regulations is achieved through a combination of: training events, written policy and procedural documentation, authorisation procedures, managerial supervision, review by internal and external audit and use of the disciplinary procedure where appropriate.
- 5.10 Codes of Conduct defining the standards of behaviour for members, staff, our partners and the community have been developed and communicated and are available on the Council's website. These include:
- Members Code of Conduct
  - Code of Conduct for staff

- Anti fraud and corruption policy
  - Members and officer protocols
  - Regular performance appraisals, linked to service and corporate objectives.
  - Service standards that define the behaviour of officers
  - A Standards Committee which has a key role in promoting and maintaining high standards of conduct for members.
  - Officers are subject to the standards of any professional bodies to which they belong.
- 5.11 The Head of Legal & Property Services is the Council's Monitoring Officer and her duties include: maintaining the council's Constitution; reporting on any potential or actual illegality or maladministration; and giving advice to the Mayor and councillors on the Constitution or issues of maladministration, financial impropriety or probity.
- 5.12 The Head of Strategic Finance is the statutory Chief Finance Officer. His duties include: overall responsibility for financial administration; reporting on any actual or potential instances of illegality in expenditure, including unlawful loss or deficiency or illegal items of account; and giving advice to the Mayor, councillors and officers on the Budget and Medium Term Financial Strategy or issues of maladministration, financial impropriety or probity.

## **6.0 Operational Issues**

- 6.1 The Council is committed to delivering value for money, and has published its Value for Money Strategy and Action Plan 2008/2014. The principles underpinning this Strategy were applied in developing a detailed Service Prioritisation budgeting process during 2010/2011 which identified £3m of efficiencies whilst avoiding salami slicing across all budgets. This work is being further developed with an emphasis upon a Corporate Improvement Programme and Service Reviews that will be used to identify a further £2m of efficiencies through value for money and that is structured to assess further areas for improvement. The outcomes of this improvement programme will be used to deliver real improvements in the efficient, effective and economic delivery of services and to inform the development of future budget proposals and the Medium Term Financial Strategy for 2011/2015.
- 6.2 The council seeks to ensure continuous improvement through:
- work carried out as part of the annual budget process
  - project appraisal and formal project management for all improvement projects and major investment programmes.
  - undertaking Best Value/Value for Money and managerial reviews
  - implementing the recommendations of Internal Audit
  - implementing the recommendations of external auditors and inspectors
  - the adoption of best practice where cost-effective
  - increasing use of technology to deliver services that customers want
  - market testing of services where appropriate
  - consultation with the public and staff
  - partnership working with companies and other public bodies
  - setting challenging targets for improvement
- 6.3 Budget monitoring reports are produced monthly as a Finance Digest and distributed to all members of the Council They are also submitted quarterly to Cabinet and six times a year to the Budget Panel and are discussed at quarterly review meetings between Executive Directors, Portfolio Holders and Heads of Service. These reports also include performance data which is also considered monthly by Leadership under a 'managing the business' agenda.
- 6.4 The Council has a complaints procedure, and reports on complaints and compliments are circulated to senior officers and discussed at quarterly review meetings and annually at Leadership Team. Similarly a record is kept of all Freedom Of Information requests and this is continuously monitored to ensure compliance and reported to the Audit Committee.

6.5 A revised anti-fraud and corruption strategy (including the whistle blowing policy) was reviewed by Watford's Audit Committee in January 2010. It brings together best practice and also includes reference to fraud in partnering organisations and the voluntary sector. It is being promoted via the Intranet, the staff magazine (Wat's Up) and training sessions. Hard copies are available at Wiggshall Road Depot for staff without access to the intranet and is referred to in Induction Training Programmes. Fraud reporting arrangements for residents have been improved with new entries in an up dated version of the A to Z of council services which has been distributed to all homes in the Borough.

6.6 The development needs of senior officers in relation to their strategic roles are identified within a learning and development process, one to one interviews and review by HR managers. Similarly, member training is well advanced with an individual personal development planning process for every member having been established. The Council has attained the IDEa charter for member development.

## **7.0 Performance Management**

7.1 The Council has developed an effective performance management system that underpins the delivery of its priorities and improved outcomes for residents. The development, implementation and review of the Council's key plans and strategies is a key element of its performance management system. As part of this process the Council develops a four year medium term strategy, which it reviews annually and which is published in its Corporate Plan. This, in turn informs the four year service delivery plans for all its services, which are developed through workshop sessions and in discussion with relevant portfolio holders. Performance targets are identified in the Corporate Plan to reflect corporate priorities and disseminated through the service delivery plans, unit plans to individual performance appraisals.

7.2 During the year performance is monitored regularly through a number of channels. The council services not within the shared services programme, report performance quarterly as part of the Council's Quarterly Review process when progress against service plans is evaluated with the relevant portfolio holder and Executive Director. Performance of key indicators is also discussed along with financial performance. These reviews include consideration of complaints and progress against the Council's equalities agenda. For those services within shared services, this quarterly monitoring is achieved through reports to a fortnightly meeting of a Shared Services Officer Management Board, regular meetings of lead officers and shared services portfolio holders and more formally through the Shared Services Joint Committee.

7.3 Leadership team receive quarterly updates on progress against the Council's key performance indicators and monthly against 'managing the organisation' indicators, which are identified each year to measure key priorities and areas relating to the corporate health of the organisation. Quarterly performance reports with updates on all corporate projects and indicators have been reported to Call-In and Performance Scrutiny Committee for discussion and, where necessary, relevant heads of service and portfolio holders are invited to attend.

7.4 The Council keeps residents and stakeholders informed of its progress through an Annual Report. A full version is published once final accounts have been agreed, whilst a condensed version appears at the end of the financial year in the Council's magazine so that local people are kept well-informed as to how their Council is performing.

## **8.0 Data Quality and Risk Management**

8.1 The need to develop policies and guidance on data quality and assurance is essential in order to promote consistency and awareness across the organisation. To that end, the Council has a senior member of staff who acts as the Senior Information Risk Officer (SIRO)

who is concerned with identifying and managing the information risks to the organisation and with its business partners.

- 8.2 There is a council wide Data Quality Champions Group which meets quarterly and adopts a risk based approach to data quality recognising that poor quality can seriously hinder the decision making process. The Council also has a Data Quality Policy and an Information Security Policy (both of which are held on the intranet). A data asset register is in place which provides a framework to monitor the councils information assets and assess risk in relation to these assets against loss, quality and/or achievement of targets. Information management training modules are also available for staff on the intranet.
- 8.3 All senior managers, staff responsible for Key Performance Indicators (KPIs) and staff with a strong information focus have received information governance training which has very much focussed upon accuracy, validity, reliability, timeliness, relevance and completeness. Members of the scrutiny committees have also received this training.
- 8.4 The Council's approach to risk management is governed by its Risk Management Strategy which was updated and reviewed and approved by Leadership Team on 22 February 2011 and by the Audit Committee on 16 March 2011. This Strategy underpins the Strategic Risk register which was updated in April 2011 again following approval by Leadership Team. This process is overseen by the Risk Management and Business Continuity Steering Group which meets six times a year and ensures a consistent approach to risk management across the Council.
- 8.5 Business Continuity is another key aspect within the corporate governance framework and this again falls within the remit of the Risk Management Corporate group. A 'disaster' exercise (Operation Acetylene) was held on 16 December 2010 which tested the council's service readiness in the event of a series of explosions around the Town Hall complex. The report and recommendations of that exercise appear on the council's intranet along with the Risk Management Strategy; Risk Registers and minutes of each Steering Group Meeting.
- 8.6 Training has been provided in the past for the Audit Committee and key staff in which risk management and the Whistle blowing Policy were presented. A guidance note on risk management was sent out to every single member of staff with their payslips. Business continuity is the main focus for training opportunities at present with lunch and learn sessions having been organised.
- 8.7 The risk management section within the Partnership Framework has been revised and all committee reports contain a 'risk implications' section as an aid to decision taking.

## **9.0 Shared Services with Three Rivers District Council**

- 9.1 Watford Borough Council has been a leading authority in developing a shared service for revenues, benefits, ICT, financial services, and human resources with the neighbouring district council. In order to monitor and control this arrangement a Shared Services Joint Committee has been formed and comprises statutory officers from both councils and leading members.
- 9.2 The Joint Committee is required to produce its own statutory Statement of Accounts which are subject to audit by Watford Borough Council's external auditors. This process clearly provides a degree of comfort to both constituent authorities that good governance practices are being followed.
- 9.3 Reliance upon external audit scrutiny is totally insufficient however and the constituent bodies have put in place:
  - a detailed joint agreement which includes all aspects of best practice financial administration and risk management.

- detailed estimates to be approved by the constituent authorities prior to each financial year. Budget monitoring information provided to the constituent authorities on a monthly basis.
  - the Joint Committee to receive detailed quarterly performance management monitoring reports.
  - the draft Statutory Statement of Accounts to be considered and approved by the Joint Committee.
  - the statutory Section 151 Finance Officer for Watford Council has an open invitation to attend all meetings of the Shared Services Joint Committee as an independent client and challenge agent.
- 9.4 In addition to these embedded controls an assessment of key risks is considered as part of the fortnightly meetings of the Officer Shared Services Management Board (which is again attended by the statutory Section 151 officer for Watford). This has resulted, as an example, in an independent 'health check' carried out in July 2010 into the revenues and benefits service; a similar external check into the service performance, service capacity, and effectiveness of the ICT structure was commenced in March 2011.
- 9.5 During 2010/11 Internal Audit carried out 221 days of planned audits into the activities of Shared Services. The Internal Audit Plan for 2011/2012 also includes 203 audit days (43%) in auditing systems and financial administration within the Shared Services operations.

## **10.0 Community Engagement**

- 10.1 The Council exercises community leadership and effectively engages with local people and stakeholders, including partnerships, to ensure accountability, encourage community involvement in decision-making and to strengthen relationships and a sense of belonging within the community. The directly elected Mayor takes the lead in ensuring there is open and effective community leadership and provides an effective means for people, communities, businesses and organisations to engage with the Council. The Mayor is also the Chair of the borough's Local Strategic Partnership, One Watford, which developed the Sustainable Community Strategy through extensive consultation and engagement and which is communicated through its own website and that of the Council. The Community Engagement Strategy provides an overarching framework and key principles for effective engagement.
- 10.2 The Council has established twelve Neighbourhood Forums, which mirror the borough's ward boundaries and each have a devolved budget of £2,500. These are organised and managed by the relevant local councillors as part of their commitment to community leadership and engagement.
- 10.3 The Council has established clear channels of communication with all sections of the community and other stakeholders. It provides citizens and business with information about the Council and its spending through a leaflet that is distributed with council tax and business rate bills and the publication of a summary of its key financial information through the Council magazine 'About Watford', which is distributed to every home in the borough. The magazine has been published six times a year (subject to review for 2011) and one edition includes an 'Annual Report' so local people can see how well the Council is doing in terms of delivering against its priorities.
- 10.4 The Council's Corporate Plan, which runs for four years, is published both on the website and in paper format and articulates its purpose and vision and shows how consultation and engagement with the local community has shaped its priorities.
- 10.5 The Council has established the 'One Watford Equality Panel', which provides an opportunity for traditionally harder to reach groups to take an active part in Council decision-making and feedback on areas and issues that might impact on their quality of life.



- 10.6 A range of consultation and engagement projects are undertaken annually. This includes a regular 'Community Survey' with the borough's Citizens' Panel, which incorporates the Council's annual budget survey. The Citizens Panel has recently been completely refreshed to ensure it is representative of the Watford community. Local residents are also invited to attend the Mayor's annual budget seminars to build understanding about Council finances and the implications for future service delivery. A young people's online forum has been set up to support the Council's engagement with what is often a harder to reach group. The Watford Compact provides an agreement between the statutory and voluntary sectors in Watford to clarify and strengthen their relationship and to achieve better outcomes for individuals and for the Watford community. All signatories to this document adhere to the national Compact standards.
- 10.7 The Council has a strong track record of working in partnership and is increasingly acting in partnership with other organisations in delivering its services and in pursuing its strategic objectives and efficiency targets. It has identified its strategic partnerships and its work within these is supported with a partnership framework, which ensures there are clear and robust governance and management arrangements and accountabilities. The framework ensures that any partnership arrangements are proportionate and strike the right balance between delivering value for money, protecting public funds and minimising risks and ensuring that benefits from organisations collaborating such as innovation and flexibility are realised.
- 10.8 Other community engagement activities undertaken in 2010/2011 include working with the Police and Watford Community Housing Trust to progress Neighbourhood Agreements; the Environmental Services Service Improvement Group; the Friends of Parks Groups; various Pub Watch and Off (license) Watch Groups and the Night Time Economy Working Group.

## **11.0 The Role of Audit**

11. It is essential to appreciate that the governance framework and its compliance mechanisms must be distinguished from the role of audit which is to review the effectiveness of the compliance framework, not to be a substitute for it.
- 11.2 The council's internal audit team carry out a programme of reviews during the year (39 such reviews during 2010/11) which are based upon a fraud risk assessment. As part of these audits, any failures to comply with legislation, council policy and practice or best practice guidance issued by a relevant body is identified and reported. Circulation of reports to senior officers, reports to the Audit Committee and follow-up procedures ensure action is taken on priority improvements. Progress on implementing internal audit recommendations is reported to quarterly reviews and to Leadership Team.
- 11.3 External auditors, appointed by the Audit Commission, provide an external review function through the audit of the annual accounts, assessment of value for money, certification of grant claims and through periodic inspection of services. The Annual Audit and Inspection Letter is circulated to all Members and formally reported to Cabinet and the Audit Committee.
- 11.4 The Audit Committee's terms of reference are consistent with CIPFA's guidance. It approved the annual plan of internal audit, and receives the quarterly and annual reports of the Audit Manager. It approves the Statement of Accounts, the annual governance statement and the review of the effectiveness of the internal audit system. It receives reports on risk management and reviews the operation of Treasury Management. It also received the annual letter from the Ombudsman and considers regular reports upon Freedom of Information requests.
- 11.5 The 2010/11 Statement of Accounts is due to be formally approved by the Audit Committee on 30 September 2011 (which is a later statutory requirement than in past years). A synopsis of the main features of the Income and Expenditure Account and Reserves and Provisions will however be reported to the 30 June Audit Committee.

## 12.0 Review of effectiveness

- 12.1 Watford Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the Audit Manager's annual report and also by comments made by the external auditors and other review agencies and inspectorates. The Mayor and Portfolio Holders maintain a continuous review of the council's policies, activities and performance of officers both through quarterly reviews and on a day to day basis.
- 12.2 The Corporate and Service Plan Outcomes during 2010/11 were reviewed by Leadership Team in November 2010 and were referred to the Call In and Performance Scrutiny Committee on 9<sup>th</sup> December 2010.
- 12.3 In addition to this evaluation of the effectiveness of how the governance and risk management framework delivered strategic objectives, it is also pertinent to refer to the highly developed scrutiny process within the council. This culminates in the Annual Report of Overview and Scrutiny in Watford Borough Council for 2010/2011. This Annual report was presented to Council on 25 May 2011 and included a synopsis of governance work carried out by:
- Policy Development Scrutiny Committee
  - Call-In & Performance Scrutiny Committee
  - The Budget Panel
  - Overview and Scrutiny Committee
- 12.4 The Standards Committee has a key role in upholding governance principles and has:
- Approved revised Code of Corporate Governance
  - Considered the Annual Report for 2010/2011 of complaints/ referrals under the standards protocols.
  - Through its sub committees considered complaints received regarding breaches to the code of conduct for councillors
- 12.5 Other External Review mechanisms
- The Legal service has successfully retained its Lexcel status
  - Green Flag accreditation for three Watford parks
  - East of England Charter for elected member development
  - Charter mark for the Development and Building Control Service
  - IIP accreditation across the Council
  - Submitted a Single Equality Scheme Policy document.
  - Clean Britain Awards – retained 4 Star status
  - WBC Carbon Management Strategy approved by the Carbon Trust
  - Workforce Development Award from East of England for the Waste & Recycling Service
  - Shortlisted for Local Authority Team of the Year in the National Recycling Awards (announcement on 14.07.11)

## 13.0 Significant Governance Issues

- 13.1 The following significant issues have been identified as a result of review, with target dates for correction:

No.	Issue	Action	Lead	Update
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1	Revenues and Benefits reconciliations within Academy and between Academy and the Cedar Finance Management System urgently need to be addressed both for 2010/2011 and going forward.	Staff resource needs to be dedicated to carrying out these reconciliations if the Council is to close its accounts on time and using actual outturn figures. BY: Immediate	Head of Revenues and Benefits Shared Services.	Issues that were identified at an early date were not progressed until too late in the financial year. This is a major concern both reputationally and financially.
2	Revenues and Benefits received a detailed Health Check report in Summer 2010. A number of the recommendations have still to be achieved.	Staff resource (or external agency help) needs to be dedicated to achieving the majority of recommendations (it is accepted that some recommendations are of a longer duration). BY: Immediate	Head of Revenue and Benefits Shared Services	Progress is slow and results in an 'average' service at too high a cost.
3	The procedures for changing supplier bank account details need to be urgently reviewed to minimise the risk of external fraud.	The recording of all supplier details for public scrutiny (as required by the Secretary of State for local government) has significantly increased the chances of external fraud... BY: 31/5/11	Head of Finance Shared Services	This has been achieved but may have the consequence of slowing down the payment of invoices as supplier details are double checked.
4	The ICT Operating platforms need to be more robust.	The infrastructure is unreliable and has caused considerable downtime. BY: Immediate	Head of ICT Shared Services	An external review/report has been received and an Action Plan is being developed.

13.2 We propose over the coming year to liaise with Three Rivers District Council in order to take steps to address the above matters. Subject to the necessary approvals from TRDC, we are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

.....

Mayor

Managing Director

Date

Date

PART A

AGENDA

ITEM

# 8

**Report to:** Audit Committee  
**Date of meeting:** 30 June 2011  
**Report of:** Head of Strategic Finance  
**Title:** Statement of Accounts 2010/2011

1.0 **SUMMARY**

1.1 This report informs the Committee of changes to the statutory reporting arrangements for the Statement of Accounts for 2010/2011.

2.0 **RECOMMENDATIONS**

2.1 That the Committee notes the report.

**Contact Officer:**

For further information on this report please contact: Bernard Clarke, Head of Strategic Finance  
telephone extension: 8189 email: [bernard.clarke@watford.gov.uk](mailto:bernard.clarke@watford.gov.uk)

3.0 **Detail**

3.1 The Accounts and Audit (England) Regulations 2011 –see Appendix 1 –has changed reporting arrangements whereby the Statement of Accounts should not be presented to this Committee until they have been formally audited. As a consequence the full set of accounts will be considered at the next meeting on 30<sup>th</sup> September 2011.

3.2 The statutory accounts still need to be signed off by the Head of Strategic Finance (as the statutory Section 151 Officer) and the achievement of this will be reported verbally to the Audit Committee at its meeting. Failure to complete the accounts by the statutory deadline would be formally reported by the Council’s External Auditor and would result in the authority being ‘named and shamed’ by the Secretary of State for Communities and Local Government.

4.0 **IMPLICATIONS**

4.1 **Financial Issues**

The Head of Strategic Finance comments that there are no financial implications arising directly out of this report.

4.2 **Legal Issues** (Monitoring Officer)

The Head of Legal and Property Services comments that there are no legal implications arising directly out of this report.

4..3 **Potential Risks**

<b>Potential Risk</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Overall score</b>
That the accounts are not statutorily finalised by 30 <sup>th</sup> June 2011	1	4	4
That the Accounts are found to be materially misstated when audited by Grant Thornton.	1	4	8

4.4 **Staffing**

None Directly

4.5 **Accommodation**

None Directly

**Audit Committee 30<sup>th</sup> June: Statement of Accounts 2010/2011**

**Accounts and Audit (England) Regulations 2011  
SI 2011 No 817**

The previous regulations required members to approve the annual accounts before they have been reviewed by the external auditor. This is out of step with requirements in the private sector and elsewhere in the public sector, where directors or board members will be aware of the findings of the audit before they approve the accounts.

New regulations came into force on 31 March. This applies to the preparation, approval and audit of statements of accounts and other accounting statements prepared in respect of the year ending 31 March 2011 and later years.

**Signing, approval and publication of statement of accounts**

The responsible financial officer of a larger relevant body must, no later than 30th June immediately following the end of a year, sign and date the statement of accounts, and certify that it presents a true and fair view of the financial position of the body at the end of the year to which it relates and of that body's income and expenditure for that year.

By the following 30th September the Council must -

- consider either by way of a committee the statement of accounts,
- following consideration, approve the statement of accounts by a resolution of the committee,
- following approval, ensure that the statement of accounts is signed and dated by the person presiding at the committee at which that approval was given and
- publish (which must include publication on the body's website), the statement of accounts together with any certificate, opinion, or report issued, given or made by the auditor under section 9 (general report) of the 1998 Act.

The responsible financial officer must re-certify the presentation of the statement of accounts before the relevant body approves it.

# Agenda Item 9

PART A

AGENDA  
ITEM

9

**Report to:** Audit Committee  
**Date of meeting:** 30 June 2011  
**Report of:** Head of Strategic Finance  
**Title:** Revenues & Benefits Health Check

## 1.0 SUMMARY

1.1 This report provides an up to date picture of the recommendations made by ISCAS ltd in their review of the Revenues & Benefits Service conducted in August 2010.

## 2.0 RECOMMENDATION

2.1 That the Committee notes the report.

**Contact Officer:**

For further information on this report please contact Phil Adlard, Head of Revenues & Benefits, telephone extension 8023, email [phil.adlard@watford.gov.uk](mailto:phil.adlard@watford.gov.uk)



### 3.0 DETAILED PROPOSAL

- 3.1 ISCAS Ltd were invited to conduct a review of the Revenues & Benefits Shared Service in July and August 2010. As part of the review a number of recommendations were made and Appendix I details the progress made to date. Where there are still outstanding actions then progress against these will be reviewed at the next meeting of the Audit Committee.
- 3.2 The Head of Revenues and Benefits (Shared Services) will be in attendance at the Committee Meeting to answer any questions.

### 4.0 IMPLICATIONS

#### 4.1 Financial

The completion of all the recommendations at Appendix1 will improve the efficiency and effectiveness of the service and will reduce to a minimum the possibility of any financial losses being incurred.

#### 4.2 Legal

No implications

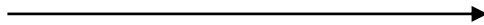
#### 4.3 Potential Risks

Potential Risk	Likelihood	Impact	Overall score
Failure to carry out reconciliations	2	4	8
Cheque and payment processes need review	2	4	8

Those risks scoring 9 or above are considered significant and will need specific attention in project management. They will also be added to the service's Risk Register

#### Background Papers

None



## REVENUES AND BENEFITS HEALTH CHECK: PROGRESS AGAINST ACTION PLAN AS AT 31 MAY 2011

Ref No.	Recommendation	Risk Priority	Action to Date	Responsibility	Deadline	Resolved	Revised deadline
3.6.1	The authority should liaise with their external auditors regarding the £4,000 discrepancy between Civica, Academy and the finance system, to establish their thoughts on this amount and whether it is material.	High	Discrepancies with conversion of Civica to Academy investigated. Credit accounts transferred and Debit accounts to be raised. Systems now balance following this action	Revenues Manager	31/03/11	Yes	
3.6.2	Ongoing processes should be set up to ensure daily reconciliation of payments between Cedar and Academy is maintained and not just reconcile to the posting file.	High	23/05/11 – Concentration on reconciling closing account as at 31/03/11. Existing controls will be in place for 2011/12	Benefits Manager	March 2011	No	June 2011
3.6.3	Responsibility for Statutory returns such as the NNDR2 should be made clearer	Medium	New post approved by Joint Shared Service Committee 06/11/10	Head of Revenues and Benefits	December 2010	Yes	
3.6.4 and 7.1.13	Reconciliation of the Benefits system to all financial systems should be commenced immediately. Processes and procedures must be agreed with Finance.	High	To be dealt with at the same time as 3.6.2 above	Benefits Manager	March 2011	No	June 2011
3.6.5	A review of cheque handling and control within the benefits service should be undertaken. This should include the automatic interface of cheque payments.	Medium	Interface will require involvement of both Academy & COA. Existing controls in place are adequate and recommendation not a high priority	Benefits Manager	March 2011	No	Oct 2011
3.6.6	Clarification of the procedure for emergency payments for the service as a whole is needed. A review and documentation of the reconciliation procedure for both Watford and Three Rivers payments should occur.	Medium	Existing controls are in place but formalised procedure to be drafted.	Benefits Manager & Revenues Manager	April 2011	No	July 2011

Ref No.	Recommendation	Risk Priority	Action to Date	Responsibility	Deadline	Resolved	Revised deadline
3.6.7	The benefits overpayments brought forward from the Civica system to the Academy system should be reconciled.	Medium	System reconciled November 2010	Recovery Team Leader	November 2010	Yes	
4.4.1	Ensure subsidy administration is the responsibility of a control section that provides quality checks and training	High	New post approved by Joint Shared Service Committee 06/11/10	Head of Revenues & Benefits	December 2010	Yes	
4.4.2	Provide officers with clear procedures for the inputting of data into the Academy system.	High	"ACS" Procedure Manual has already been purchased and will be updated on an ongoing process. New post of Policy, Training & Quality Team Leader will be responsible	Policy, Training & Quality Team Leader	April 2011	No	September 2011
4.4.3	Provide officers with an overview of Benefits subsidy and the impact on subsidy loss when poor data is inputted into the system.	Medium	Training delivered as part of programme August 2010	Benefit Manager	August 2010	Yes	
4.4.4	Use checking and quality assurance throughout the year to identify recurring errors and amend procedures and processes accordingly.	High	Academy "QA" module being used	Benefit Manager	August 2010	Yes	
4.4.5	Run subsidy once a month and report to the Head of Service of likely annual subsidy loss or where subsidy gains could be obtained.	Medium	Practise commenced September 2010.	Head of Revenues & Benefits	September 2010	Yes	
5.3.1 And 6.7.1	Move the Academy systems on to one server as soon as possible	High	Originally delayed to bring releases up to date. Project commenced May 2011 reporting progress to Programme Board.	Head of Revenues & Benefits	April 2011	No	Aug 2011
5.3.2	Review cash reconciliations working practices and bring the control function under one officer's responsibility	Medium	New post approved by Joint Shared Service Committee 06/11/10	Head of Revenues & Benefits	December 2010	Yes	
5.3.3	Review the need for a dedicated support team or officer. This should	High	New post approved by Joint Shared Service Committee 06/11/10	Head of Revenues &	December 2010	Yes	

Ref No.	Recommendation	Risk Priority	Action to Date	Responsibility	Deadline	Resolved	Revised deadline
	include a review of succession planning for key roles			Benefits			
5.3.4	Review the current structure	Medium	Much work had been undertaken in forming existing structure prior to implementation of Shared Service. No further action in short-term Not a priority action – will review by end of 201/12	Head of Revenues & Benefits	April 2012	No	
5.3.5	Implement daily, weekly and monthly performance measures of work throughput	Medium	Performance is now monitored regularly using data from Academy and Anite systems	Benefits Manager & Revenues Manager	May 2011	Yes	
5.3.6	Review levels of Council Tax and NNDR previous year's arrears as well as current year performance.	Medium	Agreed. Previous years' collection already reported as part of QRC4 return. Now incorporated as part of monthly report	Revenues Manager	May 2011	Yes	
5.3.7	Plan for single persons discount review over quarters 3 and 4	Low	Working in partnership with Herts CC	Revenues Manager	December 2011	No	
5.3.8	Commence recovery action for Council Tax and NNDR immediately – (Planned)	Medium	Recovery commenced August 2010. Full recovery programme for 2011/12 in place and being adhered to	Revenues Manager	August 2010	Yes	
5.3.9	Harmonise level of costs and recovery polices as soon as possible	Medium	Completed as part of first court action September 2010	Revenues Manager	September 2010	Yes	
5.3.10	Harmonise payment dates as soon as possible	Medium	Most date are harmonised apart from DD. Will review for 2012/13	Revenues Manager	April 2012	No	
5.3.11	Harmonise working practices and polices relating to disablement relief	Medium	Work underway – Inspector in process of reviewing cases	Revenues Manager	July 2011	No	
5.3.12	Consider reviewing bailiff performance and selecting the highest performing company	Medium	Agreed – will monitor performance of existing bailiffs in first half of 2011/12	Revenues Manager	October 2011	No	
5.3.13	Either write off debts or reinstate committal proceedings unless it is uneconomic to collect the debt	Low	Agreed – two staff have been tasked to identify cases for write-off	Revenues Manager	September 2011	No	
5.3.14	Harmonise recovery policies relating to bankruptcies.	Low	Agreed – not high priority. Will be resolved during 2011/12	Revenues Manager	March 2012	No	

Ref No.	Recommendation	Risk Priority	Action to Date	Responsibility	Deadline	Resolved	Revised deadline
5.3.15	Review the structure for recovery and billing purposes and where responsibility for recovery is placed.	Low	Agreed – new Revenues Manager implemented temporary changes to be reviewed in quarter 2.	Revenues Manager	May 2011	Yes	
5.3.16	Review write-off policies and harmonise over the two authorities	Low	Review completed and revised procedure submitted to Joint Shared Service Committee 13 June 2011	Head of Revenues & Benefits	May 2011	Yes	
5.3.17	Train 6 of the 9 the recovery officers to attend a magistrate's court	Medium	Training completed 10/11/10	Revenues Manager	November 2010	Yes	
5.3.18	Ensure refunds are made, this is corrected immediately.	High	Completed August 2010	Revenues Manager	August 2010	Yes	
5.3.19	Notepads from the old Civica system have not been converted into the Academy system Either bring the information into the Academy system or import them into the Anite system using functionality within Anite	Medium	Will form part of duties of Policy Quality & Training Team Leader	Policy Quality & Training Team Leader	April 2011	No	Sept 2011
5.3.20 And 8.1.7	Review the use of Anite to bring efficiencies to the service	High	Will form part of duties of Policy Quality & Training Team Leader	Policy Quality & Training Team Leader	April 2011	No	Sept 2011
5.3.21	Obtain an independent review of Academy or liaise with other authorities as to functionality available.	High	Will consider once migration to one server has been completed. We have the option to have "health checks" and will take this up. In meantime will make use of existing expertise across both councils in shared service.	Head of Revenues & Benefits	August 2011	No	March 2011
5.3.22	Review the clerical/administrative support required within the structure	Medium	Much work had been undertaken in forming existing structure prior to implementation of Shared Service. No further action in short-term Not a priority action – will review by end of 2011/12	Head of Revenues & Benefits	April 2012	No	
5.3.23	Review printing of demand notices when Academy has been migrated to one system	Medium	Migration originally delayed to bring releases up to date. Project commenced May 2011 reporting progress to	Head of Revenues & Benefits	April 2011	No	Aug 2011

Ref No.	Recommendation	Risk Priority	Action to Date	Responsibility	Deadline	Resolved	Revised deadline
			Programme Board.				
5.3.24	Configure the systems so Watford CSC have access to Academy	Medium	Configuration completed and training of CSC completed May 2011	Revenues Manager	May 2011	Yes	
5.3.25	Consider additional resources to input information relating to benefit overpayment and issue invoices	High	Completed November 2010	Recovery Team Leader	November 2010	Yes	
5.3.26	Measure performance of benefit overpayment collection and set targets as soon as possible	High	Completed and reported to Joint Shared Service Committee as part of regular meeting	Revenues Manager	March 2011	Yes	
5.3.27	Provide training and interim support to other officers when the Revenues Manager leaves	High	Completed – Interim Manager in post. Now left as permanent appointment made	Head of Revenues & Benefits	August 2010	Yes	
6.6.1	Review benefit working practices to actively manage the workload and prepare an improvement plan to include targets based upon resources available and workload anticipated.	High	In place. Benefits Manager & Team Leaders meet weekly to review individual performance	Benefits Manager	May 2011	Yes	
6.6.2	Decide upon the target for the “Right Time” indicator for the Benefits Service.	Medium	Completed and reported to Joint Shared Service Committee as part of regular meeting	Benefits Manager	March 2011	Yes	
6.6.3	Measure the actual workload within the Anite system and not just those items entered onto the Academy system.	High	Will form part of duties of Policy Quality & Training Team Leader	Policy Quality & Training Team Leader	April 2011	No	Sept 2011
6.6.4	Provide Customer Care training for all officers.	Medium	Will be delivered following introduction of new working practices with CSC taking more front-line queries.	Policy Quality & Training Team Leader	April 2011	No	July 2011
6.6.5	Formalise the Complaints process within the service. Use regular reporting to manage the outstanding complaints	Medium	Complete. Complaints for both authorities now dealt with under individual authority procedures	Head of Revenues & Benefits	May 2011	Yes	
6.6.6	Undertake customer surveys to measure satisfaction with the	Medium	Agreed to work in collaboration with both CSC	Head of Revenues &	June 2011	No	

Ref No.	Recommendation	Risk Priority	Action to Date	Responsibility	Deadline	Resolved	Revised deadline
	service			Benefits			
6.6.7	Develop a measurement process of the target for customer care within the whole service.	Medium	Agreed to work in collaboration with both CSC	Head of Revenues & Benefits	June 2011	No	
6.7.1 And 5.3.1	Review the project to migrate the Academy system and move the system on to one server as soon as possible	High	Originally delayed to bring releases up to date. Project commenced May 2011 reporting progress to Programme Board.	Head of Revenues & Benefits	April 2011	No	Aug 2011
6.7.2	Benchmark the service regularly with a benchmarking club	Medium	Agreed. Now part of "BenX Review Group"	Head of Revenues & Benefits	March 2011	Yes	
6.7.3	Based upon current resources create a benefits improvement plan on how the service will improve over the coming months	High	Incorporated into Service Plan for 2011/12	Head of Revenues & Benefits	March 2011	Yes	
7.1.1	Remove surname splits and have work allocated by team leaders on a daily and priority basis to officers. Ensure that new claims received are a priority followed by changes in circumstance that will create an overpayment	High	Work now allocated on new claim / change split.	Benefit Manager	May 2011	Yes	
7.1.2	Fast track new (clean) claims – consider a fast track service for customers at the CSC	Medium	Agreed to work in collaboration with both CSC	Benefit Manager	June 2011	No	
7.1.3	Empower the team leaders to allocate work and manage performance through their teams	High	In place	Benefit Manager	April 2011	Yes	
7.1.4	Implement a performance framework that involves all officers. Notify all concerned of performance on a daily basis by email, intranet, whiteboards or one to ones	High	In place	Benefit Manager & Revenues Manager	March 2011	Yes	
7.1.5	Commence customer feedback surveys. Consider a target for	Medium	Repeat of 6.6.6 and 6.6.7 above	Head of Revenues &	June 2011	No	

Ref No.	Recommendation	Risk Priority	Action to Date	Responsibility	Deadline	Resolved	Revised deadline
	customer satisfaction			Benefits			
7.1.6	Review all recent circulars with Benefit Manager, team leaders and the policy and development team immediately	Medium	In place – Policy Quality & Training Team staff now tasked with responsibility	Benefits Manager	Aug 2010	Yes	
7.1.7	Commence team meetings immediately. Use as a basis for two way communication and ideas for service improvement	High	In place	Benefits Manager & Revenues Manager	March 2011	Yes	
7.1.8	Use quality checking to create training needs for the service and for individual officers. Weight types of errors based upon financial and non financial impact	High	Academy “QA Module” now in use for both WBC and TRDC claims.	Benefits Manager	Aug 2010	Yes	
7.1.9	Within the performance framework build in individual performance levels. Agree with officers an average for performance over a period and review at one to ones or whenever appropriate	Medium	In place	Benefit Manager & Revenues Manager	March 2011	Yes	
7.1.10	Release the written procedures, review with staff working groups to ensure they are adopted.	High	“ACS” Procedure Manual has already been purchased and will be updated on an ongoing process. New post of Policy, Training & Quality Team Leader will be responsible	Policy, Training & Quality Team Leader	April 2011	No	September 2011
7.1.11	Work with the agency contractor currently undertaking appeals to share knowledge amongst key officers such as team leaders or the policy team	High	Agency Contractor is now permanent employee	Benefits Manager	April 2011	Yes	
7.1.12	Use the policy and development team to create training plans.	Medium	In place. Academy “QA” Module being used to determine training needs	Policy, Training & Quality Team Leader	March 2011	Yes	
7.1.13	Reconcile the benefits system to all other systems such as Council Tax	High	To be dealt with at the same time as 3.6.2	Benefits	March 2011	No	June



Ref No.	Recommendation	Risk Priority	Action to Date	Responsibility	Deadline	Resolved	Revised deadline
And 3.6.4	and Finance		above	Manager			2011
7.1.14	Ensure there is a responsible officer for the system administration.	High	New post approved by Joint Shared Service Committee 06/11/10	Head of Revenues and Benefits	December 2010	Yes	
7.1.15	Review the call handling processes and either allocate officers to telephone duty or use the CSC resource better	Medium	CSC Watford now trained to handle frontline queries (Council Tax). Benefit Officer staff phones on rota basis	Head of Revenues and Benefits	May 2011	Yes	
8.1.1	Consider giving the partnership an identity	High	Closed – Decision made at inception of Shared Service that councils would keep their own identity	None			
8.1.2	Improve staff morale by provide training and demonstrate commitment to harmonising working practices	High	Team Development Days held in January & February 2011	Head of Revenues & Benefits	February 2011	Yes	
8.1.3	Consider professional training such as IRRV Technician	High	Agreed – Three staff currently studying	Head of Revenues & Benefits	September 2010	Yes	
8.1.4	Ensure scanners are maintained and serviced regularly	Medium	Completed – Scanner contract reviewed	Benefits Manager	November 2010	Yes	
8.1.5	Review the time taken by IT to respond when users are locked out of the network	High	Closed. No longer a significant issue	None			
8.1.6	Review the number and types of printers available to ensures they are adequate for the administration and printing requirements	High	Migration to Windows Platform will increase capacity (see 5.3.1)	Head of Revenues & Benefits	April 2011	No	August 2011
8.1.7 And 5.3.20	Immediately review the use of the Anite system	High	Will form part of duties of Policy Quality & Training Team Leader	Policy Quality & Training Team Leader	April 2011	No	Sept 2011
8.1.8	Provide a PC which can access all systems in the private interview room.	Medium	Agreed to work in collaboration with CSC	Benefit Manager	June 2011	No	

Ref No.	Recommendation	Risk Priority	Action to Date	Responsibility	Deadline	Resolved	Revised deadline
8.1.9	Set up Watford income section users on the Three Rivers systems	Medium	Agreed. Scheduled for completion in June 2011	Income Team Leader	June 2011	No	
8.1.10	Review the IT issues list, prioritise and create a well managed project to remove all IT issues	Medium	Completed. Future issues now raised as part of regular scheduled meetings between Head of R & B and Head of ICT	Head of Revenues & Benefits	September 2010	Yes	
8.1.11	Harmonise HR policies as soon as possible	High	Corporate initiative underway	Head of HR	June 2011	No	
8.1.12	Review the web site and bring up to date, identify responsibility for maintenance of the site and web pages	Medium	Agreed. Responsibility assigned and tasks will be completed during 2011/12	Revenues Manager	March 2012	No	

PART A

AGENDA  
ITEM **10**

**Report to:** Audit Committee  
**Date of meeting:** 30<sup>th</sup> June 2011  
**Report of:** Acting Audit Manager  
**Title:** Internal Audit Progress Report

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1.0 **SUMMARY**

This report and appendices provide updated information on the work undertaken by Internal Audit on the audit plan for 2010/2011 since the last report to Audit Committee in March and also for the work on the 2011/2012 Audit Plan in the period 1<sup>st</sup> April 2011 to 31<sup>st</sup> May 2011.

2.0 **RECOMMENDATIONS**

2.1 The contents of the report be noted.

**Contact Officer:**

For further information on this report please contact: Mark Allen – Acting Audit Manager  
telephone extension 8409 email: mark.allen@watford.gov.uk

**Report approved by:** Bernard Clarke – Head of Strategic Finance.

### 3.0 **DETAILS**

- 3.1 This report covers the work undertaken by Internal Audit since the last report to Audit Committee in March 2011 to complete the Audit Plan for 2010/2011 and start into the Audit Plan for 2011/2012.  
Appendix (1) The position on individual audits from the 2010/2011 Audit Plan as at 31 March 2011 including cumulative time taken for the year compared to the time allocated in the annual audit plan.  
Appendix (2) Local performance measures to 31 March 2011.  
Appendix (3) The latest position on individual audits from the 2011/2012 Audit Plan as at 31 May including cumulative time taken for the year compared to the time allocated in the annual audit plan.  
Appendix (4) Local performance measures to the same date.
- 3.2 The work performed to 31 March 2011 meant that 93% of the Audit Plan for 2010/2011 had been completed by that date.
- 3.3 No new issues were raised by the work completed subsequent to the report submitted by the previous Audit Manager that explained the position as at 28 February 2011.
- 3.4 The work undertaken to 31 May 2011 on the planned audits for 2011/2012 – namely Section 106 funds, the Museum and the Decent Homes Grants – has not generated any issues that need to be brought to the attention of the Audit Committee.
- 3.5 The Audit Committee will be aware from other reports presented to this meeting that recent events relating to the payment of creditors have highlighted weaknesses within the existing arrangements that should be addressed as a matter of priority.
- 3.6 Discussions are still taking place with interested organisations about the future management arrangements for Internal Audit following retirement of the Audit Manager.

### 4.0 **IMPLICATIONS**

#### 4.1 **Financial**

- 4.1.1 The Head of Strategic Finance comments that there are no financial implications in this report.

#### 4.2 **Legal Issues** (Monitoring Officer)

- 4.2.1 The Head of Legal and Property Services comments that there are no legal issues in the report. The Council has a responsibility to ensure that it maintains an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with proper practices in relation to internal control.

### 4.3 Potential Risks

4.3.1 Potential Risk	Likelihood	Impact	Overall score
The most significant potential risk is the possibility that Internal Audit work is of poor quality and the service ineffective. This could lead to an increase in control weaknesses, in greater risks to the Council and to a loss of confidence by the external auditors in Internal Audit and the Council's control environment.	1	3	3

In June 2010 this Committee endorsed the conclusion that the system of internal audit had been effective in the past year.

#### Background Papers

The following background papers were used in the preparation of this report. If you wish to inspect or take copies of the background papers, please contact the officer named on the front page of the report.

#### Audit Files

#### File Reference

None.

## APPENDIX 1

**Work Progress on Individual Audits  
2010/2011**

<b>Project</b>	<b>Progress as at 31<sup>st</sup> March 2010</b>	<b>Days Allocated 2010/11</b>	<b>Days Taken 2010/11</b>
<b>Audits Brought forward – 2009/2010</b>			
Use of Natural Resources	Final report	-	0.5
Budget Monitoring	Final report	-	0.5
Radius	Final report	-	1.5
Data Quality	Final report	-	0.5
Commercial Rents	Final report	-	1
Secure Data Transmission	Report not issued. Dealt with on a Service by Service basis	-	5
Financial Management System	Final report	-	0.5
Partnerships	Final report	-	1.75
<b>2009/10 Audits - Total</b>		<b>-</b>	<b>11.25</b>
<b>2010/2011 Audits</b>			
<b>Shared Audits</b>			
Parking Control	Final report 12 10 10	20	22
Post/Cheque Handling	Final report 01 11 10	10	15
IT – BACS Payments	Final report 17 03 11	10	11.7
Payroll	Final report 21 03 11	20	29
IT – IT Service Desk and Change Management	Final report March 2011	10	10
Creditors	Final report 21 03 11	20	21.3
Debtors	Final report 30 03 11	20	22.3
Benefits Administration	Work in progress	25	22
Council Tax	Work in progress	20	16.6
NNDR	Work in progress	20	17.4
Financial Management System	Final Draft report 30 03 11	25	31
VAT	Work allocated	10	

<b>Project</b>	<b>Progress as at 31<sup>st</sup> March 2010</b>	<b>Days Allocated 2010/11</b>	<b>Days Taken 2010/11</b>
Procurement	Final report 15 12 10	15	15
IT – Information Governance	Draft report 15 03 11	12	4
IT – Disaster Recovery and Back up (replaced by “Remote Working”)	Work in progress	10	7
<b>Watford BC</b>			
Trade waste	Final report 04 08 10	10	9.5
Performance Management	Final report 15 11 10	15	16.5
Treasury Management	Final report 18 10 10	10	11
Risk Management	Final report 13 12 10	10	10
Homelessness and Housing Needs	Final report 01 11 10	5	4
Authorised signatories	Final reports (3) 18 10 10	3	4
Community Centres transfer	Final report 13 10 10	8	7
H&S follow up	Final report 01 11 10	10	13
Leisure Management Contract monitoring	Final memo 24 03 11	5	0.25
Asset Management	Final report 04 03 11	12	18.9
Grants to Voluntary Sector	Final report 23 12 10	10	16.1
Ben Subsidy Claim – included in Benefit Administration Audit	Work in progress	15	
Budgetary Control	Final draft report 30 03 11	10	12.8
Data Quality (inc. security)	Work in progress	10	3.2
Project Management	Final report 15 11 10	10	10
Cash and Banking	Final report 29 03 11	18	8.1

## LOCAL PERFORMANCE MEASURES 2010/2011

<b><u>Criteria</u></b>	<b>Target p.a. (as per Audit Plan)</b>	<b>Actual To 31 March 2011</b>	<b>Comment</b>
% of annual audit plan achieved. Based on number of audits.	92%	93%	
Sickness – average days per employee.	4	2.4	
Training – average days	4	4	Time includes for internal and external seminars/training. All auditors hold a relevant qualification and two are now studying for a higher qualification.

<b>Criteria</b>	<b><u>Target p.a.</u></b>	<b>Actual To 31 March 2011</b>	<b>Comment</b>
Final audit reports issued within 10 available working days of agreement to draft report.	100%	100%	
Level of customer satisfaction	94%	93%	



**Work Progress on Individual Audits  
2011/2012**

<b>Project</b>	<b>Progress as at 31<sup>st</sup> May 2011</b>	<b>Days Allocated 2011/12</b>	<b>Days Taken 2011/12</b>
<b>Audits Brought forward – 2010/2011</b>			
Benefits Administration	Draft report 31 05 11	-	4.4
Data Quality - WATFORD	Work in progress	-	4.7
Council Tax	Work in progress	-	4.5
NNDR	Draft report 31 05 11	-	4.5
FMS – Reconciliations	Final report 08 04 11	-	0.1
Budget Monitoring – WATFORD	Final report 04 04 11	-	0.1
VAT (Deloitte & Touche)	Work in progress	-	
IT - Information Governance (Deloitte & Touche)	Draft report 15 03 11	-	
IT - Remote Working (Deloitte & Touche)	Draft report 31 05 11	-	
<b>2010/11 Audits – Total (WBC staff days)</b>		<b>-</b>	<b>18.3</b>
<b>2011/2012 Audits</b>			
<b>Shared Audits</b>			
Payroll		15	
Recruitment		8	
NNDR		15	
Council Tax		15	
Benefits		25	
Creditors		15	
Debtors		15	
FMS Reconciliations		25	
Insurance		10	
IT - Network Controls – follow up		5	
IT - Disaster Recovery and Back-up		10	
IT - Strategy		5	
IT – Project Management		10	
IT - Asset Management		5	
IT - Virus Protection		5	
COA – Post Implementation Review		20	
<b>Watford BC</b>			
Income Collection		15	

<b>Project</b>	<b>Progress as at 31<sup>st</sup> May 2011</b>	<b>Days Allocated 2011/12</b>	<b>Days Taken 2011/12</b>
Benefits Subsidy Claim		8	
Benefits Overpayments		8	
Treasury Management		6	
Budget Monitoring		8	
CIS		5	
S. 106	Work in progress	8	4.9
Financial Procedure Rules		4	
Hospitality		3	
Money laundering		5	
Current Contracts		10	
Home Improvement Grants	Work in progress	10	5.8
Museum	Work in progress	10	6.4
CSC		5	
External Audit Recommendations – follow up		8	

## LOCAL PERFORMANCE MEASURES 2011/2012

<b><u>Criteria</u></b>	<b><u>Target p.a. (as per Audit Plan)</u></b>	<b><u>Actual To 31 May 2011</u></b>	<b><u>Comment</u></b>
% of annual audit plan achieved. Based on number of audits.	92%	N/A	Best measured at year end.
Sickness – average days per employee.	4	0.3	
Training – average days	4	2.2	Time includes for internal and external seminars/training. All auditors hold a relevant qualification and two are now studying for a higher qualification.

<b><u>Criteria</u></b>	<b><u>Target p.a.</u></b>	<b><u>Actual To 31 May 2011</u></b>	<b><u>Comment</u></b>
Final audit reports issued within 10 available working days of agreement to draft report.	100%	N/A	No final reports issued for 2011/2012 audits to date.
Level of customer satisfaction	94%	N/A	No surveys issued for 2011/2012 to date.

# Agenda Item 11

PART A

AGENDA  
ITEM

11

**Report to:** Audit Committee  
**Date of meeting:** 30<sup>th</sup> June 2011  
**Report of:** Acting Audit Manager  
**Title:** Implementation of Internal Audit Recommendations

---

1.0 **SUMMARY**

This is the Acting Audit Manager's regular report highlighting any lack of progress in implementing Internal Audit recommendations.

2.0 **RECOMMENDATIONS**

2.1 The contents of the report be noted.

**Contact Officer:**

For further information on this report please contact: Mark Allen – Acting Audit Manager  
telephone extension 8409 email: mark.allen@watford.gov.uk

**Report approved by:** Bernard Clarke – Head of Strategic Finance.

### 3.0 **DETAILS**

3.1 In March 2011 it was reported to Audit Committee that recommendations relating to **Council Tax** and **NDR** are subject to progress made in addressing the findings of the consultant's report on Revenues and Benefits. This remains the case. Implementation of the action plan from the consultant's report is subject to ongoing reporting to the Shared Services Joint Committee and Watford's Audit Committee by the Head of Revenues & Benefits.

3.2 In relation to the **IT Back-up and Restore report**, it was reported in March 2011 that some recommendations had been implemented – most importantly that back ups are now being stored at Three Rivers – but there were delays on others. All recommendations should be resolved once the new SAN and back up contract is finalised. This will be followed up in detail during the audit of Disaster Recovery & Back-up arrangements scheduled to commence in July 2011.

3.3 **Procurement.** All recommendations in the report are based on the promotion of good procurement practice and reporting of savings. They were originally accepted for implementation by the Procurement Officer who has since left the Council and has yet to be replaced. Revised implementation dates of June 2011 have been suggested by the Head of Strategic Finance whilst Watford and Three Rivers are using EEDA money to carry out a review of the procurement function. The Head of Strategic Finance continues to monitor savings on contracts in the meantime.

#### 3.4 **Health & Safety Follow Up**

The Head of Human Resources produced a report on 03/05/2011 detailing progress with the implementation of recommendations from the original Internal Audit report in 2009/2010. In summary, of the original 36 actions raised:

- 20 have been completed;
- 4 are no longer required;
- 7 have been actioned and have on-going requirements; and
- 5 have not yet been progressed – these 5 are all in hand and will be actioned over the next 2/3 months.

3.5 There are no other outstanding recommendations to report to Committee.

### 4.0 **IMPLICATIONS**

#### 4.1 **Financial**

4.1.1 The Head of Strategic Finance comments that there are no financial implications in this report.

#### 4.2 **Legal Issues** (Monitoring Officer)

4.2.1 The Head of Legal and Property Services comments that there are no legal issues in the report. The Council has a responsibility to ensure that it maintains an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with proper practices in relation to internal control.

#### 4.3 **Potential Risks**

4.3.1

Potential Risk	Likelihood	Impact	Overall score
Progress in implementing Internal Audit recommendations is not monitored, recommendations are not implemented and as a consequence, internal controls are weakened.	1	3	3

### Background Papers

The following background papers were used in the preparation of this report. If you wish to inspect or take copies of the background papers, please contact the officer named on the front page of the report.

Internal Audit Files

### File Reference

None.

PART A

AGENDA **12**  
ITEM

**Report to:** Audit Committee  
**Date of meeting:** 30 June 2011  
**Report of:** Alan Power Head of Finance  
**Title:** Fraud Annual Report

1.0 **SUMMARY**

1.1 This report informs Members of the work of the Fraud Section for the financial year 2010/2011 and provides updates on developments for the current financial year.

2.0 **RECOMMENDATIONS**

2.1 The contents of this report are noted.

**Contact Officer:**

For further information on this report please contact:

Garry Turner - Fraud Manager

telephone extension: 727190

email: [garry.turner@watford.gov.uk](mailto:garry.turner@watford.gov.uk)

**Report approved by:** Bernard Clarke, Head of Strategic Finance

3.0 **DETAILED PROPOSAL**

3.1 Housing Benefit and Council Tax Benefit are national welfare benefits administered by the Council on behalf of the Department for Work and Pensions (DWP). A complex legal framework is in place to define who is entitled to benefit and to reduce fraud and error in the system

3.2 The Council is committed to providing an Anti-Fraud Service which is supported by efficient policies, sanctions for those that offend and reflects legislative changes. Countering fraud is the responsibility of everyone working in or having responsibility for Housing Benefit (HB) and Council Tax Benefit (CTB). It is an integral part of that administration that everyone is aware of the risks. Unfortunately, however good the administration of benefits is it is always likely fraud will enter the system by deliberate acts.

3.3 Between them the Council and the DWP administer around 40 different types of benefits. The Council's expenditure on benefits totalled £34.9m in 2009/10.

3.4 The DWP sets the standards which govern the effective and secure delivery of benefits and counter fraud activities. These standards are set out in the Performance and Good Practice Guide. The purpose of the guide is to ensure that counter-fraud activities are properly managed. It is important to focus resources on fraud reduction, to identify, investigate and rectify administrative weakness and to assure Members of the integrity and quality of investigations.

3.5 The funding for counter-fraud activities is paid via the general administration grant we receive from the DWP.

3.6 As part of the Shared Services initiative, the Watford and Three Rivers Fraud teams are co-located into one office in Basing House, Rickmansworth. The team also occupy an office in the annex at Watford BC which is shared with internal audit.

3.7 During 2010/11 the Council issued the following sanctions;

Action	No of Cases
Administrative Penalties	13
Cautions	6
Prosecutions	17

3.8 In 2010/11 a total of 196 investigations were completed.

3.9 A total of 217 interviews under caution were completed in 2010/11 (Watford



BC and Three Rivers DC). A breakdown between the two Councils is not currently available. These interviews are tape-recorded interviews in accordance with the Police and Criminal Evidence Act 1984. The majority take place in the Council offices with the remainder being conducted in a Police station. Generally, those conducted in a Police station are where the customer has been arrested and a search of their premises has been conducted

- 3.10 In 2010/11 a total of 412 referrals for investigation were made. Of these 47 were rejected as they failed their risk assessment. A referral breakdown is shown below;

<b>Information Source</b>	<b>No of Cases</b>
Housing Benefit /Council Tax Section	29
Other internal Council Departments	9
External sources including Police	72
National Fraud Initiative	38
Housing Benefit Matching Service (HBMS)	201
Fraud Hotline and anonymous letters	39
Department for Works and Pensions (DWP)	24

- 3.11 The investigation team has raised the following overpayments in respect of fraudulent claims;

<b>Benefit Category</b>	<b>Amount</b>
Housing Benefit	£135,300
Council Tax Benefit	£41,611
Other Benefits	£74,769
<b>Total</b>	<b>£251,680</b>

- 3.12 The service continues to take part in various data matching exercises. These include the National Fraud Initiative (NFI) and Housing Benefit Matching Service (HBMS). The NFI is an Audit Commission mandatory exercise that matches data within the Council and between participating bodies to prevent and detect fraud. These matches are not confined to just benefit fraud and include for instance concessionary travel passes matched with deceased person records and taxi drivers matched to Asylum Seeker records. In January 2011 we received 1,409 matches from the Audit Commission in respect of the NFI. Of these matches 398 were classified as being recommended and therefore analysed. The exercise is continuing and to date 40 cases have been subject to a financial investigation. In December 2011 we are due to receive matches relating to Council Tax Single Persons Discounts (SPD).

- 3.13 In respect of the HBMS, we have experienced some disruption in receiving the matches in a timely manner. The matches are sent to ICT via a secure

encryption file known as PGP which is then de-encrypted and sent to Fraud. We are continuing to work with ICT to improve the process and identify the causes for the previous disruption.

3.14 The Council has continued to work jointly with the DWP, the Police, Immigrations and other local authorities.

3.15 Performance indicators for Watford BC only.

	Target for 2010/11 based on 60% of the service target	Outturn for 2010/11 based on 60% of the service target
Number of cases closed following investigation	191	196
Number of sanctions issued	36	36

3.16 The performance indicators for shared services are from those performance indicators of both Watford BC, shown above, and Three Rivers DC and are reported directly to the Shared Services Committee.

3.17 In 2010/11 we have continued to consider the impact of the recession on the continuing risk of fraud. Economic stress can increase the incentive to commit fraud. We have assessed the effectiveness of our current arrangements and focussed on high risk areas which include where customers fail to report changes in circumstances in a timely manner. We have also worked jointly on many cases to reduce fraud and the reputational damage it can cause. We have a specific Anti-Fraud and Corruption Policy, Housing and Council Tax Fraud Policy, Sanction Policy and Whistleblowing Policy. We also have a Fraud Response Plan which deals with non-benefit fraud. These policies are harmonised with our work with Three Rivers DC.

3.18 In January and May 2011 the Fraud team appeared twice on BBC1 Saints and Scroungers. The cases shown were selected due to the complexity of the frauds and the quality of the investigations and resulting prosecutions. As a consequence of these shows we received a number of referrals for investigation from the general public. This publicity is integral to enhancing the reputation of Watford BC and hopefully discouraging those individuals who may consider committing fraud. Some examples of publicity are shown at Appendix A.

#### **Action to Date**

3.19 Since April 2011 we have issued a further five sanctions. We have a further five cases either at court or awaiting proceedings.

3.20 We have just released an E-learning training package on Fraud Awareness, Whistleblowing and Money Laundering. This training will be

mandatory for all Council staff and will also be issued to Members.

- 3.21 All fraud staff from our Shared Services team now work generically on matters relating to Watford BC and Three Rivers DC, adding more resilience to our team and therefore combining expertise. In addition to investigating benefit fraud, the fraud team investigates corporate fraud which includes internal investigations and other areas within the Council affected by fraud.
- 3.22 In November 2010 we investigated and prosecuted a housing officer. Information was received from a member of the public expressing concerns. Following our enquiries and intelligence checks the officer was arrested and interviewed by the fraud team. He was subsequently prosecuted for offences relating the Fraud Act 2006. The officer had provided false information on his application for employment and was found to be a director of a lettings agency company. Some of this work for his company was found to have occurred whilst he was employed by Watford BC. The officer following conviction was sentenced to a fine and Watford BC was awarded £400 in compensation. The reputational damage for the Council could have been severe had we not acted immediately.
- 3.23 In October 2010 a new Fraud and Error Strategy was published. The strategy focuses on reducing fraud and error across all the welfare benefit programmes including tax credits administered by HMRC. The report estimates that of the £190 billion the Government pays out in benefits, tax credits and child benefit, £5.2 billion is lost to fraud and error. The plan has proposals for the creation of a new single replacement benefit known as Universal Credit. The proposal is that this scheme will replace a number of different benefits currently operated by local authorities, HMRC and the DWP including housing benefit. It is proposed a new council tax rebate scheme will be developed. Additionally, the new strategy proposes the creation of a new single fraud investigation service. The time scales proposed are currently between October 2013 and 2018. A new Welfare Reform Bill is being presented to Government to consider these changes. There has been a lot of opposition to these proposals by the Local Government Association and the National Fraud Authority. The Communities Secretary, the Rt Hon Eric Pickles MP has also issued guidance to Councils on adopting a more aggressive strategy to reduce fraud generally. It is proposed a further report updating Members is presented when more information becomes available.

#### 4.0 **IMPLICATIONS**

##### 4.1 **Financial**

- 4.1.1 The Head of Strategic Finance comments that there are no financial implications in this report.

4.2 **Legal Issues** (Monitoring Officer)

4.2.1 The Head of Legal and Property Services comments that there are no legal issues in the report.

Appendices

Appendix A examples of publicity.

Background Papers

No papers were used in the preparation of this report. Details were obtained from the Fraud Management system.

File Reference

None

# Watford benefit cheat given community order

9:13am Wednesday 23rd June 2010

By Neil Skinner

A benefit cheat has been sentenced to a 12 month community order and ordered to pay £250 costs to [Watford Borough Council](#).

Antonietta Ferrazanno, of Woodford Road, Watford, had continued to claim housing and council tax benefit after starting work in December 2006 – when she started to receive working tax credits as well.

As a result she was overpaid to the tune of more than £7,000.

Ferrazanno appeared at Hemel Hempstead Magistrates Court this month, where she was sentenced to a 12 month community order and ordered to carry out 100 hours of unpaid work. She was also ordered to pay £250 costs.

Councillor [Andy Wylie](#), responsible for financial issues, said: “This prosecution and conviction demonstrates that [Watford Borough Council](#) will always investigate claims of benefit fraud and take a firm line on all benefit offences.”

Group <http://www.watfordobserver.co.uk>

# Benefit cheat from Watford escapes jail

2:59pm Thursday 9th December 2010

By Michael Pickard

A benefit cheat who wrongly claimed housing and council tax allowance has escaped jail.

Alan Grace, from Abbey View, Watford, continued to claim the benefits, alongside income support, after starting work.

Following an investigation by [Watford Borough Council](#) and the Department for Work and Pensions (DWP), Grace admitted failing to notify both agencies about his change in circumstances.

Last month he appeared at Watford Magistrates Court where he pleaded guilty to four offences. The amount of housing and council tax benefit wrongly paid to him was £5,079.40 and income support was £14,357.73.

Then at Hemel Hempstead Magistrates Court on November 29, he was sentenced to 12 weeks in prison, suspended for 12 months, with a 12 month supervision order. He also had to pay £60 costs to [Watford Borough Council](#) and £40 to the DWP.

Councillor [Andy Wylie](#), cabinet member with responsibility for financial issues at Watford Borough Council, said: “This successful prosecution highlights the close cooperation between council officers and the Department of Work and Pensions. Pooling our intelligence means that benefit cheats are more likely than ever to be found out.”

To report a fraud, telephone the council’s Freephone Fraud Hotline on 0800 4589200, email [fraud@watford.gov.uk](mailto:fraud@watford.gov.uk) or write to the council’s Fraud Section at the Town Hall, Watford, Hertfordshire WD17 3EX.

Group <http://www.watfordobserver.co.uk>

# Benefit cheat from Watford must repay £4,000

8:10am Tuesday 21st December 2010

By Michael Pickard

A benefit cheat from Watford has been handed a 12 month community order and must repay more than £4,000 after admitting fraud.

Marco Martins, 42, claimed £4,764 in housing benefit and council tax benefit between 2005 and 2009 but failed to declare his wife had been working. He had also accepted additional work.

It was during a data match exercise with the Department of Work and Pensions that [Watford Borough Council](#) discovered an "inconsistency".

An investigation then found Martins was employed by Manpower Recruitment Agency, and had also taken extra work from Extrastaff Employment Agency.

Martin, from Cecil Street, admitted the offence in an interview under caution and then appeared at Watford Magistrates Court on December 6, where he pleaded guilty to two charges of dishonestly failing to notify the council of a change in his circumstances.

He was sentenced to a 12 month community order with a work requirement of 120 hours, ordered to pay costs of £430 to the council and repay the full amount of overpaid benefit.

Councillor [Andy Wylie](#), cabinet member responsible for financial issues, said: "The council carries out monthly data matching exercises with the Department for Work and Pensions, which helps identify potentially fraudulent claims and payments. Where a match is found it indicates there is an inconsistency that requires further investigation."

To report a fraud, telephone the council's freephone fraud hotline on 0800 458 9200, email [fraud@watford.gov.uk](mailto:fraud@watford.gov.uk) or write to the council's fraud section at the Town Hall, Watford WD17 3EX.

Group <http://www.watfordobserver.co.uk>

## Trio from Watford guilty of benefit fraud

4:59pm Wednesday 12th January 2011

By Michael Pickard

Two men and one woman from Watford have been convicted of benefit fraud, after illegally receiving about £7,000 between them.

Roseca Ansu, of Leavesden Road, was fined £135, costs of £100, a £15 victim surcharge and repay more than £2,300 after failing to tell [Watford Borough Council](#) she had started work while continuing to claim housing benefit.

She was sentenced at Watford Magistrates Court on Friday, January 7 after pleading guilty to the offence.

On the same day, Paras Leonidas, from Haydon Road, also pleaded guilty to claiming council tax benefit and Jobseekers' Allowance after his partner started work.

Leonidas refused to be interviewed by investigators and at Watford Magistrates', he pleaded guilty. He was fined £65, ordered to pay £50 costs, and repay £766.84 for Council Tax benefit and £1,243.41 for Jobseekers' Allowance.

Meanwhile, on Monday, Peter Grice, formerly of Grover Road, Oxhey, pleaded guilty after failing to inform the council he had started work but still received housing benefit, Council Tax benefit and Jobseekers' Allowance.

At Hemel Hempstead Magistrates' Court, he was sentenced to six weeks in prison per offence, suspended for 12 months, ordered to pay prosecution costs and repay more than £3,600.

Councillor [Andy Wylie](#), cabinet member responsible for financial issues, said: "The council carries out monthly data matching exercises with the Department for Work and Pensions, which helps identify potentially fraudulent claims and payments. Where a match is found it indicates there is an inconsistency that requires further investigation. These three new successful prosecutions demonstrate clearer than ever that [Watford Borough Council](#) is taking tough action and will not tolerate benefit cheats."

To report a fraud, telephone 0800 4589200, email [fraud@watford.gov.uk](mailto:fraud@watford.gov.uk) or write to the council's fraud section at the Town Hall, Watford, WD17 3EX.

Group <http://www.watfordobserver.co.uk>

## Benefit fraudster from Watford must repay £4,000

*10:42am Wednesday 2nd February 2011*

By Michael Pickard

A fraudster bought a £500,000 house in Watford while falsely claiming benefits.

Celleste Teizeria, from [St Albans Road](#), Watford, had bought a house in Swiss Avenue whilst continuing to receive housing and council tax support.

However, following an investigation by [Watford Borough Council](#), she pleaded guilty to charges of failing to notify the council of a change in her circumstances that would affect her entitlement to benefits.

She must now repay the benefits, worth more than £4,850, complete an 18-month community order, including 120 hours of unpaid work, and pay £350 costs to the council.

To report a fraud, telephone the council's freephone fraud hotline on 0800 4589200 or write to the council's fraud section at the Town Hall, Watford, WD17 3EX.

Group <http://www.watfordobserver.co.uk>

## Community order for benefit cheat from Northwood after Watford Borough Council investigation

*8:50am Thursday 3rd February 2011*

By Michael Pickard

A benefit cheat must repay more than £6,000 after claiming support for a house he was no longer living in.

Mircea Paduraru claimed housing benefit for a property in Kelmscott Crescent, Watford, between December 2008 and June 2010.

However, he failed to notify [Watford Borough Council](#) that he had left the property in August 2009.

The council launched an investigation after another tenant subsequently applied for housing benefit for the same address.

Paduraru, now of Addison Close, Northwood, admitted to fraud officers in August 2010 that he failed to declare he had moved and he pleaded guilty to charges at Hemel Magistrates Court last month.

He was ordered to repay the full amount of overpaid benefit - £6,458 - complete an 80 hour community order and pay £350 costs.

To report a fraud, telephone the council's Freephone Fraud Hotline on 0800 4589200 or write to the council's Fraud Section at the Town Hall, Watford, Hertfordshire, WD17 3EX.

Group <http://www.watfordobserver.co.uk>

# Watford woman admits benefit fraud

*11:04am Tuesday 1st March 2011*

By Michael Pickard

A woman has been given a curfew, and must wear an electronic tag, after being convicted of benefit fraud.

Chloe Thompson, from Tibbles Close, claimed housing benefit.

But she failed to tell [Watford Borough Council](#) she received additional income and that her partner, who lived with her, was employed - all details that would have affected her entitlement.

Thompson pleaded guilty to benefit fraud at Hemel Hempstead Magistrates Court on Monday, February 21.

She was handed a six month community order and a curfew that requires her to be at home between 7pm and 7am, which will be monitored by an electronic tag.

Costs of £150 were awarded to the council and Thompson must also pay back £4,600 in overpaid benefit.

To report a fraud in confidence, telephone the council's freephone fraud hotline on 0800 4589200, email [fraud@watford.gov.uk](mailto:fraud@watford.gov.uk) or write to the council's fraud section at the Town Hall, Watford, WD17 3EX.

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