

AUDIT COMMITTEE

12 JANUARY 2012

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

Also present: Councillor Andy Wylie, Councillor Malcolm Meerabux,
Richard Lawson (Grant Thornton) (for minute numbers 29 to
34.) and Gurpreet Dulay (Grant Thornton) (for minute
numbers 29 to 34)

Officers: Head of Strategic Finance
Head of Revenues and Benefits
Acting Audit manager
Head of Legal and Property Services
Head of Finance
Committee and Scrutiny Support Officer (JK)

25 APOLOGIES FOR ABSENCE/COMMITTEE MEMBERSHIP

There were no apologies for absence.

26 DISCLOSURE OF INTERESTS (IF ANY)

There were no disclosures of interest.

27 MINUTES

A Member referred to page 4 of the minutes where questions were raised about misstatements, he asked when the Committee would be provided with a report about this.

The Chair asked that a report was provided at the next meeting.

ACTION- The Head of Strategic Finance

The minutes of the meeting held on 29 September 2011 were submitted and signed.

REQUESTS MADE UNDER THE FREEDOM OF INFORMATION ACT 2000

The Committee received a report of the Head of Legal and Property Services which set out requests made under the Freedom of Information Act 2000 from 1 April 2011 to 30 September 2011.

The Head of Legal and Property Services presented the report. She noted that the number of requests had not diminished. There were 43 requests that had not been answered within the required time and a number of these were in Revenues and Benefits due to the pressures on the service. There were no major trends in the questions but the Council continued to receive requests relating to land charges and to persons who had died in the Borough with no next of kin. She added that as Legal and Property Services did not deal with the requests on a day-to-day basis she could not provide detail of the answers given but would ask for further information if the Committee requested it.

In response to a question from a Member, the Head of Legal and Property Services explained that the requests that were marked 'unresolved' had not yet been answered.

The Member asked about a particular request relating to compensation paid to staff after accidents at work and why this was not answered. The Head of Legal and Property Services responded that this was likely to have been because the information requested was personal information and therefore exempt under the Act.

A further Member asked if in future the requests could be grouped by source (media organisations, local residents and unknown) so the Committee could see the breakdown more clearly.

The Head of Legal and Property Services agreed that this could be arranged for the next report, she added that the requests were currently in order of the date added to the Council's Lagan system.

ACTION- Head of Legal and Property Services

In response to a question from a Member, the Head of Legal and Property Services informed the Committee that the Council did not charge for Freedom of Information requests. There was a maximum limit which equated to the cost of two days' of officer time before it was permissible to refuse to answer a request on the grounds of cost. If a request would require too much time to answer the Council could suggest that a more specific question be asked instead under its duty to provide advice and assistance.

The Committee discussed the frivolous nature of some of the requests. The Head of Legal and Property Services explained that requests could not be rejected for this reason. There was an exemption if the person asking the question was vexatious and had repeatedly asked for the same information which had already been supplied.

RESOLVED –

that the report be noted.

29

REGULATION OF INVESTIGATORY POWERS ACT 2000

The Committee received a report of the Head of Legal and Property Services advising them of the outcome of a recent inspection undertaken by the Office of Surveillance Commissioners of the Council's practices under the Regulation of Investigatory Powers Act 2000 (RIPA).

The Head of Legal and Property Services informed the Committee that the inspection had taken place in November 2011. She explained that under the Act the Council could authorise directed surveillance but had only done so five times since the last inspection in 2008. The surveillance was to be used to prevent crime and disorder and authorisation under the Act made the evidence permissible in court. Although the Council operated CCTV this was not considered to be covered by the Act as it was overt surveillance. Should the Police ask for CCTV to be used to monitor a particular individual then a RIPA authorisation would be required.

The Head of Legal and Property Services reported that the Office of Surveillance Commissioners were satisfied that the necessary changes had been made after the inspection in 2008. Senior officers had been trained and there was a central database which she monitored. The Committee were asked to formally confirm the Head of Legal and Property Services as the Senior Responsible Officer for the purposes of the Act.

A Member asked how long CCTV recordings were kept for. The Head of Legal and Property Services responded that she did not have the information but would provide it to the Committee. If the Police asked for an extract for evidence this was given to them separately and would be destroyed after the case.

ACTION- The Head of Legal and Property Services

In response to a question regarding the use of CCTV in Watford Community Housing Trust (WCHT) properties, the Head of Legal and Property Services explained that WCHT could not institute criminal proceedings and RIPA therefore did not apply.

RESOLVED –

1. that the report be noted
2. that the Head of Legal and Property Services be confirmed as the Senior Responsible Officer for the purposes of the Act.

FIVE REPORTS FROM GRANT THORNTON

Richard Lawson of Grant Thornton introduced the reports and gave apologies from Paul Dossett. He introduced his colleague Gurpreet Dulay who would be the main contact for shared services audits.

Richard Lawson introduced the report on the review of arrangements for securing financial resilience. The four areas that were considered were Key Indicators of Performance, Strategic Financial Planning, Financial Governance and Financial Control. These areas were rated as red, amber or green (RAG rated) and he reported that of the four areas, two were rated as green and two were rated as amber. He advised that there was a good track record of financial management and they were pleased with how the service prioritisation programme had been carried out.

He informed the Committee that there were some issues in shared services that needed to be resolved to ensure that financial governance and financial control were given a green rating.

Richard Lawson then introduced the report on Certification in 2010/11. Grant Thornton only qualified one claim in 2010/11 which related to National Non-Domestic Rates (NNDR). There were no errors in housing benefit claims which was very positive. He advised that there were only a few areas to work on.

Richard Lawson advised the Committee that the Annual Audit Letter was a summary of all the audit work in 2010/11.

Gurpreet Dulay introduced the Audit Plan report. He explained the roles of the team at Grant Thornton. He advised that the Audit Plan covered the opinions of the financial statements as well as looking at the Council's VAT work and fraud initiatives. The IT Audit Manager at Grant Thornton was monitoring the implementation of the IT Strategic Review. The Audit Plan also covered the value for money arrangements to ensure there were proper arrangements for financial resilience and considered economy, efficiency and effectiveness including asset management.

Gurpreet Dulay informed the Committee that the audit fees for 2011/12 would be £114,000 down from £120,000 in 2010/11.

The Chair invited the Head of Strategic Finance to give his comments on the reports.

The Head of Strategic Finance commented that overall he felt the reports were quite positive particularly given the economic environment.

The Head of Strategic Finance highlighted the report on financial resilience and drew Members' attention to paragraph 3.3.1 which highlighted the main features. The Council had been given a green rating for overall client financial planning processes and amber for the operational systems. He explained that the Finance team were closing new financial management and payroll systems in addition to

the new revenues and benefits system. The work had been undertaken by new staff and the systems and staff had therefore been unfamiliar. He felt that amber was very credible in these circumstances. He referred the Committee to pages 53 and 54 of the report which showed the Council's responses to the recommendations.

The Head of Strategic Finance referred to the report on the certification of grant claims. He said that he was pleased with the Council's performance. Regarding the issue with NNDR he said that the Council did gain approval for this retrospectively.

The Head of Strategic Finance commented that the Audit Letter was not without criticism but he did not believe the issues would recur in 2011/12.

The Chair invited Members' questions and comments.

A Councillor said that he welcomed the report and he gave his congratulations to the Head of Strategic Finance and the Finance team for the positive progress.

The Councillor asked for more information about the other income streams referred to on pages 67 and 81. He also asked how significant the issues with IT were and when they would need to be resolved by to avoid a major impact. He commented that it was disappointing that sickness was still an issue.

Richard Lawson responded that regarding income streams the finance digest was very good but there was not enough information provided about commercial rents. The information tended to be retrospective rather than giving targets for the year. Regarding IT, he reported that Grant Thornton's IT Audit Manager reviewed the progress on a monthly basis. It did not lead to a qualified audit opinion and it would continue to appear on the Annual Governance Statement to monitor progress.

The Head of Strategic Finance agreed with Richard Lawson regarding the income streams. He added that he chaired a strategic income group which looked at improving income figures for Leadership Team and Budget Panel. The shortfall was picked up in period 8 and a better system would have picked it up earlier. Budget Panel had agreed to look at income in more detail in 2012/13.

The Portfolio Holder for Finance and Shared Services added that one of Cabinet's objectives to officers was to validate the income position earlier. There had been meetings with the Parking Manager to ensure that the predictions for the parking fund were accurate. With regard to employee sickness, he reminded the Committee that in 2003/4 this was in excess of 17 days per person and prior to that it had not been monitored. They were keeping the pressure on to reduce the level to 8 days. As far as IT was concerned, the service was subject to severe auditing, especially in infrastructure and a replacement programme was in place. Various options, including outsourcing, were being considered.

A Councillor referred to the Council's responses to the recommendations and asked why the final one was not going to be adopted.

Richard Lawson said that the response was fair and it would not be practical to have this relationship with the finance function but as auditors it was their duty to recommend the best possible practice.

The Portfolio Holder for Finance and Shared Services said that a political decision had been made by the Council and Three Rivers District Council not to burden Shared Services with additional external organisations. The model in place had provided buy-in from staff who were against outsourcing. He added that they had been careful to ensure that the governance arrangements were in place.

A Councillor noted that scrutiny was carrying out a review of the delivery of Council services.

The Portfolio Holder for Finance and Shared Services said that he would be very interested in this review and to give evidence to the Task Group. He expressed his concern about sharing services with another council with a very different culture to Watford. He noted the different governance models pursued by Watford and Three Rivers and said that it had not been an easy process. Should any further services be shared he would prefer the lead authority model as this would be less bureaucratic to implement. He added that the Audit Committee may also be interested in the findings of the scrutiny review.

A Councillor, who was not an appointed member of the Committee, asked why Grant Thornton's fees had reduced. Richard Lawson explained that the fee levels were set by the Audit Commission and could not be challenged unless they could show a local authority was a much higher risk than average.

The Portfolio Holder for Finance and Shared Services added that he wished to formally thank the finance staff for the work they had done on the annual accounts. He was aware that implementing the International Financial Reporting Standards had not been easy and he wanted to thank the Head of Finance Shared Services and the Finance Manager (DR) in particular for their extremely good work.

RESOLVED –

that the reports be noted

31

INTERNAL AUDIT PROGRESS REPORT

The Chair noted that the Mark Allen had been appointed as the Audit Manager and congratulated him on his role.

The Audit Manager introduced the report. It provided an update on the Audit Plan and key findings. He noted that there had been a significant delay in the IT Health Check report. There had been some concern about eFinancials related to the issuing of security patches.

He referred to the vehicle maintenance contracts where recommendations had been made to document the system and monitor the ongoing contracts.

The Audit Manager noted that the financial procedure rules were currently poorly signposted for staff and this would be addressed.

A Member asked if all IT Project Managers were trained in Prince 2 or another nationally recognised project management qualification.

The Audit Manager responded that he was not sure if they had all done Prince 2 training but a number of staff across the Council had undertaken the qualification.

In response to a Member's question, the Audit Manager replied that he believed that the only financial programme which used a web browser was for staff to view their payslips.

The Member said that the Council used Internet Explorer 6 which was defunct and no longer supported by Microsoft.

The Audit Manager said he believed most computers used Internet Explorer 8 and that he would check the progress of the software upgrades.

ACTION- Audit Manager

Another Member concurred and said that this should be part of the health check. He said that ensuring the use of consistent web browsers and the safest systems was a matter for the Committee to pursue.

RESOLVED –

that the report be noted.

32

IMPLEMENTATION OF INTERNAL AUDIT RECOMMENDATIONS

The Audit Manager introduced the report which was a regular follow-up of recommendations to check their implementation. He noted that for benefits, Council Tax and NNDR the early recommendations had been overtaken by the ISCAS report. The recommendations related to procurement were now being handled by the newly-appointed Procurement Manager. There was still work to be done on the reconciliations, particularly for eFinancials and Academy.

In response to a Member's question the Audit Manager explained that the process of carrying out BACS payments was being transferred from IT. There were technical issues hindering the complete roll out.

The Head of Strategic Finance informed the Committee that the function was in Finance and this moved to IT when Shared Services was implemented. He

noted an occasion where payments were not made to voluntary sector organisations and an occasion where direct debits were taken a day early and this was not acceptable.

The Head of Revenues and Benefits advised that a series of controls were in place and communication with IT was now much better.

The Head of Finance Shared Services explained that although the function had been transferred a few months ago there were delays relating to bank authorisations.

Members agreed that they would like to be informed of the timescale for the full transfer of this function.

ACTION- Head of Strategic Finance

RESOLVED –

that the report be noted.

33

TREASURY MANAGEMENT STRATEGY

The Head of Strategic Finance noted that there had been a very detailed report on treasury management in September 2011. The Council was keeping investments on a short maturity which provided smaller returns. The instability in Europe meant that it was not wise to invest in European banks and there was therefore a restricted lending list available.

He drew the Committee's attention to paragraph 4.4 on page 153 of the report which explained that the Council had received a refund from central government and had to invest the money that was returned. As a consequence, the Head of Strategic Finance instructed treasury officers to place additional funds with Barclays and Lloyds; bringing the total in Lloyds to above the £5million limit specified by the treasury management strategy. The Managing Director and Head of Legal and Property Services had been consulted. He advised that he would report to full Council.

RESOLVED –

that the report be noted.

34

REVENUES AND BENEFITS - PROGRESS AGAINST ACTION PLAN

The Head of Revenues and Benefits introduced the report. He noted that he last came to the Committee in June 2011 and the service had been given 73 recommendations. Of these 16 were still unresolved and 13 of these were not considered to be business critical but would be helpful operationally. He added that officers were working to future-proof the service so that work would not need

to be repeated next year. Staff were confident how to use the system to ensure that the reconciliation could be signed off. The review of single person discounts had already brought in £6,000 where discounts had been cancelled.

RESOLVED –

that the report be noted.

Chair

The Meeting started at 7.00 pmWatford Borough Council
and finished at 8.30 pm