



**WATFORD
BOROUGH
COUNCIL**

AUDIT COMMITTEE

12 January 2012

7.00 pm

Town Hall, Watford

Contact

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For information about attending meetings please visit the [council's website](#).

Publication date: 4 January 2012

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

To submit for signature the minutes of the meeting held on 29 September 2011.
(All minutes are published on the Council's website).

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

Report of the Head of Legal and Property Services

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

5. Regulation of Investigatory Powers Act 2000 (Pages 47 - 50)

Report of the Head of Legal and Property Services

This report advises members of the outcome of a recent inspection undertaken by the Office of Surveillance Commissioners of the Council to examine our policies and practices regarding the above Act.

6. Five Reports from Grant Thornton (Pages 51 - 138)

Report of the Head of Strategic Finance and Grant Thornton, the External Auditor

Attached are five reports from the Council's External Auditor, Grant Thornton. The reports cover the following issues:

- Audit Progress Report January 2012
- Annual Audit Letter 2010/2011
- Review of Arrangements for Securing Financial Resilience
- Certification Work Report 2010/2011
- Audit Plan 2011/2012

7. Internal Audit Progress Report (Pages 139 - 145)

Report of the Acting Audit Manager

This report and appendices provide updated information on the work undertaken by Internal Audit on the 2011/2012 Audit Plan in the period 1 April 2011 to 30 November 2011.

8. Implementation of Internal Audit Recommendations (Pages 146 - 148)

Report of the Acting Audit Manager

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

9. Treasury Management Strategy (Pages 149 - 153)

Report of the Head of Strategic Finance

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

10. Revenues and Benefits - Progress Against Action Plan (Pages 154 - 160)

Report of the Head of Revenues and Benefits

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.

Agenda Item 4

PART A

Report to: Audit Committee
Date of Meeting 12 January 2012
Report of: Head of Legal and Property Services
Title: Requests made under the Freedom of Information Act 2000

1. **SUMMARY**

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

From 1 April 2011 until 30 September 2011 the Council received 160 requests all but 43 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 1st 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 April 2011 until 30 September 2011.
- 3.3 In this period the Council recorded receiving 160 requests for information under the Act all but 43 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 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.
- 3.6 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.
- 3.7 The Mayor and Managing Director continue to 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

4.6 Community Safety

No implications

4.7 Sustainability

No implications

4.8

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 April –June 2011

Appendix 2

Summary of FOI requests July - September 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 APRIL – JUNE 2011 (TOTAL 76)

REASON FOR REQUEST	RESPONDED WITHIN TIMESCALE?	INFORMATION PROVIDED?	CUSTOMER ADVISED ON ALTERNATIVE LOCATION OF INFORMATION	REQUEST FROM INDIVIDUAL OR ORGANISATION?
What was the budget for your local authority in 2009/10 2010/11 2011/12 including Citizens Advice Bureaux, Legal and other Advice Services	No	Yes	No	Nia Griffith MP
How much local authority spends (wastes) on postage each year	Yes	Yes	No	Individual Whatdotheyknow.com
The current full time equivalent, and total headcount staffing complement of the authority. The projected full time equivalent,	No	Yes – in part. Further information still to be provided after staff consultation process concluded	No	Individual – address unknown

<p>and total headcount staffing complement of the authority at the end of the financial years 2011-2012, 2012-13 and 2013-14.</p> <p>The number of planned A) full-time equivalent and B) actual post reductions within the direct employ of the authority in the financial years 2011-12, 2012-13, and 2013-14.</p> <p>The number of A) voluntary and B) compulsory redundancies predicted from within the direct employ of the authority in the financial years 2011-12, 2012-13, and 2013-14.</p>				
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<p>Any correspondence between the Chief Executive or Finance Director and the Leader of the authority pertaining to predicted employee reductions or redundancies in the same years.</p>				
<p>(1) How many families did the Council place in temporary accommodation within a 12 month period?</p> <p>(2) How much does the LA spend on temporary accommodation?</p> <p>(3) How much does the Council spend on all housing within</p>	<p>Yes</p>	<p>Yes</p>	<p>No</p>	<p>Individual</p>

Appendix 1

the last 12 months (HB, LHA, Hostels, Temp Accom etc)? (4) What percentage of housing is provided by the private rental sector?				
Copy of your fixed penalty notice that you issue for section 87/88 of the environmental protection act 1990 for depositing litter thanks	No	Yes	No	Individual – address unknown
Questions relating to planning applications for 543/529 St Albans Road	No	Yes	No	WBC resident
How do we log FOI requests and systems used	Yes	Yes	No	Individual – address unknown
People dying with no next of kin	No	Yes	No	Non WBC resident

Appendix 1

Number of insurance claims made following an accident in a children's play area in order to analyse the success rate of them.	No	Yes	No	Individual – address unknown
Ethical Rules and general terms of engagement which apply to suppliers engaged to work for Watford Borough Council.	No	Yes	Yes – WBC website	Organisation
All spending over £500 transacted by the use of credit cards for all council officials and councillors in last 3 years	No	Yes	No	Journalist
All expenses paid to councillors over the past two years detailing the item claimed, date, purpose and individual's name.	Yes	Yes	Yes –WBC website	Journalist

Appendix 1

<p>1. How many free parking spaces are provided for council staff?</p> <p>2. What was the daily charge to members of the public using the same car park or the nearest council-run car park to the main council offices in: a) 2010/11 b) 2011/12</p>	Yes	Yes	No	Organisation
<p>1. The addresses and a rateable value of all commercial premises with a current rateable value over £40,000 within the WBC including names and addresses of the organisations who own them</p>	No – unresolved			Individual
<p>Business Rate Accounts in Receipt of Mandatory Relief</p>	No – unresolved			Organisation
<p>Business Rate Accounts in Credit</p>	No – unresolved			Organisation

Appendix 1

	No	Yes	No	Individual – address unknown
<p>Where the Accounts Receivable team is based and if centralised?</p> <p>Which finance system/accounting software is used to process customers invoices/payments?</p> <p>Number of cash allocators and credit controllers employed full time to reconcile cash and match payments to the sales ledger?</p> <p>How many live customers do you have?</p> <p>How many payments do you receive per day?</p> <p>volume of remittance slips received per day? Do they come in by</p>				

Appendix 1

<p>post? Are they scanned?</p> <p>How many BACS payments do you receive per day?</p> <p>How many cheque payments do you receive per day? Are the cheques scanned?</p> <p>How long does it take to clear a day's cash?</p>				
<p>Contact details of all taxi, mini cab and private hire companies within Watford. Particularly interested in the type of business, number of drivers and years the license has been held.</p>	<p>Yes</p>	<p>Yes</p>	<p>No</p>	<p>Individual – address unknown</p>
<p>Survey regarding stray dogs and dog breeding establishments, breeding of dogs,</p>	<p>Yes</p>	<p>Yes</p>	<p>No</p>	<p>Organisation</p>

Appendix 1

Breakdown of all council owned buildings. Including the building type and the number owned.	Yes	Yes	No	Individual – address unknown
Information about council attendance at/or hosting of award ceremonies and conferences.	Yes	Yes	No	Organisation
Copy of council's 2011-12 RA form that is being submitted to the CLG by 28 April.	No	Yes	No	Non WBC resident
How many local authority staff are based in Brussels, at what cost annually, and for what purpose.	No	Yes	No	Organisation
Which community/local facilities have planning applicants agreed to fund, or offered to fund, under the broad term of 'planning gain' as part of	Yes	Yes	No	Organisation

Appendix 1

supermarket planning applications that have been approved within the last five years (or have yet to be resolved, ie 'live' applications)				
Money spent on your Councils main website in the last 5 years.	No	Yes	No	Individual – address unknown
Number of computers and software used	Yes	Yes	No	Individual – address unknown
Plans to sell off any council owned property	Yes	Yes	No	Individual – address unknown
Use of the normal dictionary definitions of the words Fraud, Corruption in Council Constitution.	Yes	Yes	No	Non WBC resident

Appendix 1

Complaints received about council staff and copies of policies	Yes	Yes	No	Individual – address unknown
Since January 2009, has the council employed or paid for any work to be done by private companies, organisations, individuals or charities, to deal with security, detective work or law enforcement?	Yes	Yes – in part due to cost limit	No	Non WBC resident
Revocation of the personal search fee of the local land charges register	Yes	Yes	No	Individual – address unknown
Details relating to Civil Enforcement Officers (parking service)	Yes	Yes	No	Individual – address unknown
Vacant properties in your authority	No	Yes	No	Individual – address unknown
Persons who have died with no known next of kin since my	Yes	Yes	No	Non WBC resident

Appendix 1

last request of 16/2/11 to date				
Details of your current building maintenance and highways maintenance contracts.	Yes	Yes - in part due to cost limit	No	Organisation
Details of all senior management who work on secondment from a private sector company	Yes	Yes	No	Organisation
How many applications did you receive to designate an area with Town/Village Green status during 2009, 2010 and 2011 to date?	Yes	No	Yes - HCC	Organisation
Business rates details 6 + 6A, FISHERS INDUSTRIAL ESTATE, Period: 01/04/2005 to 31/03/2009	No – unresolved			Individual

Appendix 1

Number of reported bed bug infestations in each of the last 3 financial years	Yes	Yes	No	Organisation
Since May 2010 has the council felt the need to recruit staff and employees from outside the UK?	Yes	Yes	No	Organisation
The number of council buildings you hold which could potentially be affected by the Literary and Scientific Institutions Act of 1854	Yes	Yes - none	No	Organisation
How much motorists overpaid for parking using pay and display machines for the last financial year	Yes	No – not available	No	Organisation

Appendix 1

<p>(1) copies of all planning applications where permitted development rights were included as a material consideration and/or included in the rationale for reaching the decision.</p> <p>(2) all photographs taken during the site visit; and</p> <p>(3) a list of all material considerations applied in planning application decisions.</p>	Yes	Yes	No	WBC resident
<p>Minimum limit the council sets for its general reserve balances.</p>	Yes	Yes	No	Organisation
<p>Salary and JD for officer who deals with FOI requests</p>	Yes	Yes	No	Individual – address unknown

Appendix 1

Purchasing via Visa cards spending	Yes	Yes	No	Organisation
Details regarding pest control services provided and refuse collections	Yes	Yes	No	Non WBC resident
Details relating to employment of traffic enforcement officers	Yes	Yes	No	Organisation
Addresses and rateable value of empty Commercial properties with a current rateable value in excess of £45,000	No - unresolved			Individual -
List of all credit balances owing to companies in respect of National Non Domestic Rates and those cancelled by 'write on'	No - unresolved			Non WBC resident

Appendix 1

Copies of any guidance produced by your council since 1st January 2008 regarding the "decoration" of burial sites in your cemeteries by relatives and friends of the deceased.	Yes	Yes	No	Organisation
Those who have died with no next of kin	Yes	Yes	No	Non WBC resident
Details of social media courses or training provided to council staff in the last two years.	Yes	Yes	No	Non WBC resident
Staff numbers in EHL, Planning and BC and number of fee earning applications received by BC 2010/11	Yes	Yes	No	Organisation
How many on Housing list, average wait time	Yes	Yes	No	Organisation

Appendix 1

Prosecutions against private landlords last 3 years				
<p>During 2010/11</p> <p>1) How many councillors were sent one or more reminder letters for late payment of their council tax?</p> <p>2) Of these what was the total amount that they all failed to pay straight away?</p> <p>3) What were the individual amounts of these? i.e. £100 and £560 etc...</p> <p>4) How many councillors have been sent two or more reminder letter for late payment?</p> <p>5) If possible, could the above be broken down to show figures from each political party?</p>	Yes	Yes	No	Organisation

Appendix 1

Information on assaults on refuse collectors	Yes	Yes – none	No	Organisation
Full current copy of the Public HMO register showing the HMO licensees and contact address details for the licensees in your area.	Yes	Yes	No	Non WBC resident
Credit card statements which members of staff issued with credit cards and guidelines on use	Yes	Yes – in part	No	Individual – address unknown
How many tickets WBC applied for and total amount spent on tickets for 2012 Olympics.	Yes	Yes – none	No	Individual
What rights have been granted for the deployment of wireless services in your city centres using street lighting and street furniture	Yes	Yes – in part	Yes - HCC	Non WBC resident

Appendix 1

that is controlled by the LA? Information regarding bus shelters				
Date of the next tender for the collection and disposal of WEEE (Waste Electrical and Electronic Equipment) and Batteries for the council. Copy of the previous successful tender	Yes	Yes	Yes - HCC	Individual
Details of tenant of Hightown and Praetorian Housing	Yes	No	No	WBC resident
Current policy on scanning, data capture, image capture and general management of incoming mail?	Yes	Yes	No	Organisation
Persons who have died with no known next of kin since 4/3/11 to the present day	Yes	Yes	No	Non WBC resident
Number of vehicles and drivers registered as hackney carriage and private hire	Yes	Yes	No	Non WBC resident

Appendix 1

Persons who have died since March 2011 with no next of kin and size of estate	Yes	Yes	No	Individual – address unknown
Various details relating to empty dwelling	Yes	Yes	No	Organisation
Details of all conferences, training, away days and leisure activities attended by your chief executive in the financial years 08/09, 09/10 and 10/11.	Yes	Yes	No	Individual – address unknown
Expenses/hospitality paid to your chief executive for each of the financial years 08/09, 09/10 and 10/11	Yes	Yes	No	Organisation
Details of all spending by your chief executive on a council procurement card or credit card in the financial years 08/09, 09/10 and 10/11. All relocation allowances paid to chief executives in your authority in all	Yes	Yes	No	Organisation

Appendix 1

financial years from 2004/05 to the present.				
The number of council meetings attended by every councillor since 6th May 2010. Number and percentage of seats that were uncontested. Length of service for each current councillor Average response rate by councillors to constituents correspondence. Average attendance at constituency surgeries for every councillor	Yes	Yes	No	Organisation
Copies of all correspondence with Bevan Brittan and Tinklers, Solicitors on the subject of fees for personal searches of the local land charges register.	Yes	Yes	No	Individual – address unknown
Any complaints since 1st January 2009 from allotment	Yes	Yes	No	Organisation

Appendix 1

holders about the behaviour / conduct of other allotment holders				
Copies of the LAE1 form which the council is required to return to the Health and Safety Executive annually, for the past five available years.	Yes	Yes	No	Organisation
How many cheques were issued and received between 1st April 2010 and the 31st March 2011	Yes	Yes	No	Organisation

SUMMARY OF FOI REQUESTS JULY-SEPTEMBER 2011 (TOTAL84)

REASON FOR REQUEST	RESPONDED WITHIN TIMESCALE?	INFORMATION PROVIDED?	CUSTOMER ADVISED ON ALTERNATIVE LOCATION OF INFORMATION	REQUEST FROM INDIVIDUAL OR ORGANISATION?
Any complaints since 1st January 2009 from allotment holders about the behaviour / conduct of other allotment holders	Yes	Yes	No	Organisation
All files held by the Council in which APPS, or any of its Directors are mentioned.	No	No	No	Organisation
In respect of ratepayers who are a limited company: Names and addresses of ratepayers for whom you hold a historic credit	No - unresolved			Organisation
All credits held on your business rates system for our Luminar clients, as well as credits written away to suspense/control accounts and amounts written off during the last 12 months.	No - unresolved			Organisation

Appendix 2

REASON FOR REQUEST	RESPONDED WITHIN TIMESCALE?	INFORMATION PROVIDED?	CUSTOMER ADVISED ON ALTERNATIVE LOCATION OF INFORMATION	REQUEST FROM INDIVIDUAL OR ORGANISATION?
All credits held on your business rates system for our clients, as well as credits written away to suspense/control accounts and amounts written off during the last 12 months.	No - unresolved			Organisation
Copies of the LAE1 form which the council is required to return to the Health and Safety Executive annually, for the past five available years.	Yes	Yes	No	Organisation
Details regarding contracts for mobile phones and software licences	Yes	Yes	Yes – WBC website	Individual address unknown
Total spend on staff by month for last 6 years	Yes	No	No	Organisation
Official complaints received in each of the last three financial years (April 2008 - March 2011) about apparent noise pollution caused by wind turbines	Yes	Yes	No	Organisation

Appendix 2

REASON FOR REQUEST	RESPONDED WITHIN TIMESCALE?	INFORMATION PROVIDED?	CUSTOMER ADVISED ON ALTERNATIVE LOCATION OF INFORMATION	REQUEST FROM INDIVIDUAL OR ORGANISATION?
Is recycling mandatory and have any fines been issued/frequency of collections	Yes	Yes	No	Organisation
Researching Council services relating to household waste and recycling.	Yes	Yes	Yes in part - HCC	Organisation
How many public health funerals have been carried out since March 2011 when no known next of kin can be found.	Yes	Yes	No	Individual address unknown
Anyone who has died with no known next of kin from my last request of 21/3/2011 to date	Yes	Yes	No	Individual address unknown
Does WBC pay for Members travel and subsistence on credit cards and how much during 2010/11	Yes	Yes	No	Non WBC resident

REASON FOR REQUEST	RESPONDED WITHIN TIMESCALE?	INFORMATION PROVIDED?	CUSTOMER ADVISED ON ALTERNATIVE LOCATION OF INFORMATION	REQUEST FROM INDIVIDUAL OR ORGANISATION?
Business rates overpayment/credit shown for any financial year if credit balance hasn't been carried forward Accounts where a 'write on' has been used since 1st April 2000 to cancel an overpayment which has not since been reversed	No - unresolved			Organisation
Extent to which voluntary and community organisations are being affected by public spending cuts	Yes	Yes	No	Organisation
If Watford Council uses section 78 of the Public Health Act 1936 or S92 of the Environmental Protection Act 1990? If not, why not?	Yes	Yes	No	Organisation
Number of instances of fly-tipping recorded by Watford Borough Council in the period 1st April 2010 - 31st March 2011 including costs, prosecutions, fines and income	Yes	Yes	No	Organisation

Appendix 2

REASON FOR REQUEST	RESPONDED WITHIN TIMESCALE?	INFORMATION PROVIDED?	CUSTOMER ADVISED ON ALTERNATIVE LOCATION OF INFORMATION	REQUEST FROM INDIVIDUAL OR ORGANISATION?
Information relating to complaints and culling of foxes	Yes	Yes	No	Organisation
Copy Traffic Regulation Orders in effect for Cassiobury Park Avenue, Watford	Yes	No	Yes	Individual address unknown
Details relating to publicly owned buildings, undergoing development/refurbishments, copies plans/details of contractors/budgets Information relating to water rates	Yes	Yes in part	Yes – Planning website	Organisation
Details on use of bailiffs, code of conduct. Information on tax liability orders applied for.	No - unresolved			Individual address unknown
The Council's scheme of selling residents recycling to make money	No	Yes	No	Organisation
Information about fly-tipping, skip permits and bulky waste collections 2009/10 2010/11	No	Yes	No	Organisation
What number of council employees have had fees sponsored to gain any of	No	Yes	No	Organisation

Appendix 2

REASON FOR REQUEST	RESPONDED WITHIN TIMESCALE?	INFORMATION PROVIDED?	CUSTOMER ADVISED ON ALTERNATIVE LOCATION OF INFORMATION	REQUEST FROM INDIVIDUAL OR ORGANISATION?
<p>these qualifications between 2000-2010: GDL, LPC, CIM, CIPD What number of environmental control officers have been recruited between 1999-2010</p>				

Appendix 2

	REASON FOR REQUEST	RESPONDED WITHIN TIMESCALE?	INFORMATION PROVIDED?	CUSTOMER ADVISED ON ALTERNATIVE LOCATION OF INFORMATION	REQUEST FROM INDIVIDUAL OR ORGANISATION?
1010251158	How many playing pitches - whether it be for football, rugby, cricket or hockey etc - have been lost on council-run public parks in the past 10 years.	Yes	Yes	No	Organisation
1010251285	How many trainee town planners and town enforcement officers have been recruited between 1999-2011 what undergrad degree and university did the recruits obtain? what enforcement experience did the town enforcement officers have?	Yes	Yes	No	Organisation
1010251225	Amount of funding and staff time given to trade unions	Yes	Yes	No	Organisation
1010251164	Information regarding inappropriate images found on staff computers and action taken in last five years	No	Yes – in part	No	Journalist

Appendix 2

	REASON FOR REQUEST	RESPONDED WITHIN TIMESCALE?	INFORMATION PROVIDED?	CUSTOMER ADVISED ON ALTERNATIVE LOCATION OF INFORMATION	REQUEST FROM INDIVIDUAL OR ORGANISATION?
1010251038	Contractual information regarding telephone system	Yes	Yes	No	Individual address unknown
1010251276	How much your council has spent, in each of the last three financial years, on unauthorised or temporary gypsy and traveller settlements.	Yes	Yes	No	Individual address unknown
1010251042	The full addresses, including postcode and rateable values of any empty commercial properties (Industrial, Office and Retail) that are within the Westminster Borough Council area; the dates they first became empty and the name of the account holder/owner	No	Yes	No	Organisation
1010252608	Persons dying with no next of kin since 1/4/11	Yes	Yes	No	Individual address unknown

Appendix 2

	REASON FOR REQUEST	RESPONDED WITHIN TIMESCALE?	INFORMATION PROVIDED?	CUSTOMER ADVISED ON ALTERNATIVE LOCATION OF INFORMATION	REQUEST FROM INDIVIDUAL OR ORGANISATION?
1010251776	Budgetary provision for specified matters in the last three complete financial years under Freedom of Information legislation.	Yes	Yes	No	Organisation
1010251790	Voluntary early retirements, redundancies, the use of agency workers and apprentices at Watford council.	Yes	Yes	No	Organisation
1010251783	E-learning software used by WBC	Yes	Yes	No	Individual address unknown
1010252993	Details relating to bus pass and street furniture contracts	Yes	Yes	No	Organisation
1010253203	Details regarding crematorium and cemetery including fees	Yes	Yes	No	Organisation
1010253140	Information about stray animals dealt with by WBC	Yes	Yes	No	Organisation
1010254001	Persons who have died with no next of kin	Yes	Yes	No	Organisation

Appendix 2

	REASON FOR REQUEST	RESPONDED WITHIN TIMESCALE?	INFORMATION PROVIDED?	CUSTOMER ADVISED ON ALTERNATIVE LOCATION OF INFORMATION	REQUEST FROM INDIVIDUAL OR ORGANISATION?
1010253001	Information the borough council holds on licensed taxi drivers with criminal convictions.	Yes	Yes	No	Individual address unknown
1010253003	Address list of the empty homes that are known by the council and when they were first added to the system.	No - unresolved			Organisation
1010253257	The Council's understanding of the legal position on charges for personal searches.	Yes in part	Yes	No	Individual address unknown
1010252762	Business rates and occupation of The Flag public house 2001/02 2002/03	No - unresolved			Organisation
1010253920	Whether your authority recognises NAPIT in relation to its numerous responsibilities and functions.	Yes	Yes	No	Organisation
1010254458	Staff resources in relation to pest control	Yes	Yes	No	Organisation
1010254096	Persons who have died with no next of kin	Yes	Yes	No	Individual address unknown

Appendix 2

	REASON FOR REQUEST	RESPONDED WITHIN TIMESCALE?	INFORMATION PROVIDED?	CUSTOMER ADVISED ON ALTERNATIVE LOCATION OF INFORMATION	REQUEST FROM INDIVIDUAL OR ORGANISATION?
1010253522	Current structure chart and details of post responsible for processing DP, FOI and EIR requests	Yes	Yes	No	Individual address unknown
1010253510	All copies correspondence (including E- mails) re meetings for land searches that staff have had amongst themselves and with all other bodies (including but not confined to staff at other councils) and other associated information	No	Yes in part	No	Individual address unknown
1010253514	Details of planning applications that have been submitted to your Local Authority since August 1st 2011 relating to specific sites	Yes	Yes	No	Individual address unknown
1010254563	Information relating to agreements for allotments	Yes	Yes	No	Individual
1010254590	Expenditure on translation services	Yes	Yes	No	MP

Appendix 2

	REASON FOR REQUEST	RESPONDED WITHIN TIMESCALE?	INFORMATION PROVIDED?	CUSTOMER ADVISED ON ALTERNATIVE LOCATION OF INFORMATION	REQUEST FROM INDIVIDUAL OR ORGANISATION?
1010255005	Number of pest infestations dealt with 2009-2011	Yes	Yes	No	Organisation
1010255018	Details money received/due to receive relating to Primary Authority Partnerships	No	Yes	No	Organisation
1010254562	Details relating to Section 106 payments	Yes	Yes	No	Organisation
1010255011	Section 106 payments returned to developers	Yes	Yes	No	Organisation
1010254584	Parking permits issued 2008-2011 including those issued to staff	Yes			Individual address unknown
1010254587	A list of all addresses and rateable values for properties up to a rateable value threshold of £12,000	No - unresolved			Organisation
1010255781	Impact of Animal Welfare legislation on Local Authorities	Yes	Yes	No	Organisation
1010255789	How much does WBC spend on recruitment advertising in the press and online media? Copy of Disability Equality Duty report	No	Yes	Yes in part – WBC website	Organisation

Appendix 2

	REASON FOR REQUEST	RESPONDED WITHIN TIMESCALE?	INFORMATION PROVIDED?	CUSTOMER ADVISED ON ALTERNATIVE LOCATION OF INFORMATION	REQUEST FROM INDIVIDUAL OR ORGANISATION?
1010255807	How much compensation money has been paid to your staff as a result of accidents at work in the past five financial years	Yes	No	No	Organisation
1010255800	Planning proposals for Royal Mail site	Yes	No – not known	Yes – Royal Mail	Organisation
1010255786	Full list of biodiversity and habitat offsetting schemes across England.	Yes	Yes	No	Individual address unknown
1010255525	Status of your local plan or core strategy How many f/t development planners, conservation officers and heritage officers did you employ in 2008 and now? Planning department's budget in 2008 and now.?	Yes	Yes	No	Organisation
1010256319	Any information you may hold relating to persons who have died with no known next of kin since 12/5/11	Yes	Yes	No	Individual address unknown

Appendix 2

	REASON FOR REQUEST	RESPONDED WITHIN TIMESCALE?	INFORMATION PROVIDED?	CUSTOMER ADVISED ON ALTERNATIVE LOCATION OF INFORMATION	REQUEST FROM INDIVIDUAL OR ORGANISATION?
1010256093	The likely implications of the Government's new draft National Planning Policy Framework which has been devised by the Government and which is currently out to consultation.	Yes	Yes	No	Organisation
1010256942	Annual expenditure for your Stray Dog Control	Yes	Yes	No	Organisation
1010257334	Information relating to your routine road sweeping/cleansing operations.	No	Yes	No	Individual address unknown
1010257648	Details relating to residents who have been identified by the council as currently being "at risk" of losing their homes	Yes	Yes	No	Organisation
1010257651	Copy of contracts register	Yes	Yes	Yes – WBC website	Individual address unknown
1010258054	Current providers of both vehicle rental and vehicle leasing services	Yes	Yes	No	Organisation

Appendix 2

	REASON FOR REQUEST	RESPONDED WITHIN TIMESCALE?	INFORMATION PROVIDED?	CUSTOMER ADVISED ON ALTERNATIVE LOCATION OF INFORMATION	REQUEST FROM INDIVIDUAL OR ORGANISATION?
1010258248	Payments made to employees who have been injured or made ill at work.	Yes	Yes	No	Individual address unknown
1010257782	Breakdown of the amount written off by the council in unpaid debts over the following three financial years: 2008/9; 2009/10; 2010/2011 broken down for each year by type of debt: including council tax, business rates, parking fines, overpaid benefits	Yes	Yes	No	Organisation
1010257649	Details relating to total Council Tax receipts/debts in specified years	No - unresolved			Individual address unknown
1010250628	Section 106 agreements last ten years and related contracts	Yes	Yes	No	Organisation

Appendix 2

	REASON FOR REQUEST	RESPONDED WITHIN TIMESCALE?	INFORMATION PROVIDED?	CUSTOMER ADVISED ON ALTERNATIVE LOCATION OF INFORMATION	REQUEST FROM INDIVIDUAL OR ORGANISATION?
1010250286	<p>Number of licences issued by the Council during financial year 2010/11:</p> <p>a) Licence to keep animals under the Dangerous Wild Animals Act (Dangerous Animals Licence)</p> <p>b) Licence to breed animals under the Breeding of Dogs Act 1973 and Breeding and Sale of Dogs Welfare Act 1999. (Dog Breeding Licence)</p> <p>c) Animal Boarding Establishment Licence</p> <p>d) Riding Establishment Licence</p> <p>e) Pet Shop Licence</p> <p>f) Zoo Licence including costs</p> <p>3. Which council department is responsible for issuing the above licences?</p>	Yes	Yes	No	Individual address unknown

Appendix 2

	REASON FOR REQUEST	RESPONDED WITHIN TIMESCALE?	INFORMATION PROVIDED?	CUSTOMER ADVISED ON ALTERNATIVE LOCATION OF INFORMATION	REQUEST FROM INDIVIDUAL OR ORGANISATION?
1010248446	list of premises in Watford that are licensed to serve alcohol 24 hours a day.	Yes	Yes	No	Individual address unknown
1010255873	List of all Public Space Surveillance camera positions	Yes	Yes	No	Individual address unknown
1010251788	Incidents of lost data by employees	Yes	Yes - none	No	Organisation
1010250476	New Business Rates accounts opened from 1/4/2007 and 31/3/2009	No - unresolved			Non WBC resident
1010250478	Unclaimed Credit Balances (Revenues)	No	Yes	No	Organisation
1010251699	all genuine credits that are held on your business rates system,	No - unresolved			Organisation

Appendix 2

	REASON FOR REQUEST	RESPONDED WITHIN TIMESCALE?	INFORMATION PROVIDED?	CUSTOMER ADVISED ON ALTERNATIVE LOCATION OF INFORMATION	REQUEST FROM INDIVIDUAL OR ORGANISATION?
1010247726	Number of Commercial/Industrial properties which have been empty for more than 3 months, with a current rateable value greater than £170,000 that are within the Borough Council area; and The names and addresses of the	No – unresolved			Individual
1010253240	All current Rateable Value assessments between £500 and £12,000 (inclusive) and indicating which accounts are (and which are not) subject to Small Business Rate Relief (SBRR), other types of relief and whether occupied/vacant.	No – unresolved			Organisation

PART A

Report to: Audit Committee
Date of Meeting 12 January 2012
Report of: Head of Legal and Property Services
Title: Regulation Of Investigatory Powers Act 2000

1. **SUMMARY**

This report advises members of the outcome of a recent inspection undertaken by the Office of Surveillance Commissioners of the Council to examine our policies and practices regarding the above Act.

2. **RECOMMENDATIONS**

2.1 To note the contents of this report.

2.2 To confirm the Head of Legal and Property as the Senior Responsible Officer for the purposes of the Act.

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 Council is obliged to comply with the provisions of the Regulation of Investigatory Powers Act 2000 (RIPA). This Act regulates how bodies who are charged with enforcement powers can undertake surveillance, and use undercover officers (covert human intelligence sources) to gather evidence to be used in criminal proceedings.

- 3.2 Unlike the police, councils have limited powers under the Act and can only undertake what is referred to in the Act as 'directed surveillance', that is follow suspects or watch them from outside their premises for the purposes of combating crime and disorder. The Police can use more intrusive techniques such as bugging.
- 3.3 In order to exercise the powers under the Act and for any evidence collected by means of such surveillance to be admissible in criminal proceedings each episode of directed surveillance has to be approved by an authorised senior officer, who has to be satisfied that the proposed action is necessary and proportionate to the crime or disorder that is being committed. This authorisation is time limited and once finished must be formally cancelled.
- 3.4 Officers who authorise such activity and officers who undertake the surveillance have all had training from a specialist trainer on the requirements of the Act.
- 3.5 The Act is overseen by a body called the Office of Surveillance Commissioners. This body has a team of inspectors who visit each organisation that has powers under the Act to ensure that the organisation has appropriate policies and processes in place to ensure compliance.
- 3.6 The Council had an inspection on 21 November 2011. This was the third inspection the Council has had since the Act's coming into force. The previous inspection was 2008.
- 3.7 Following the inspection in 2008 the Council completely revised its policy on RIPA, and made it available on the intranet, all authorisations are now kept in a central register which is overseen by the Head of Legal and Property and training has been given to all senior officers and operators of the Act.
- 3.8 The inspector was overall satisfied with the way the Council operates its responsibilities under the Act, however he felt that members needed to involve themselves in how the Act was operated and should be reviewing the use of the Act on at least an annual basis.

In order to comply with this recommendation I would intend to provide this committee with an annual report on the operation of the Act.

- 3.9 He also recommended that the role of Senior Responsible Officer for ensuring appropriate operation of the Act be formalised. The Head of Legal and Property has been undertaking this role, but it is recommended that this is formally endorsed by this Committee.
- 3.10 Whilst the operation of the CCTV control room is not itself the subject of the Act as it is overt surveillance (everyone is aware that CCTV is operational in the Town Centre and it is not directed to following a particular individual), he also recommended a minor change to our operating manual when we receive requests to undertake directed surveillance from the police, to ensure we receive a copy of the authorisation form not just details of the unique reference number. This has been actioned.
- 3.11 The Council has undertaken no directed surveillance in 2011 and also has not used any covert human intelligence sources. Neither have we had any requests from the police to use the CCTV for directed surveillance. In fact since the last inspection in October 2008 the council has only used its authorisation powers under the Act five times.

4.0 **IMPLICATIONS**

4.1 Financial

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

4.2 Legal Issues (Monitoring Officer)

The Head of Legal & Property Services comments that the legal implications are contained within the body of the report

4.3 Staffing

All authorisers and users of the Act have had appropriate training

4.4 Accommodation

No implications

4.5 Equalities

No implications

4.6 Community Safety

No implications

4.7 Sustainability

No implications

Background papers:

The following background papers were used in the preparation of this report.

Inspection Report 21 November 2011

PART A

Report to: Audit Committee
Date of meeting: 12th January 2012
Report of: Head of Strategic Finance
Title: Five Reports from Grant Thornton

1.0 **SUMMARY**

- 1.1 Attached are five reports from the Council's External Auditor, Grant Thornton. The reports cover the following issues:
- Audit Progress Report January 2012
 - Annual Audit Letter 2010/2011
 - Review of Arrangements for Securing Financial Resilience
 - Certification Work Report 2010/2011
 - Audit Plan 2011/2012

2.0 **RECOMMENDATIONS**

- 2.1 That the Committee considers carefully the reports and note the Council's response attached within this covering 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

3.0 **Detail**

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

3.1 **Audit Progress Report January 2012.**

This report just provides an index of the reports to follow.

3.2 **Annual Audit Letter 2010/2011**

3.2.1 This report notifies the Council that it received an unqualified audit opinion within the statutory deadline. (This in itself is a good result as a recent report from the Audit Commission highlights that 28 local authorities failed to either meet deadlines or had their accounts qualified).

The Annual Audit Letter also states that the Council received an unqualified VFM report which confirms that the Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

3.2.2 The Report is not without its criticism however and primarily points to the need to improve closing processes and availability of information. This is a fair conclusion and is reflective of the fact that 2010/2011 was the first year that Shared Services Finance staff were required to close Watford's accounts. There was therefore a lack of familiarity with some aspects of the work. This was further exacerbated by the need to restate the accounts as a consequence of changes required under IFRS legislation. As referred to earlier a number of authorities failed to meet the required standard.

3.2.3 The Committee is asked to consider the Report from Grant Thornton.

3.3 **Review of Arrangement for Securing Financial Resilience**

3.3.1 This report covers in some detail Watford's financial resilience which is a key issue at a time when authorities are required to make significant expenditure reductions. It is reassuring that Grant Thornton assesses the Council as having 17 Green symbols (no cause for concern), with 8 Amber 'light' (potential risks and / or weaknesses). If the Audit Committee studies all these indicators it will be evident that the overall strategy and financial planning of the Authority scores very highly and reflects the approach taken within the Medium Term Financial Strategy. The amber notations tend to relate to the actual operating environment and reflects legislative changes (IFRS) and lack of familiarity of staff with Watford's systems. From the evidence displayed in preparing the 2012/2013 detailed estimates, it is not anticipated that these reservations will continue when closing the 2011/2012 Final Accounts.

3.3.2 The report includes recommendations to improve the current state of play (Pages 8 & 9). Attached to this covering report is the recommended Council response. The Audit Committee is asked to consider the report of Grant Thornton and the recommended action points attached to this covering report.

3.4 **Certification Work Report 2010/2011**

3.4.1 This report details the certification of grant claims during 2010/2011. In two case the grant claims were signed off after the statutory deadline. In both cases the

Department for Communities and Local Government was notified of the delays, extensions were given and no financial loss occurred. It is not anticipated that deadlines will be missed in 2011/2012 as staffing changes that occurred during 2010/2011 should not recur.

3.4.2 With regard to the amendment of the Housing and Council Tax Benefit Subsidy claim, as the report indicates, it changed the claim by £99 on a claim of £38.3m and might be judged to be a success story.

3.4.3 With regard to the 'qualification' of the NNDR Claim this was due to the failure to get approval from Cabinet to the write off of some business rates against the National Pool. This oversight has been rectified with Cabinet on 7th November giving its approval. DCLG has accepted this retrospective write off and no financial loss has fallen upon the Council. The Head of Revenues is taking a more proactive approach than his predecessors in dealing with irrecoverable arrears of both business rates and council tax. Regular reports are being presented to Cabinet and it is not anticipated that the oversight that occurred in 2010/2011 will recur.

3.4.4 Finally the report indicates that the cost of the certification process exceeded the original estimate by £7,280. The budget estimates for external audit work has included a £10k contingency for such an eventuality and the excess cost can be contained therefore.

3.5 **Audit Plan 2011/2012**

3.5.1 The final report relates to the Audit Plan for 2011/2012 and largely follows past practice. It is reassuring that, in these austere times, that the Planned Fee for 2011/2012 is due to be £6k less than 2010/2011 (albeit the 'bill' for certification work always seems to exceed the original estimate !). The one area of slight concern is that the Audit Manager has changed from 2010/2011. This is the second year running that the audit manager has been different and does not particularly help 'continuity'.

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**

Potential Risk	Likelihood	Impact	Overall score
That sustained improvement in the operating environment is not maintained.	1	4	4
That the recommended action points are not achieved.	2	4	8

4.4 **Staffing**

None Directly

4.5 **Accommodation**

None Directly

Recommendations

Area of review	Recommendations	Responsibility	Timescale	Comment
Financial Governance	The Council should address the issues raised by the independent assessment of the IT strategy in place across both Three Rivers DC and Watford BC.	Head of ICT	12-18 months	The ICT Service has planned a roadmap of changes to be implemented over 12 weeks during which time non-essential changes have been frozen. In tandem with this, work has been done to explore options of alternative delivery models for the service, approval has been granted to producing a detailed requirements specification of the service and proceeding with obtaining detailed costs of outsourcing the service to the private sector.
	The presentation of income charges could be improved with the further analysis of other income streams such as property and commercial income included within the monthly budget reporting pack the 'Finance Digest'.	Head of Strategic Finance	By April 2012	Work is at an advanced stage to produce a monthly detailed analysis of all income streams—and in particular commercial rents.
	A complete set of draft accounts with accompanying notes should be provided to audit by the national deadline.	Head of Finance Shared Services	By June 2012	The Division is in a far better position to produce a complete set of accounts by the end of June 2012.
Key Indicators	The Council should consider their current absence management procedures in the light of the 2010/11 staff absence levels.	Head of HR Shared Services	By April 2012	Leadership Team regularly review absence statistics and it is anticipated further improved procedures will be in place by April 2012.

Recommendations

Area of review	Recommendations	Responsibility	Timescale	Comment
Financial Control	The Council should consider providing a detailed analysis of the progress of internal audit recommendations to the audit committee on a bi-annual basis.	Head of Strategic Finance	By April 2012	This has been reviewed by the HOSF and Audit Manager and revised detailed procedures were approved by Leadership Team at its meeting on 13 th December 2011.
	Efforts should be made within the finance team to find additional capacity to meet deadlines.	Head of Finance Shared Services	By June 2012	The detailed timetable for Closing the Accounts for 2011/ 2012 will identify at an early stage where insufficient capacity exists both within Finance and other Shared Service areas. Action will be taken at an early stage to plug any gaps.
	The Council should consider adopting a purchaser provider relationship with the finance function and ensuring that no slippage in deadlines occurs and all products and reconciliations are carried out on a regular basis by agreed deadlines.	Head of Strategic Finance	Not to be adopted	•There would appear to be two aspects to this. The first relates to the fact that you only pay for the services you receive. Non performance would incur financial penalties. Whilst this is good in theory, any losses incurred by Shared Services would need to be financed by the constituent authorities. The second aspect appears to relate to having separate Providers of Shared Services which are independent of the constituent bodies. This is considered too expensive for district councils the size of Watford and Three Rivers.

WATFORD BOROUGH COUNCIL**AUDIT PROGRESS REPORT - JANUARY 2012**

Work	Progress
Financial resilience report 2010/11	Please see separate agenda item.
Annual audit letter 2010/11	Please see separate agenda item.
Certification work report 2010/11	Please see separate agenda item.
Audit plan 2011/12	Please see separate agenda item

Grant Thornton UK LLP
December 2011

Watford Borough Council

Annual Audit Letter 2010/11

November 2011

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1. Executive summary

Purpose of this letter

This Annual Audit Letter ('Letter') summarises the key issues arising from the work that we have carried out at Watford Borough Council ('the Council') during our 2010/11 audit. The Letter is designed to communicate our key messages to the Council and external stakeholders, including members of the public. The letter will be published on the Audit Commission's website at www.audit-commission.gov.uk and also on the Council's website.

What this Letter covers

This Letter covers our 2010/11 audit, including key messages and conclusions from our work in:

- auditing the 2010/11 year end accounts (Section 2)
- assessing the Council's arrangements for securing economy, efficiency and effectiveness to ensure Value for Money is achieved. (Section 3)
- certification of grant claims and returns to various government departments and other agencies (Section 4)

Responsibilities of the external auditors and the Council

This Letter has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission (www.audit-commission.gov.uk).

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Council's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our main audit conclusions for the year

The 2010/11 accounts give a true and fair view of the Council's financial affairs and of the income and expenditure recorded by the Council.

The Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2011.

Context

In the current financial climate, the Coalition Government's continuing priority is to reduce the deficit whilst ensuring the economic recovery continues. Savings of over £81 billion are planned from Government spending by 2015, including a 26% reduction in grants to local government over the four year period. At the same time, the Government has stated that it's their aim to reduce top-down government and devolve power and give greater financial autonomy to local authorities by a range of measures including:

- further reducing ring-fenced central government grants
- planned changes to the administration of business rates so that any council that expands its business base would see increased business rates that it would be able to keep.

This Letter has been written in the context of the significant change agenda in which the Council is operating. The Council is facing significant challenges, as evidenced within the financial resilience report produced as part of our VfM work. The Council will need to continue to monitor the MTFP during its delivery, in particular in relation to the impact of price inflation in the medium term, and the outcome of the Government's funding settlement for the final two years of the plan. In addition, work is still required to ensure savings assumptions in the latter years of the MTFP are developed in more detail and clear milestones for benefit realisation are set.

Key Messages

Accounts audit

2010/11 was the first year that councils were required to prepare their accounts under International Financial Reporting Standards (IFRS). As part of the work undertaken on the audit of the accounts, we assessed whether there had been any departures from the requirements of the CIPFA Accounting Code which is IFRS compliant. We did not identify any significant departures from these requirements. It was positive to note that the Council undertook early planning to address the IFRS transition, and this was reflected in the lack of issues identified. There were some issues with the production of the accounts, which are reflected in our key issues section of this report.

We issued an unqualified audit opinion on 29 September 2011. Further details can be found in section 2 of this Letter.

Value for Money

We issued an unqualified VfM conclusion on 29 September 2011 confirming that the Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2011.

We undertook a review of financial resilience and it was positive to note the strong start made by the Council in addressing the financial pressures they are facing. Clearly, it remains vital that the on-going challenge continues to be monitored. Further details can be found in section 3 of this Letter.

Grants certification

To date we have certified three claims, of which none have been qualified and once claim, NNDR, was subject to a amendment and was submitted after deadline. Once the work on the remaining claims has been completed we will report in full on our findings.

Key areas for Council action

We highlight the following key areas, where the Council should take action to further improve its arrangements in 2011/12:

- The Council should assess the capacity and deliverability of the shared finance function going forward to ensure that all key deadlines are met.
- The Council should continue to monitor its Medium Term Financial Plan (MTFP) during its delivery, in particular in relation to changes to key assumptions, such as the impact of price inflation in the medium term, the outcome of the Government's funding settlement for the final two years of the plan, and consultation on the future funding of council tax benefit.
- The Council should assess the current deficiencies raised in the independent assessment of the adequacy of the IT arrangements in place, delivered by the shared service IT function, and their capacity to provide a robust IT environment.
- The Council should return to its 2009/10 approach of producing electronic working papers for future years.
- All grant certification returns to be prepared by the Council ahead of national submission deadline.

The context for these key messages can be found in this Letter. A list of the reports issued during the year can be found at Appendix A. Recommendations have been raised within the reports listed and the Council should ensure that these recommendations are implemented as planned. Appendix B sets out our actual and budgeted fees for 2010/11.

Acknowledgements

[This Letter has been agreed with the Head of Strategic Finance and was presented to the Audit Committee on 12 January 2012.]

We would like to record our appreciation for the assistance and co-operation provided to us during our audit by the Council's staff.

Grant Thornton UK LLP
January 2012

2. Audit of the accounts

Introduction

We issued an unqualified opinion on the Council's 2010/11 accounts on 29 September 2011, ahead of the statutory certification deadline of 29 September 2011. Our opinion confirmed that the accounts give a true and fair view of the Council's financial affairs at 31 March 2011 and of its income and expenditure for the year.

Prior to giving our opinion on the accounts, we are required to report significant matters arising from the audit to 'those charged with governance' (defined as the Audit Committee at the Council). We presented our Annual Report to those Charged with Governance to a meeting of the Audit Committee on 29 September and summarise only the key messages in this Letter.

Only the primary financial statements were presented for audit on 30 June 2011 deadline when a complete set of accounts with associated notes should have been provided. The complete set of accounts was provided to audit on 14 July 2011, which is 2 weeks after the national deadline. The time taken to respond to audit requests by the wider finance team could be improved, the lengthiest delay in information provision was experienced with the Revenues and Benefits service. The capacity of the finance function should be assessed going forward.

We believe the Council would benefit from synchronising their audit committee dates with those of Three Rivers DC, as both councils utilise the finance shared service function to produce their accounts.

International Financial Reporting Standards

2010/11 was the first year that councils were required to prepare their accounts under International Financial Reporting Standards (IFRS). We undertook a review of the Council's preparedness in April 2011 and assessed the arrangements for re-stating each line of the balance sheet on a RAG basis (Red, Amber, Green). Overall we rated the Council's arrangements as being Green, a reflection of the early planning and the detailed work that went into the process.

As part of the work undertaken on the audit of the accounts, we assessed whether there had been any departures from the requirements of the CIPFA Accounting Code which is IFRS compliant. We did not identify any significant departures from these requirements.

Audit of the accounts

The following adjustments were made to the draft accounts as a result of the audit:

- there were credit balances totalling £614,015 in NNDR debtors which required transferring to current creditors.
- during A balance of £2,107,668 was reclassified from sundry to local authority debtors;

Financial performance

The Council reported an underspend of £1,006k against a budgeted overspend of £626k for 2010/11, which represents an improved performance against budget.

As at the end of month 6 (September 2011), the Council was reporting an anticipated overspend of £83k. The Council understands the reasons for variances against service budgets and produces a detailed report each month highlighting the variances. This has highlighted the major adverse variances being around the increase in bed and breakfast costs for homeless accommodation £150,000 more than anticipated. There are no other major variances, which is testament to the planning processes employed by the Council that the outturn to date is so close to the budgeted position.

Our review of Financial Resilience has noted that the Council will need to continue to monitor the MTFs during its delivery, in particular in relation to the impact of price inflation in the medium term, and the outcome of the Government's funding settlement for the final two years of the plan. In addition, work is still required to ensure savings assumptions in the latter years of the plan are effectively developed and the savings realised.

We will continue to keep the Council's financial position under review as part of our 2011-12 audit and the follow-up work we have planned on the Financial Resilience element of our VfM review.

Financial systems

We undertook work on key financial systems sufficient to support our approach to the accounts audit. The work was in three main areas:

- review of key financial controls for the purpose of designing our programme of work for the financial statements audit
- assessment of the work of internal audit to help inform our risk assessment of the adequacy of the Council's financial systems for producing the 2010/11 accounts
- high level review of the general IT control environment.

Our work did not identify any control issues that present a material risk to the accuracy of the financial statements. We did, however, identify a high risk control point surrounding the allocation of user id to all users on the e-financials system. The Council engaged the services of an external consultant who concluded that there was insufficient data storage capacity, failure of back ups of data and the current path of web traffic requires re-routing. Significant change and investment is needed to improve IT arrangements. This remains a major risk area over which members have expressed considerable concern. In our view addressing IT issues is a priority that must be effectively addressed in 2011/12.

Annual Governance Statement and Explanatory Foreword

We examined the Council's arrangements and processes for compiling the Annual Governance Statement (AGS) and read the AGS and Explanatory Foreword to consider whether they were in accordance with our knowledge of the Council. Our review of internal audit also supported our review of the Annual Governance Statement (AGS) which in turn informs our VfM conclusion and our audit of the financial statements.

We concluded that the AGS and Explanatory Foreword were consistent with our knowledge of the Council.

Certification Arrangements

At the time of writing the letter the Council had submitted one claim for certification, national non domestic rates. The claim was certified by deadline but we received the draft claim after the due submission date of 23 June to the Department for Communities and Local Government.

Whole of Government Accounts (WGA)

The Council submitted its draft WGA L Pack for audit by the Department for Communities & Local Government (CLG) on the 17 August, which is after the deadline of 29 July. Although delays were incurred in finalising the WGA L Pack after the main accounts were signed, adjustments were required to be made to the Pack as a result of our review and we submitted the audited WGA to the CLG on 14 October, after national deadline.

4. Value for money

Introduction

The Code of Audit Practice 2010 (the Code) describes the Council's responsibilities to put in place proper arrangements to:

- secure economy, efficiency and effectiveness in its use of resources
- ensure proper stewardship and governance
- review regularly the adequacy and effectiveness of these arrangements.

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We were required to give our conclusion based on the following two criteria specified by the Audit Commission:

- the Council has proper arrangements in place for securing financial resilience
- the Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

In discharging this responsibility, we are required to review and, where appropriate, examine evidence that is relevant to the Council's corporate performance management and financial management arrangements.

Key Conclusions

We issued our annual VfM conclusion on 29 September 2011, at the same time as our accounts opinion, meeting the required deadline of 29 September 2011. We concluded that the Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2011.

Although we have assessed the Council as having proper arrangements in place to meet all the Code criteria, there are some areas where the Council can improve its arrangements. These are highlighted within the key findings included over the page.

Securing Financial Resilience

We completed an assessment of whether the Council has robust systems and processes in place to:



- effectively manage its financial risks and opportunities
- secure a stable financial position
- enable it to continue to operate for the foreseeable future.

We reviewed the Council's arrangements against indicators of effective performance in four key areas:



- key indicators of performance
- strategic financial planning
- financial governance
- financial control.

Financial resilience

Key findings from the financial resilience review are within the table below.

Area of review	Summary observations	Summary level risk assessment
Key indicators of performance	<ul style="list-style-type: none"> The Council has a good track record of financial management, achieving underspends on budget in each of the last three years. Benchmarked key indicators of performance indicate that the Council hold a high level of useable reserves compared to their nearest neighbours. Further analysis found that the Council was able to meet their net revenue expenditure from revenue reserves more than once over, from the amount of usable reserves that are held by the Council. The comparison also highlights a strong position in terms of working capital. However, it is clear that working capital will come under increasing pressure as a result of the CSR and will need to be carefully monitored. Sickness levels are above both the private and public sector averages. Absence management will be a particular challenge for all authorities going forward, given the context of significant pressures on staff to deliver 'more for less'. The Council will need to carefully monitor these financial indicators to ensure that it remains financially resilient during the MTFS period. 	 Green
Strategic financial planning	<ul style="list-style-type: none"> The Council performed scenario planning for scenarios of budget cuts of 5%, 7.5% and 10% ahead of the final settlement announcement from central government. A service prioritisation exercise was performed in August 2010 that saw Council wide engagement of staff input into the savings programme that was supported by a very robust challenge exercise to identify savings in anticipation of the central government settlement reduction. Savings programme performance for 2011/12 from the £1.8m of budgeted savings targeted, the Council has achieved £1.194m of savings as at the end of period 6 of 2011/12 and is ahead of target. The Council will need to continue to monitor the MTFS during its delivery, in particular in relation to the impact of price inflation in the medium term, and the outcome of the Government's funding settlement for the final two years of the plan. In addition, work is still required to ensure savings assumptions in the latter years of the plan are effectively developed and the savings realised. 	 Green

Key: ● High risk area ● Potential risks and/or weaknesses in this area ● No causes for concern

Area of review	Summary observations	Summary level risk assessment
<p>Financial governance</p>	<ul style="list-style-type: none"> The Council was able to undertake the most recent MTFS process with an effective lead in time and the process had a high level of stakeholder engagement. The monthly budget 'Finance Digest' packs are produced and circulated for the committee members and employees to review and contain detail of variance analysis by service and identifying the reason for the variance. The council also provide within their packs the 10 key risk areas for the Council including housing benefit expenditure, commercial rents and trade refuse income that are analysed on budget to outturn position but identify remedial action that is required. The monthly finance position reporting of income is very limited, the council provide analysis of percentage of NNDR and council tax collected with target values but there are no analysis of the council's other income streams notably property and commercial rent that accounts for £6.8m of council income. in 2011/12 The Council did ensure that the appropriate financial skills were in place across the organisation but since the transfer to a shared service centre, certain processes have lapsed, in particular the process of reconciliation between systems. The delivery of the accounts on 14 July 2011, was after deadline and the combination of these elements has led to concern around the deliverability of the shared service finance function. 	<p style="text-align: center;">  Amber </p>
<p>Financial control</p>	<ul style="list-style-type: none"> The financial processes employed by the Council to address the issues faced under the CSR including scenario planning and service prioritisation exercise have equipped the council to be in a strong position. As at June 2011 we were unable to assess the status of implementation of the internal audit recommendations, as the internal audit function provide reports that concentrate on the headline recommendations. The finance team that prepared the accounts for Watford BC has changed from the prior year, the function is now provided by the finance shared service unit. We experienced delays in receipt of information and, although this did not impact our sign off deadline of 29 September 2011, the process and subsequently the council will benefit from extra capacity within the shared service finance function. The Council should consider adopting a purchaser provider relationship with the finance function and ensuring that no slippage in deadlines occurs and all products and reconciliations are carried out on a regular basis by agreed deadlines. The Council received unqualified accounts and value for money opinions on 29 September 2011, in line with the national deadline of 29 September 2011. 	<p style="text-align: center;">  Amber </p>

Key: ● High risk area ● Potential risks and/or weaknesses in this area ● No causes for concern

Our overall conclusion was that the Council had proper arrangements for securing financial resilience but there were some areas where improvements should be made. We will present our report to the Audit Committee on 12 January 2012, which included an agreed action plan to deal with the issues raised. We will follow up progress in implementing the plan as part of our 2011/12 audit.

Securing Economy, Efficiency and Effectiveness

We reviewed whether the Council had prioritised its resources to take into account the tighter budgets it was operating within and whether it achieved cost reductions and improved productivity and efficiencies. We completed a review against key risk indicators identified by the Audit Commission, examples of which include tailoring services to local needs, governance, risk management and asset management.

The risk indicators include decision making not based on appropriate or adequate information, which assesses the data quality. In the prior year the 2008/09 housing benefit claim was qualified due to insufficient record retention. The work on the 2009/10 housing benefit claim and improvements in the housing benefit process removed this as a potential risk area.

The Council maintained their high level of robust evidence to support their ability to identify, or justify, high levels of spending compared to other comparable bodies via the citizens panel.

The review did not highlight any significant issues that would impact upon our conclusion in respect of this criteria.

Approach to local VFM work 2011/12

At time of writing there are no changes proposed to the approach to local Value for Money work in 2011/12. We will focus on the two key reporting criteria, namely:

- the Council has proper arrangements in place for securing financial resilience
- the Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

We will determine a local programme of VFM audit work based on our audit risk assessment, informed by the criteria above and our statutory responsibilities and agree this with the Council. Local risks for the Council to consider at this stage include:

- The effectiveness of the monitoring arrangements for delivering the shared functions within budget at the Council .
- The adequacy of its Medium Term Financial Plan once further announcements are made by the Government in respect of the funding settlement from 2013 onwards.
- The impact of proposed changes to the funding of Council tax benefits on the Council's finances going forwards.
- The effectiveness of the IT arrangements including the progress of the implementation of the recommendations raised in the independent assessment of the shared service IT function.

4. Grants Certification

Introduction

Each year we review and certify a number of grant claims and returns in accordance with the arrangements put in place by the Audit Commission. Following the completion of the 2009/10 certification work we reported that performance had remained strong against the key performance measures.

We are currently in the process of certifying the 2010/11 grant claims and returns. We report that the 2010/11 audit of the national non domestic rate return was certified on the 14 October 2011, which is after the deadline of 23 September 2011 and was subject to amendment.

Once this work is complete we will report in full on the findings of our work.

Appendices

A. 2010/11 reports issued

Report	Date Issued
Audit Plan	January 2011
Review of Arrangements for Implementation of International Financial Reporting Standards (IFRS)	April 2011
Audit Approach Memorandum	June 2011
Report to Those Charged With Governance (ISA 260)	September 2011
Financial Resilience Report	November 2011
Annual Audit Letter	November 2011
Grants Certification Report	Due February 2012

B. Audit and other fees 2010/11

Audit area	Budget 2010/11	Actual 2010/11
Total Code of Practice fee	£120,000	£120,000
Certification of grant claims and returns*	£20,000	TBC

*The quoted fee for grant certification work is an estimate only and will be charged at published hourly rates.



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Watford Borough Council

Review of the Council's arrangements for securing financial resilience

November 2011

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Section 1

Executive summary

1.	Executive summary
2.	Key Indicators
3.	Strategic Financial Planning
4.	Financial Governance
5.	Financial Control

Introduction

Context

The Chancellor of the Exchequer announced the 2010 Spending Review (SR10) to Parliament on 20 October 2010. This formed a central part of the Coalition Government's response to reducing the national deficit, with the intention to bring public finances back into balance during 2014/15.

The associated report published Government Departmental Expenditure Limits (DELs) for the four-year spending review period: 2011/12 to 2014/15. CLG funding was reduced by 26% over the period.

SR10 represented the largest reductions in public spending since the 1920's. Revenue funding to local government will reduce by 19% by 2014/15 (excluding schools, fire and police). After allowing for inflation, this equates to a 28% reduction in real terms with local government facing some of the largest cuts in the public sector. In addition, local government funding reductions have been frontloaded, with 8% cash reductions in 2011/12.

The provisional Local Government Finance Settlement was announced on 13 December 2010. The final figures were announced on 31st January with the debate and approval by the House of Commons on 9th February. This represents a two year funding announcement, because the Government is delaying a decision on later years until after their review of local government finance.

This follows a period of sustained growth in local government spending, which increased by 45% (including schools and social services) during the period 1997 to 2007. The funding reductions come at a time when demographic and recession based factors are increasing demand for some services, and there is a decreasing demand for some services, such as car parking, where customers pay a fee or charge.

Our Approach

Value for Money Conclusion

As part of the work informing our 2010/11 Value for Money (VFM) conclusion we have undertaken a review to determine if the Council has adequate arrangements in place for securing financial resilience.

In so doing we have considered whether the Council has robust financial systems and processes in place to manage its financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.

The definition of foreseeable future for the purposes of this financial resilience review is 12 months from the date of this report .

We have reviewed the financial resilience of the Council by looking at:

- Key indicators of financial performance;
- Its approach to strategic financial planning;
- Its approach to financial governance; and
- Its approach to financial control.

Further detail on each of these areas is provided in the sections of the report that follow. In overall terms the conclusion from this report is that the Council has adequate arrangements in place for achieving financial resilience.

We have used a red / amber / green (RAG) rating with the following definitions.

Green

No cause for concern. Adequate arrangements identified and key characteristics of good practice appear to be in place.

Amber

Potential risks and / or weaknesses. Adequate arrangements and characteristics are in place in some respects, but not all . Evidence that the Council is taking forward areas where arrangements need to be strengthened.



Red

High risk: The Council's arrangements are generally inadequate and not in line with good practice.

Our findings are detailed between pages 6 and 41 of this report.

All findings and recommendations have been discussed with senior officers. Details of the recommendations can be found on pages 8 and 9.



Overview of Arrangements

Area	Summary observations	Summary level risk assessment
Key Indicators of Performance	<ul style="list-style-type: none"> The Council has a good track record of financial management, achieving underspends on budget in each of the last three years. Benchmarked key indicators of performance indicate that the Council hold a high level of useable reserves compared to their nearest neighbours. Further analysis found that the Council was able to meet their net revenue expenditure more than once over from the amount of usable reserves available to the Council. The comparison also highlights a strong position in terms of working capital. However, it is clear that working capital will come under increasing pressure as a result of SR10 and will need to be carefully monitored. Sickness levels are above both the private and public sector averages. Absence management will be a particular challenge for all authorities going forward, given the context of significant pressures on staff to deliver 'more for less'. The Council will need to carefully monitor these financial indicators to ensure that it remains financially resilient during the MTFS period. 	 Green
Strategic Financial Planning	<ul style="list-style-type: none"> The Council performed scenario planning for scenarios of budget cuts of 5%, 7.5% and 10% ahead of the final settlement announcement from central government. A service prioritisation exercise was performed in August 2010 that saw Council wide engagement of staff input into the savings programme that was supported by a very robust challenge exercise to identify savings in anticipation of the central government settlement reduction. Savings programme performance for 2011/12 is that from the £1.8m of budgeted savings targeted, the Council has achieved £1.194m of savings as at the end of period 6 of 2011/12 which is ahead of target. The Council will need to continue to monitor the MTFS during its delivery, in particular in relation to the impact of price inflation in the medium term, and the outcome of the Government's funding settlement for the final two years of the plan. In addition, work is still required to ensure savings assumptions in the latter years of the plan are effectively developed and the savings realised. 	 Green

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Key:
● High risk area
● Potential risks and/or weaknesses in this area
● No causes for concern

Overview of Arrangements

Area	Summary observations	Summary level risk assessment
<p>Financial Governance</p>	<ul style="list-style-type: none"> • The Council was able to undertake the most recent MTFS process with an effective lead in time and the process had a high level of stakeholder engagement. • The monthly budget 'Finance Digest' packs are produced and circulated for the committee members and employees to review and contain detail of variance analysis by service and identifying the reason for the variance. The Council also provides within its data packs the 10 key risk areas for the Council including housing benefit expenditure, commercial rents and trade refuse income that are analysed on budget to outturn position but identify remedial action that is required. • The monthly finance position reporting of income is very limited, the Council provide analysis of percentage of NNDR and council tax collected with target values but there are no analysis of other income streams notably property and commercial rent although they accounts for £6.8m of budgeted income. in 2011/12 • The Council did ensure that the appropriate financial skills were in place across the organisation but since the transfer to a shared service centre, certain processes have lapsed, in particular the process of reconciliation between systems. The delivery of the accounts on 14 July 2011, was after deadline and the combination of these elements has led to concern around the deliverability of the shared service finance function. 	<p style="text-align: center;">  Amber </p>
<p>Financial Control</p>	<ul style="list-style-type: none"> • The financial processes employed by the Council to address the issues faced under SR10 including scenario planning and service prioritisation exercise have equipped it to address the challenges ahead. • As at June 2011 we were unable to assess the status of implementation of the internal audit recommendations, as the internal audit function provide reports that concentrate on the headline recommendations. • The finance team that prepared the accounts for Watford BC has changed from the prior year, the function is now provided by the finance shared service unit. We experienced delays in receipt of information and, although this did not impact our sign off deadline of 29 September 2011, the process and subsequently the Council will benefit from extra capacity within the shared service finance function. • The Council should consider adopting a purchaser provider relationship with the finance function and ensuring that no slippage in deadlines occurs and all products and reconciliations are carried out on a regular basis by agreed deadlines. • The Council received unqualified accounts and value for money opinions on 29 September 2011, in line with the national deadline of 29 September 2011. 	<p style="text-align: center;">  Amber </p>

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Key:

- High risk area
- Potential risks and/or weaknesses in this area
- No causes for concern

Recommendations

Area of review	Recommendations	Responsibility	Timescale	Comment	
<p>Page 82</p> <p>Financial Governance</p>	<p>The Council should address the issues raised by the independent assessment of the IT strategy in place across both Three Rivers DC and Watford BC.</p>				
	<p>The presentation of income charges could be improved with the further analysis of other income streams such as property and commercial income included within the monthly budget reporting pack the 'Finance Digest'.</p>				
	<p>A complete set of draft accounts with accompanying notes should be provided to audit by the national deadline.</p>				
<p>Key Indicators</p>	<p>The Council should consider their current absence management procedures in the light of the 2010/11 staff absence levels.</p>				

Recommendations

Area of review	Recommendations	Responsibility	Timescale	Comment
Financial Control	The Council should consider providing a detailed analysis of the progress of internal audit recommendations to the audit committee on a bi-annual basis.			
	Efforts should be made within the finance team to find additional capacity to meet deadlines.			
	The Council should consider adopting a purchaser provider relationship with the finance function and ensuring that no slippage in deadlines occurs and all products and reconciliations are carried out on a regular basis by agreed deadlines.			

Section 2

Key Indicators

1.	Executive summary
2.	Key Indicators
3.	Strategic Financial Planning
4.	Financial Governance
5.	Financial Control

Introduction

This section of the report includes analysis of key indicators of financial performance, benchmarked where this data is available. These indicators include:

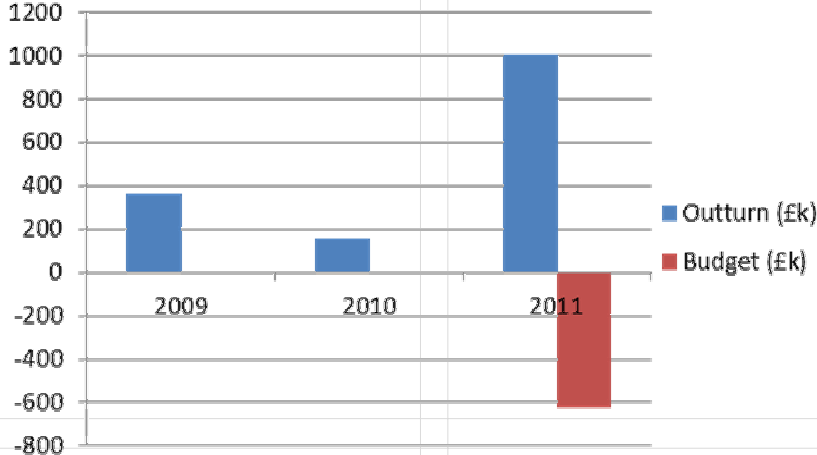

- Out-turn against budget
- Working capital ratio
- Useable Reserves levels
- Sickness absence levels

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We have used the Audit Commission's nearest neighbours benchmarking group, which is the following authorities.

- Broxbourne Borough Council
- Cheltenham Borough Council
- Dacorum Borough Council
- Dartford Borough Council
- Gloucester City Council
- Hertsmere Borough Council
- North Hertfordshire District Council
- Rushmoor Borough Council
- Spelthorne Borough Council
- Stevenage Borough Council
- Tunbridge Wells Borough Council
- Warwick District Council
- Welwyn Hatfield Borough Council
- Woking Borough Council
- Worcester City Council

Overview of performance

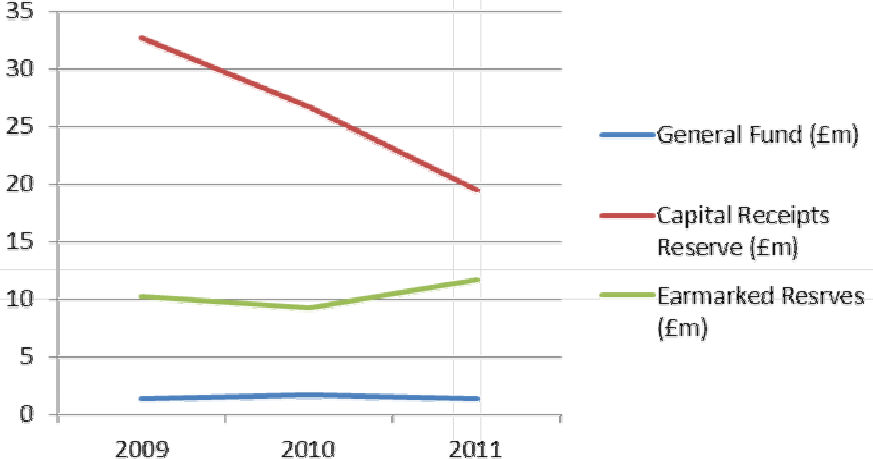

Area of Focus	Summary observations	High level risk assessment												
Performance Against Budget	 <table border="1" data-bbox="602 372 1417 825"> <caption>Performance Against Budget Data</caption> <thead> <tr> <th>Year</th> <th>Outturn (£k)</th> <th>Budget (£k)</th> </tr> </thead> <tbody> <tr> <td>2009</td> <td>350</td> <td>0</td> </tr> <tr> <td>2010</td> <td>150</td> <td>0</td> </tr> <tr> <td>2011</td> <td>1000</td> <td>-600</td> </tr> </tbody> </table>	Year	Outturn (£k)	Budget (£k)	2009	350	0	2010	150	0	2011	1000	-600	 Green
Year	Outturn (£k)	Budget (£k)												
2009	350	0												
2010	150	0												
2011	1000	-600												
	<ul style="list-style-type: none"> The Council has a good track record in managing expenditure against budget, achieving underspends of budget in each of the last three years. Per the 2010/11 certified statement of accounts, the underspend against budget was attributable to service expenditure reduction and increase. The most significant variances include a VAT refund of £1.15m lower than expected building maintenance costs across the Council's operational sites of £343k and a dip in the commercial rent income of £281k. Of the services that are provided by the Shared Services only revenues and benefits service that has not provided a saving from original budget. Of the £502k overspend from original budget, £549k of the loss was attributable to revenues and benefits service., the majority of which is funded by Watford. 													

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Key:

- High risk area
- Potential risks and/or weaknesses in this area
- No causes for concern

Overview of performance

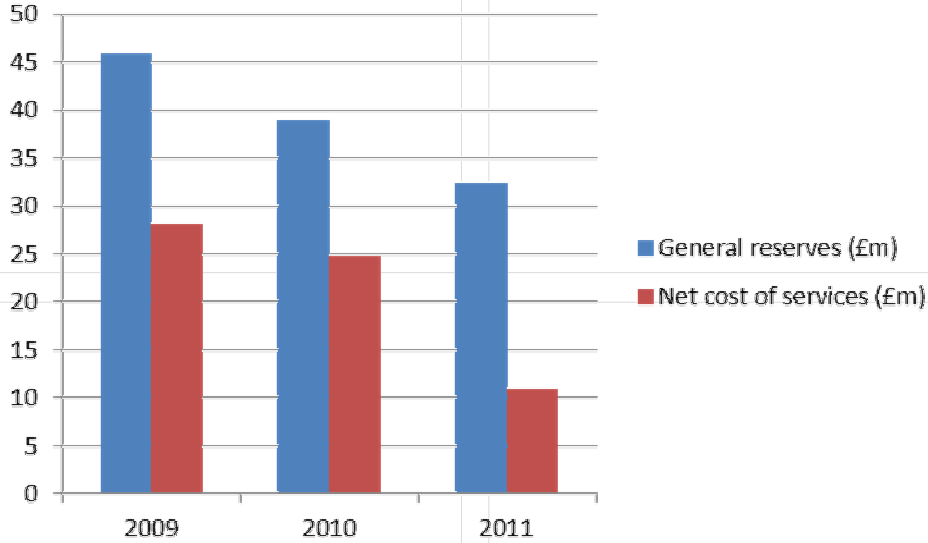
Area of Focus	Summary observations	High level risk assessment																
<p>Reserve Balances</p>	<ul style="list-style-type: none"> The Council's total usable reserves have reduced from £38.888m to £32.418m over the three most recent years. However, as the graph below shows, the key driver for this reduction is the planned use of the capital receipts reserve:  <table border="1"> <caption>Reserve Balances (£m)</caption> <thead> <tr> <th>Year</th> <th>General Fund (£m)</th> <th>Capital Receipts Reserve (£m)</th> <th>Earmarked Reserves (£m)</th> </tr> </thead> <tbody> <tr> <td>2009</td> <td>~1.5</td> <td>~32.6</td> <td>~10.0</td> </tr> <tr> <td>2010</td> <td>~1.5</td> <td>~25.0</td> <td>~9.5</td> </tr> <tr> <td>2011</td> <td>~1.5</td> <td>~19.4</td> <td>~11.5</td> </tr> </tbody> </table> <ul style="list-style-type: none"> The balance of the capital receipts reserve has fallen from £32.635m in 2008/09 to £19.413m in 2010/11, a drop of 40%. In 2010/11, the Council utilised £8.7m to finance capital expenditure of £10.3m and in the current economic climate it is difficult to sell assets to provide additional funding. The level of capital reserve remains healthy and there is no immediate short term requirement for the Council to start borrowing to finance capital expenditure. 	Year	General Fund (£m)	Capital Receipts Reserve (£m)	Earmarked Reserves (£m)	2009	~1.5	~32.6	~10.0	2010	~1.5	~25.0	~9.5	2011	~1.5	~19.4	~11.5	<p style="text-align: center;">  Green </p>
Year	General Fund (£m)	Capital Receipts Reserve (£m)	Earmarked Reserves (£m)															
2009	~1.5	~32.6	~10.0															
2010	~1.5	~25.0	~9.5															
2011	~1.5	~19.4	~11.5															

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Key:

- High risk area
- Potential risks and/or weaknesses in this area
- No causes for concern

Overview of performance

Area of Focus	Summary observations	High level risk assessment												
<p>Reserve Balances (continued)</p>	<ul style="list-style-type: none"> The chart below show the level of total usable reserves against the net cost of services balance. The first graph shows this in actual terms.  <table border="1" data-bbox="561 518 1487 1058"> <caption>Reserve Balances (Actual Terms)</caption> <thead> <tr> <th>Year</th> <th>General reserves (£m)</th> <th>Net cost of services (£m)</th> </tr> </thead> <tbody> <tr> <td>2009</td> <td>46</td> <td>28</td> </tr> <tr> <td>2010</td> <td>39</td> <td>25</td> </tr> <tr> <td>2011</td> <td>32</td> <td>11</td> </tr> </tbody> </table> <ul style="list-style-type: none"> This highlights that whilst the level of reserves has fallen over the previous three years, the level of reserves are more than capable of covering the net cost of service expenditure. We note that the total usable reserves amount includes both revenue and capital reserves, revenue reserves and not capital reserves are utilised to support revenue expenditure This evidences that the Council is maintaining reserves at a more than reasonable level and had the ability to cover net expenditure in 2010/11. 	Year	General reserves (£m)	Net cost of services (£m)	2009	46	28	2010	39	25	2011	32	11	<p style="text-align: center;">● Green</p>
Year	General reserves (£m)	Net cost of services (£m)												
2009	46	28												
2010	39	25												
2011	32	11												

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Key: ● High-risk area
 ● Potential risks and/or weaknesses in this area
 ● No causes for concern


Overview of performance

Area of Focus	Summary observations	High level risk assessment																																		
<p>Reserve Balances (continued)</p>	<ul style="list-style-type: none"> The Audit Commission made comparative data available for 2009/10. This has been used to generate the graph below showing the ratio of usable reserves to gross revenue expenditure with a comparison against those authorities the Audit Commission considers to be 'nearest neighbours'. <div data-bbox="549 564 1740 1078" style="text-align: center;"> <h3>Useable reserves: GRE - 2009/10</h3> <table border="1"> <caption>Estimated data from 'Useable reserves: GRE - 2009/10' chart</caption> <thead> <tr> <th>Council</th> <th>Ratio (Estimated)</th> </tr> </thead> <tbody> <tr><td>Borough of Broxbourne</td><td>0.78</td></tr> <tr><td>Rushmoor Borough</td><td>0.55</td></tr> <tr><td>Hertsmere Borough</td><td>0.52</td></tr> <tr><td>Tunbridge Borough</td><td>0.45</td></tr> <tr><td>Spelthorne Wells</td><td>0.38</td></tr> <tr><td>Welwyn Hatfield</td><td>0.28</td></tr> <tr><td>Dartford Borough</td><td>0.25</td></tr> <tr><td>Warwick District Council</td><td>0.22</td></tr> <tr><td>Dacorum Borough</td><td>0.18</td></tr> <tr><td>North Hertfordshire</td><td>0.15</td></tr> <tr><td>Cheltenham Borough</td><td>0.12</td></tr> <tr><td>Woking Borough Council</td><td>0.10</td></tr> <tr><td>Worcester City Council</td><td>0.08</td></tr> <tr><td>Gloucester City Council</td><td>0.07</td></tr> <tr><td>Stevenage Borough</td><td>0.05</td></tr> <tr><td>...</td><td>...</td></tr> </tbody> </table> </div> <ul style="list-style-type: none"> This shows the Council holds an above average level of reserves compared to their 'nearest neighbours'. 	Council	Ratio (Estimated)	Borough of Broxbourne	0.78	Rushmoor Borough	0.55	Hertsmere Borough	0.52	Tunbridge Borough	0.45	Spelthorne Wells	0.38	Welwyn Hatfield	0.28	Dartford Borough	0.25	Warwick District Council	0.22	Dacorum Borough	0.18	North Hertfordshire	0.15	Cheltenham Borough	0.12	Woking Borough Council	0.10	Worcester City Council	0.08	Gloucester City Council	0.07	Stevenage Borough	0.05	<p style="text-align: center;">● Green</p>
Council	Ratio (Estimated)																																			
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Gloucester City Council	0.07																																			
Stevenage Borough	0.05																																			
...	...																																			

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Key: ● High risk area
 ● Potential risks and/or weaknesses in this area
 ● No causes for concern

Overview of performance

Area of Focus	Summary observations	High level risk assessment
Reserve Balances (continued)	<ul style="list-style-type: none"> The level of General fund reserves has remained fairly stable at recording over £1m for the past 3 years, which is a Council policy decision. With this the level of reserves the Council could potentially exposed to one off charges such as a provision or unanticipated items of expenditure, although we recognise that the scale of other reserves leaves the Council very well placed over. It remains important to maintain appropriate levels of General Fund reserves during this period of fiscal constraint. Failure to do so will create cash flow pressures and may cause adverse publicity for the Council. The Council were originally anticipating utilising £280k of general fund balances to support the budget in 2010/11, however due to improved service performance combined with a savings programme resulted in the Council being able to transfer £1.35m to reserves. The MTFS for the next 3 years budgets for £520k of general fund reserves to be utilised, which is less than the balance of general fund reserves in 2010/11 of £1.35m The Council do not maintain high levels of general fund balances but plan and revisit the MTFS and budgets at least twice a year to update the planning and budget assumptions. In any event if the Council did require an injection of cash then they can call on the £31m in short term investments. 	 Green

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Key:

- High risk area
- Potential risks and/or weaknesses in this area
- No causes for concern

Overview of performance

Area of Focus	Summary observations	High level risk assessment								
Liquidity	<ul style="list-style-type: none"> The working capital ratio indicates if an authority has enough current assets, or resources, to cover its immediate liabilities - i.e. those over the next twelve month period. As the graph below shows, the Council's working capital ratio has fallen over the three years 08/09 to 10/11. <div data-bbox="576 562 1502 982" data-label="Figure"> <p style="text-align: center;">Working capital ratio</p> <table border="1"> <caption>Working capital ratio data</caption> <thead> <tr> <th>Year</th> <th>Working capital ratio</th> </tr> </thead> <tbody> <tr> <td>2009</td> <td>4.5</td> </tr> <tr> <td>2010</td> <td>3.7</td> </tr> <tr> <td>2011</td> <td>3.8</td> </tr> </tbody> </table> </div> <ul style="list-style-type: none"> This indicates that the Council's liquidity has remained virtually constant, although it should be noted that it remains at a very high level. A ratio of assets to liabilities of 2:1 is usually considered to be acceptable, whilst the Council currently have a ratio of just under 4:1. In general, a very high working capital ratio is not considered to be a good thing, as it tends to indicate that an authority is not investing its excess cash effectively. However, Watford have invested the cash but, due to the nature of the investments, this remains reported as a current asset. Were these investments to be excluded from the calculation, the current working capital ratio would be 1.07:1 which would not be considered unreasonable. 	Year	Working capital ratio	2009	4.5	2010	3.7	2011	3.8	<div data-bbox="1881 773 1935 825" data-label="Image"> </div> <p style="text-align: center;">Green</p>
Year	Working capital ratio									
2009	4.5									
2010	3.7									
2011	3.8									

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Key:
● High risk area
● Potential risks and/or weaknesses in this area
● No causes for concern

Overview of performance

Area of Focus	Summary observations	High level risk assessment																																		
<p>Liquidity (continued)</p>	<ul style="list-style-type: none"> As with usable reserves, the Audit Commission made comparative data available for 2009/10. This has been used to generate the graph below showing the working capital ratio with a comparison against those authorities the Audit Commission considers to be 'nearest neighbours'. <div data-bbox="445 528 1761 1042" style="text-align: center;"> <h3>Working capital ratio - 2009/10</h3> <table border="1"> <caption>Working capital ratio - 2009/10</caption> <thead> <tr> <th>Borough</th> <th>Working Capital Ratio</th> </tr> </thead> <tbody> <tr><td>Borough of Broxbourne</td><td>6.5</td></tr> <tr><td>North Hertfordshire...</td><td>5.5</td></tr> <tr><td>Dacorum Borough...</td><td>3.8</td></tr> <tr><td>Watford Borough...</td><td>3.8</td></tr> <tr><td>Warwick District Council</td><td>3.8</td></tr> <tr><td>Tunbridge Wells...</td><td>3.5</td></tr> <tr><td>Hertsmere Borough...</td><td>3.2</td></tr> <tr><td>Rushmoor Borough...</td><td>2.8</td></tr> <tr><td>Welwyn Hatfield...</td><td>2.8</td></tr> <tr><td>Spelthorne Borough...</td><td>2.8</td></tr> <tr><td>Dartford Borough...</td><td>2.0</td></tr> <tr><td>Woking Borough Council</td><td>1.8</td></tr> <tr><td>Stevenage Borough...</td><td>1.5</td></tr> <tr><td>Worcester City Council</td><td>1.2</td></tr> <tr><td>Gloucester City Council</td><td>0.8</td></tr> <tr><td>Cheltenham Borough...</td><td>0.5</td></tr> </tbody> </table> </div> <ul style="list-style-type: none"> The Council is maintaining a positive working capital ratio and looks to be in a strong position, as evidenced by the comparison above. However, it is clear that working capital will come under increasing pressure as a result of the Spending Review and will need to be carefully monitored. 	Borough	Working Capital Ratio	Borough of Broxbourne	6.5	North Hertfordshire...	5.5	Dacorum Borough...	3.8	Watford Borough...	3.8	Warwick District Council	3.8	Tunbridge Wells...	3.5	Hertsmere Borough...	3.2	Rushmoor Borough...	2.8	Welwyn Hatfield...	2.8	Spelthorne Borough...	2.8	Dartford Borough...	2.0	Woking Borough Council	1.8	Stevenage Borough...	1.5	Worcester City Council	1.2	Gloucester City Council	0.8	Cheltenham Borough...	0.5	<p style="text-align: center;"> ● Green </p>
Borough	Working Capital Ratio																																			
Borough of Broxbourne	6.5																																			
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Worcester City Council	1.2																																			
Gloucester City Council	0.8																																			
Cheltenham Borough...	0.5																																			

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Key: ● High risk area
 ● Potential risks and/or weaknesses in this area
 ● No causes for concern

Overview of performance

Area of Focus	Summary observations	High level risk assessment								
Workforce	<ul style="list-style-type: none"> The graph below shows that performance at the Council dips against both public sector and private sector averages: <div data-bbox="638 468 1558 992" data-label="Figure"> <p style="text-align: center;">Average number of sickness days</p> <table border="1"> <caption>Average number of sickness days</caption> <thead> <tr> <th>Category</th> <th>Average number of sickness days</th> </tr> </thead> <tbody> <tr> <td>Watford BC</td> <td>8.5</td> </tr> <tr> <td>Public sector</td> <td>8.1</td> </tr> <tr> <td>Private sector</td> <td>5.9</td> </tr> </tbody> </table> </div> <ul style="list-style-type: none"> The average level of sickness days have remained constant from the prior year at 8.5 days absence per employee, which is both above the private and public sector averages of 5.9 and 8.1 days respectively. Further analysis has found that 54% of the absences relate to short term illness. Given the reduction in headcount due to the commencement of the shared service arrangement with Watford BC, the level of sickness absence remains the same. Reducing absenteeism saves money, improves productivity and can have a positive customer benefit. Absence management will be a particular challenge for all authorities going forward, given the context of significant pressures on staff to deliver 'more for less'. 	Category	Average number of sickness days	Watford BC	8.5	Public sector	8.1	Private sector	5.9	<p style="text-align: center;"> ● Amber </p>
Category	Average number of sickness days									
Watford BC	8.5									
Public sector	8.1									
Private sector	5.9									

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Key: ● High risk area
 ● Potential risks and/or weaknesses in this area
 ● No causes for concern

Section 3


Strategic Financial Planning

1.	Executive summary
2.	Key Indicators
3.	Strategic Financial Planning
4.	Financial Governance
5.	Financial Control

Key indicators of good Strategic Financial Planning

- Focus on achievement of corporate priorities is evident through the financial planning process. The MTFS focuses resources on priorities
- Service and financial planning processes are integrated.
- The MTFS includes outcome measures, scenario planning, benchmarking, resource planning and details on partnership working. Targets have been set for future periods in respect of reserve balances, prudential indicators etc
- Annual financial plans follow the longer term financial strategy
- There is regular review of the MTFS and the assumptions made within it. The Council responds to changing circumstances and manages its financial risks
- The Council has performed stress testing on its model using a range of economic assumptions including SR10
- The MTFS is linked to and is consistent with other key strategies, including workforce.
- KPIs can be derived for future periods from the information included within the MTFS
- Effective treasury management arrangements are in place.
- The council operates within an appropriate level of reserves and balances

Medium Term Financial Strategy

Area of Focus	Summary observations	High level risk assessment
<p>Focus of the MTFS</p>	<ul style="list-style-type: none"> • An updated Medium Term Financial Strategy (MTFS) has been prepared that runs to 2013/14, which includes a 10 year high level income and expenditure analysis with associated impact upon the reserve balances and was presented to Cabinet in July 2011 for approval. • The MTFS is set up so to establish the Council's strategy for the next four years and to set out the financial challenges that the Council will face over this medium term. It is clearly recognised this continues to be a period of uncertainty across local government as the Government consider and review resource needs and demands within the framework of the Comprehensive Spending Review and in light of the economic climate and the state of public finances. • Prior to the announcement of the 2011/12 settlement by CLG, the Council developed plans based on expected reductions in the formula grant and a freeze on Council Tax resulting in 20% reduction in revenue over the next 3 years. By anticipating the potential reductions at an early stage the Council was able to prepare proposals for significant cost reductions from 2011/12 onwards. • Review of the MTFS makes it clear that the plan is applying resources so as to achieve the Council's priorities. When the MTFS was refreshed in January 2011 the Council utilised data from the citizens panel survey regarding the responses to the Council on their priorities with regard to service delivery, cost and quality of service. • Key to the MTFS is also how the Council manage their capital going forward. As with the MTFS, the capital programme is focussed on the achievement of the Council's priorities. All proposed projects are in line with these priorities and all projects are phased appropriately and in line with available resources. 	<p style="text-align: center;">  Green </p>


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Medium Term Financial Strategy

Area of Focus	Summary observations	High level risk assessment								
<p>Adequacy of planning assumptions</p>	<ul style="list-style-type: none"> The MTFS is monitored on a monthly basis, as part of the Finance Digest, together with the impact on the reserve balances for the next 3 years. Part of dealing with the cost pressures faced by the Council is the achievement of savings targets. These savings are seen as being of importance as the Council wants to maintain a strong level of general balances. The proposed savings targets are shown below: <div data-bbox="559 556 1346 971" data-label="Figure"> <p style="text-align: center;">Proposed efficiency savings (£m)</p> <table border="1"> <caption>Proposed efficiency savings (£m)</caption> <thead> <tr> <th>Financial Year</th> <th>Proposed efficiency savings (£m)</th> </tr> </thead> <tbody> <tr> <td>2011/12</td> <td>1.9</td> </tr> <tr> <td>2012/13</td> <td>0.9</td> </tr> <tr> <td>2013/14</td> <td>0.3</td> </tr> </tbody> </table> </div> <ul style="list-style-type: none"> In terms of the savings required, the Council is felt to be in a strong position given the significant progress made with the 2011/12 savings package having achieved 66% of the annual savings plan. As this shows, the greater the level of recurring savings that can be found, the less the impact on subsequent years. Specific scenario planning took place prior to the central government settlement being released and the council planned for a 5%, 7.5% and 10% reduction. This process aided to highlight the savings that led to the Council's service prioritisation process to identify savings and subsequent revision of the MTFS, which demonstrates the anticipation of the Council to react to cuts in funding before they have been implemented. 	Financial Year	Proposed efficiency savings (£m)	2011/12	1.9	2012/13	0.9	2013/14	0.3	<p style="text-align: center;">● Green</p>
Financial Year	Proposed efficiency savings (£m)									
2011/12	1.9									
2012/13	0.9									
2013/14	0.3									

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Medium Term Financial Strategy

Area of Focus	Summary observations	High level risk assessment
<p>Scope of the MTFS</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 98</p>	<ul style="list-style-type: none"> • The Council's current MTFS covers the period up to 2014/15 for revenue and capital budgets. • The Comprehensive Spending Review was published in October 2010. This included spending cuts for the Department for Communities and Local Government, with reductions of 27% being front loaded to 2011/12 and 2012/13. The Local Government Finance Settlement was announced in December 2010 covering a two year period. As a result of this, Watford saw a reduction in their formula grant for 11/12 of £2.063m (25.5%) and a further reduction of £791k (13.2%). Future years will need to be reviewed as there is increased clarity over central government funding. • The Annual Budget and MTFS presented to the Cabinet in January 2011 covers savings and growth targets for the 2011/12 budget process. • The budget for 2011/12 was approved by the Council in January 2011 as part of the approval of the strategic plan 2011-2014. • There is evidence that both senior officers and members debated and challenged budgets and savings across all services. 	<div style="text-align: center;">  Green </div>

Key:

- High risk area
- Potential risks and/or weaknesses in this area
- No causes for concern

Medium Term Financial Strategy

Area	Summary observations	High level risk assessment
<p>Responsiveness of the Plan</p>	<ul style="list-style-type: none"> • It is clear from review of minutes and reports around the finances of the Council that the MTFS is being monitored closely both on a monthly basis, as part of the high level review of the general fund included within the Finance Digest. The MTFS has been revised five times in 2010/11 to take account of the CSR and was last updated in July 2011. • The MTFS is updated each year as part of the annual planning cycle. All changes are monitored on an on-going basis. The MTFS presented to the Cabinet and Council in January 2011 after being updated five times during the year to reflect all government announcements on public finances, as well as trying to anticipate potential announcements that may be still to come. • It is clear that budgetary pressures could arise due to a number of risk based factors and that a relatively small change to interest rates, inflation levels, pay awards, government funding or demand could result in significant impacts on Council Tax levels and/or the need to identify further savings or utilise further reserve balances. • The current performance of the Revenues and Benefits section, £549k overspend against original budget in 2010/11, could impact the level of savings the Council has to generate over the next 3 years, any deterioration in performance could result in additional savings having to be generated. • The Council have updated their MTFS to incorporate scenario planning for cash reduction and ultimately budget reduction of 5%, 7.5% and 10%. • Savings programme performance for 2011/12 is that from the £1.916m originally identified, which has been reduced to £1.8m, the council has achieved £1.194m of savings representing 66% of target and ahead of schedule. The council had a good track record for delivering 86% of their savings plan in 2010/11. • Testing of audit testing of the savings found we were able to substantiate £374,430 of the total savings of £725,641 savings to supporting documentation. 	<p style="text-align: center;">  Green </p>

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Key:

- High risk area
- Potential risks and/or weaknesses in this area
- No causes for concern

Section 4

Financial Governance

1.	Executive summary
2.	Key Indicators
3.	Strategic Financial Planning
4.	Financial Governance
5.	Financial Control

Key indicators of effective Financial Governance

There is a clear understanding of the financial environment the Council is operating within:

- Regular reporting to Members. Reports include detail of action planning and variance analysis etc
- Actions have been taken to address key risk areas
- The CFO is a key member of the leadership team
- Officers and managers across the council understand the financial implications of current and alternative policies, programmes and activities
- The leadership ensure appropriate financial skills are in place across all levels of the organisation
- The leadership foster an open environment of open challenge to financial assumptions and performance

There is engagement with stakeholders including budget consultations


There are comprehensive policies and procedures in place for Members, Officers and budget holders which clearly outline responsibilities.

Number of internal and external recommendations overdue for implementation

Committees and Cabinet regularly review performance and it is subject to appropriate levels of scrutiny

There are effective recovery plans in place (if required)


Understanding and engagement

Area of focus	Summary observations	High level risk assessment
<p>Understanding the Financial Environment</p> <p>The controls assurance performance monitoring focuses on financial management, governance and risk management</p> <p>Page 102</p>	<ul style="list-style-type: none"> Once a budget is in place, the committees receive copies of the 'Finance Digest' on a monthly basis to highlight and enable the scrutiny of budget performance. The report is then presented to the Cabinet. The monthly budget packs are produced they are circulated to the committee members and employees to review. The packs contain detail of variance analysis by service and identifying the reason for the variance, key risk analysis that highlights the variance and explains the current assessment of outturn position and identifies the mitigating action taken. The Council planned that the appropriate financial skills were in place across the organisation but since the transfer to a shared service centre, certain processes have lapsed, in particular the process of reconciliation between systems. The delivery of the accounts on 14 July 2011, was after deadline and the combination of these elements has led to concern around the deliverability of the shared service finance function. The budget and the service prioritisation exercise was scrutinised by the Budget panel on 11 January 2011 and then by Cabinet on 17 January 2011. There are comprehensive policies and procedures in place for all members and officers, which outline responsibilities. The Council's dedication to member training is considered an area of strength. The IT arrangements were assessed by an external consultant who concluded that there were major infrastructure issues to address as well as insufficient data storage capacity, failure of back ups of data and the current path of web traffic requires re-routing. Significant change and investment is needed to improve IT arrangements. 	<p style="text-align: center;">  Amber </p>

Key: ● High risk area
 ● Potential risks and/or weaknesses in this area
 ● No causes for concern


Understanding and engagement

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Area of focus	Summary observations	High level risk assessment
<p>Stakeholder Engagement</p>	<ul style="list-style-type: none"> • Review of the budget setting process indicates that there is considerable engagement in the process both from senior officers, members and the Citizens panel. • In October 2010 the Council performed the budget consultation survey, a survey that involved canvassing the following groups: <ul style="list-style-type: none"> ➢ Citizens panel members (539 responses) ➢ Postal invitation to the wider community (154 responses) ➢ Face to face meeting with the mayor (96 responses) • The areas the Council surveyed were: <ul style="list-style-type: none"> ➢ Expectations with regard to the level and timing that savings need to be made ➢ Opinion on sharing services or delivering services differently ➢ Statutory & non-statutory service ➢ Support for voluntary sector ➢ Opinions on council becoming more commercially focused • The Council, as part of the CSR, commenced with a council wide service prioritisation plan ['PP'] in July2010, ahead of the Councils grant settlement. The programme involved the heads of service and their teams assessing Council services on the following criteria: <ul style="list-style-type: none"> ➢ Cost of service ➢ Value of service in terms of customer feedback ➢ Benchmarking or comparison information ➢ Options for delivering the service area • The results were challenged by an independent team from a different service to ensure the savings were sufficiently robust. • Both the results of the budget consultation and the prioritisation programme were fed into the annual budget and MTFS in January 2011. • Member training remains an area of strength for the Council and members have a 3 year training programme but the Resources Policy and Scrutiny committee assess member needs on an individual basis. 	<p style="text-align: center;">  Green </p>

Key: ● High risk area
● Potential risks and/or weaknesses in this area
● No causes for concern


Monitoring and review

Area	Summary observations	High level risk assessment
<p>Review of accuracy of Committee reporting</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 104</p>	<ul style="list-style-type: none"> • The Executive receive monthly 'Finance Digest' budget monitoring reports. Review of example reports have found them to include detailed financial information alongside explanations for variances. Each report is split into the following sections: • Revenue summary income and expenditure account • Revenue - explanation of variances by service • Salaries analysis • Key risk analysis • Capital investment programme summary and detail by service • Treasury management performance • NNDR & Council tax collection rates compared to target collection rates • Creditor payment monitoring • Debtor analysis • Key business indicators actual compared to target <ul style="list-style-type: none"> • The Council have maintained their strong commitment to reporting of financial information and have preserved their target audience of employees and members. 	<p style="text-align: center;">  Green </p>

Key:

- High risk area
- Potential risks and/or weaknesses in this area
- No causes for concern

Monitoring and review

Area	Summary observations	High level risk assessment
<p>Performance Management of Budgets</p>	<ul style="list-style-type: none"> • The monthly finance position reports presented to the Executive include significant detail of variances over the next 3 years broken down by service, the narrative included within the report provides a reason for the variance together with corrective action to be taken to address the variance. • The statement of accounts includes detail on performance against budget and provides explanations for all significant movements. • The monthly finance position report provides analysis of income from NNDR, council tax and includes target budget values of % of total annual amount collected per month. In addition, the council report the invoices raised from 1/4/10 by service. Given the current austere economy the Council should consider the reporting of the collection of car parking income, fees & charges and commercial rents on a monthly basis with targeted amounts to collect. 	<p style="text-align: center;">  Amber </p>

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Key: ● High risk area
 ● Potential risks and/or weaknesses in this area
 ● No causes for concern

Section 5

Financial Control

1.	Executive summary
2.	Key Indicators
3.	Strategic Financial Planning
4.	Financial Governance
5.	Financial Control

Key indicators of Effective Financial Control

Budget setting and budget monitoring

- Budgets are robust and prepared in a timely fashion and the council has a good track record of operating within its budget
- Budgets are monitored at an officer, member and Cabinet level and officers are held accountable for budgetary performance
- Financial forecasting is well-developed and forecasts are subject to regular review, including trend analysis, benchmarking of unit costs, risk and sensitivity analysis.
- There is particular focus on monitoring income related budgets

The capacity and capability of the Finance Department and Service Departments are fit for purpose



Financial Systems

- Key financial systems have received satisfactory reports from internal and external audit
- Financial systems are adequate for future needs, for example commitment accounting functionality is available

Internal Control

- Strength of internal control arrangements - there is an effective internal audit which has the proper profile within the organisation. Agreed Internal audit recommendations are routinely implemented in a timely manner
- There is an assurance framework in place which is used effectively by the Council and is how business risks are managed and controlled.
- The Annual Governance Statement gives a true reflection of the organisation.

Internal arrangements

Area of focus	Summary observations	High level risk assessment
<p>Performance against Savings Plans</p>	<ul style="list-style-type: none"> The Council outlined a savings plan for 2010/11 and the target was £860,701 and the council achieved £725,641 representing 84% of the target being achieved. The Council have, as part of their budget setting, identified savings for 2010/11 totalling £725k combined with service efficiencies throughout the year resulted in the Council returning a positive variance of £769k on the budgeted deficit. The result was an increase to the earmarked reserves of £1.35m as opposed to the originally budgeted reduction of £280k. Over £3.2m of savings have been included within the budget for the next 3 years from 2011/12 to 2013/14, these were identified as part of the service prioritisation scheme described earlier. The final central government grant settlement has resulted in a further £2m of savings have yet to be identified for the 2014/15 giving an overall savings target of £5m to be achieved by 2014/15. The Council are expecting to utilise £165k of general fund balances to support expenditure in the next 3 years, any variations to budget will be drawn down from the Economic Impact reserve currently standing at £1.25m. Overall performance against budget confirms that the Council has a good track record of delivering the budget. The focus of income budget monitoring is to record the income received in the month. The comparison would further benefit from preparing monthly income targets and comparing against the actual income recorded providing reasons for variance. 	<p style="text-align: center;">  Green </p>
<p>Finance Department resourcing and qualifications / experience</p>	<ul style="list-style-type: none"> The current finance department is adequately resourced consisting of 19 employees, with 7 employees being CCAB qualified and another 4 employees having taken relevant exams to allow them to enter the path of progression to CCAB level. The pipeline to ensure continuity of professional competence is evident. The finance team have been in place in Three Rivers DC for a number of years and we have experienced no issues in the production of accounts in the previous years but this year proved not to be as effective as in previous years with the delay in the provision of information. This did not ultimately impact the ultimate accounts certification date planned and achieved on 29 September 2011. We felt that this year the shared service finance team, that provided the accounts for both Watford BC and Three Rivers DC was impacted with the requirements of both Councils for a year, timetabling issues and consequently could not provide the same level of effective service of previous years, this is reflected in the number of reconciliations between systems that are no longer performed in a timely manner. The shared service finance function delivered the complete set of accounts with notes 14 days after the national deadline. The age profile of the key finance employees that produce the accounts is nearing retirement age and the Council will have to think about the future continuity of the service and identify replacement resources. 	<p style="text-align: center;">  Amber </p>

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Key:
● High risk area
● Potential risks and/or weaknesses in this area
● No causes for concern

Internal and external assurances

Area of focus	Summary observations	High level risk assessment
<p>Summary of key financial accounting systems</p>	<ul style="list-style-type: none"> • In April 2010 a new financial management system was implemented for both Watford BC and their partner in shared services. Three Rivers DC. Time has been invested in harmonising the systems but teething issues are to be expected. • The most recent Internal Audit report on the shared main accounting and budgetary control system was produced in respect of reconciliations and issued as a draft report dated 29 September 2011. This report assigned 'Limited Assurance' to the reconciliation process, which means unsatisfactory controls or inconsistent application putting some control objectives at risk. • The lack of reconciliations being prepared on a timely basis was further supported by the annual internal audit report 2010/11 that made this point one of the 5 key issues reported on. • The Council would benefit from adopting a purchaser provider relationship with the finance function and ensuring that no slippage in deadlines occurs and all products and reconciliations are carried out on a regular basis. by agreed deadlines. 	<p style="text-align: center;">● Amber</p>
<p>Internal audit arrangements including compliance with CIPFA Code of Practice for Internal Audit</p>	<ul style="list-style-type: none"> • The current internal audit function provides internal audit services to both Watford Borough Council and Three Rivers District Council . • For the year 2010/11, Internal Audit was an in-house function that moved into the shared service arena and, in addition, began to provide audit services to Three Rivers DC. • The Internal Audit annual report of 2010/11 gave an unqualified opinion of the adequacy and effectiveness of the control environment of the Council, • Annual reviews of the Internal Audit function at Watford BC have not highlighted any significant issues in relation to the CIPFA Code of Practice for Internal Audit. • The budgeted number of days allocated for Watford BC for 2011/12 is 215 days, which includes the Watford BC specific audits as well as the shared service allocation of days. The number of days, although on the high side for a District Council, should ensure a very robust and challenging audit for the council services. • An analysis of the status of recommendations issued by internal audit to the audit committee on 29 September 2011 found that we were unable to report the percentage of recommendations implemented due to the papers reporting on the headline areas of deficiency. No issues have been reported which are opinion impacting. We recommend that a detailed appendix of all outstanding recommendations is presented to the audit committee once a year. 	<p style="text-align: center;">● Amber</p>

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Internal and external assurances

Area of focus	Summary observations	High level risk assessment
<p>External audit arrangements and programme of activities</p>	<ul style="list-style-type: none"> • The most recent VfM conclusion confirmed that the Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2011. • The Council had implemented all outstanding external audit recommendations in 2010/11. • The Council received unqualified accounts and value for money opinions on 29 September, ahead of the national deadline of 30 September 2011. • The Council's Annual Governance Statement was not amended and the council had correctly included all the required significant control risks. 	<p style="text-align: center;">  Green </p>

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Key:
● High risk area
● Potential risks and/or weaknesses in this area
● No causes for concern

Watford Borough Council

Certification work report 2010/11

December 2011



Content

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2	Results of our certification work	3

Appendices

A	Details of claims and returns certified for 2010/11
B	Action Plan

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 were:

- 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 are 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 where possible.

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

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Where a claim is qualified because the Council 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 Council 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..

2 Results of our certification work

Key messages

For the financial year 2010/11, we have certified 3 claims and returns for the Council, which amounted to £99,450,000. This represents both funding claimed by the Council and returned to grant-paying bodies, as well as other financial information.

The Council's performance in preparing claims and returns is summarised in the table below.

Table One: Performance against key certification targets

Performance measure	2010/11	2009/10	Direction of travel
Without qualification	2	2	→
Amended	3	1	↓
Qualified	1	0	↓
Total	3	3	

This demonstrates that overall the Council's performance in preparing claims and returns has deteriorated since 2009/10. The number of returns/claims amended and qualified has increased in 2010/11.

Details on the certification of all claims and returns are included at appendix A. Where we have concluded that an item is significant, further details are included below in this section of our report.

Where claims and returns have been amended or qualified and we have identified opportunities for improvement in the compilation in future years, we have made recommendations to support the Council's continuous improvement. These are included in the action plan at appendix B.

The Council's and our performance in meeting deadlines related to the certification of claims and returns is summarised in Table two.

Table Two: Performance against deadlines

Deadline	2010/11	2009/10	Direction of travel
Submitted by deadline	1	3	↓
Certified by deadline	1	3	↓

The Council submitted two of their returns, NNDR return and housing and council tax benefit claim, after the national authority submission deadline. The Council wanted to ensure all claims submitted for certification were accurate.

We certified one claim within the relevant deadlines set by the Audit Commission and the two remaining claims, NNDR and housing and council tax benefit claim, were certified after the audit deadline date.

Both claims were impacted by the backlog of case work, due to the merger of the revenues and benefits departments of Watford BC and Three Rivers DC to one shared service centre, and the capacity of the staff in resolving our queries.

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.

Table Three: Hourly rates for certifying claims and returns for 2010/11

Role	2010/11	2009/10
Engagement lead	£345	£345
Manager	£195	£195
Senior auditor	£125	£125
Other staff	£95	£95

Our fee for certification work at the Council in 2010/11 was £27,280, compared to £24,243 for 2009/10. Our fee is in line with our estimate of £20,000 included in our audit fee letter presented to, and approved by, the Audit Committee in March 2010. Details of our fee by claim and return and how this compares to last year are included at appendix A.

Significant issues

Submission procedures

The Council submitted the NDDR return and housing and council tax benefit claims to the CLG ['Communities and Local Government'] and DWP [Department for Work and Pensions'] respectively after the Authority submission deadline, to ensure the numeric accuracy of claim. Both claims were subsequently amended.

NNDR

The return was qualified in 2010/11 by virtue of the fact that the Council were unable to provide the authorisation to support the NNDR bad debt write offs that had been included within the claim.

Acknowledgements

We would like to take this opportunity to thank the officers for their assistance and co-operation during the course of the certification process. We would like to recognise that delays experienced from Grant Thornton UK LLP contributed to the late submission of the certified housing and council tax benefit claim.

Grant Thornton UK LLP
December 2011

A Details of claims and returns certified for 2010/11

Claim or return	Value (£)	Certificate	Summary	Fee 2010/11	Fee 2009/10
Housing and council tax benefit scheme	38,281,546	Amended	Set out whether we certified the claim was fairly stated in accordance with relevant terms and conditions of the scheme. The claim was amended by £99 to reflect the correct amount of prior year uncashed cheques to be deducted in 2010/11.	£19,022	£18,001
Disabled facilities	234,000	Without qualification	We certified the return was in accordance with underlying records with no issues.	£1,875	£680
National non-domestic rates return	60,930,512	Amended and qualified	Return fairly stated and in accordance with terms and conditions, except for qualification in relation to the authorisation of NNDR bad debts not being performed within the financial year. The return was submitted to the CLG after the Council submission deadline, recommendation made in appendix B.	£5,708	£5,562
Cost of reporting to those charged with governance			The cost of reporting to those charged with governance on the results of certification work is charged as certification work under section 28 of the Audit Commission Act 1998.	£675	£0
Total	99,446,058			£27,280	£24,243

B Action Plan

Claim or return	Recommendation	Priority	Management response & implementation details
NNDR return Housing and council tax benefit claim	All claims/returns should be submitted to the relevant government department by the Council submission deadline.	Low	
NNDR return	NNDR bad debt write offs should be authorised within the financial year.	Low	



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The client names quoted within this proposal are disclosed on a confidential basis. All information in this proposal is released strictly for the purpose of this process and must not be disclosed to any other parties without express consent from Grant Thornton UK LLP

Watford Borough Council

Audit plan 2011/12

December 2011

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An overview of your 2011/12 Audit Plan

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This is our audit plan for the financial year 2011-12 for Watford Borough Council (the Council). It sets out the work that we will carry out in discharging our responsibilities to give an opinion on the Council's financial statements and a conclusion on the Council's arrangements for achieving Value for Money (VfM).

We set an indicative fee in April 2011. In setting this fee, we assumed that the general level of risk in relation to the audit would not be significantly different from that identified for 2010/11. Following the completion of the 2010/11 audit we have updated our accounts audit risk assessment.	See Accounts audit
The new approach to local Value for Money audit work was introduced by the Audit Commission in 2010/11. In 2011/12 we will continue to give our value for money conclusion based on two reporting criteria specified by the Audit Commission.	See Value for money audit
As in previous years, we will use specialists from across Grant Thornton to support our work and ensure that you are getting the required levels of expertise from us.	See Engagement team
We have used the published 2011/12 Audit Commission scale of fee for the Council as our proposed fee. The planned fee remains as per the Indicative Fee letter (issued in April 2011).	See Audit fee
You will receive a number of reports and plans from us throughout the year which will provide you with the detailed conclusions of our work culminating in the issue of our Annual Audit Letter to the Council.	See Outputs and timeline
We have considered our independence and objectivity in respect of the audit and do not believe there are any matters which should be brought to your attention. We comply with the Audit Commission's requirements in respect of independence and objectivity.	See Appendix A

Accounts audit - introduction

Introduction

This section of the plan sets out the work we propose to undertake in relation to the audit of the 2011/12 accounts at the Council. The plan is based on our risk-based approach to audit planning and uses our assessment of the potential business and audit risks that need to be addressed by our audit and the controls the Council has in place to mitigate these risks.

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The Council's responsibilities

The Council's accounts are an essential means by which it accounts for the stewardship of resources and its financial performance in the use of those resources. It is the responsibility of the Council to:

- ensure the regularity of transactions by putting in place systems of internal control to ensure that financial transactions are in accordance with the appropriate authority;
- maintain proper accounting records; and
- prepare accounts, which give a true and fair view of the financial position of the Council and its expenditure and income in accordance with International Financial Reporting Standards.

Our responsibilities

We are required to audit the financial statements and to give an opinion as to:

- whether they give a true and fair view of the financial position of the Council and its expenditure and income for the period in question.
- whether they have been prepared properly in accordance with relevant legislation, applicable accounting standards and other reporting requirements.
- whether the Annual Governance Statement (AGS) has been presented in accordance with relevant requirements and to report if it does not meet these requirements, or if the statement is misleading or inconsistent with our knowledge.



Accounts audit - risk assessment

Accounting risks and planned audit response

Table 1 below summarises the results of our initial risk assessment of significant financial risks facing the Council and our planned response.

Table 1: Accounting risks and planned audit response

Key audit risk	Audit areas affected	Audit approach
Accounting for Property, Plant and Equipment	All areas of the financial statements	<p>We provide support and clarity around accounting requirements where necessary</p> <ul style="list-style-type: none"> • There have been changes to the Code in respect of accounting for schools. We will discuss with the Council its proposed treatment for throughout the year and adopt a pragmatic approach when a degree of judgement is required. • The Council will be required to disclose heritage assets as a separate category of assets for the first time in its 2011/12 accounts.
Control weaknesses in the Council's IT systems are not addressed	All areas of the financial statements	<p>Using our specialist IT auditors, we will provide the Council with an expert view on the Council's IT control environment</p> <ul style="list-style-type: none"> • We will perform our assessment of the Council's IT control environment. • We will follow up on the IT Strategy review undertaken in 2010/11 to ensure that control weaknesses previously identified have been addressed. We will provide a quarterly update to the Audit Committee on our assessment of progress.
Weaknesses within Revenues & Benefits system	All areas of the financial	<p>Assessment of the revenue and benefits function</p> <ul style="list-style-type: none"> • We will perform our assessment of the revenue and benefits management arrangements in place and assess the overall robustness of the control environment.

Our Approach

We will utilise our audit software package, to document, evaluate and test, where appropriate, internal controls over the financial reporting process in order to reduce our detailed testing. Our audit software package also helps us to comment constructively on your system of internal controls.

Our approach will be to report all findings to management so that the Council can choose to secure improvement opportunities. We report only those findings that represent a control weakness to the Audit Committee and make formal recommendations.

In all cases, we invest time with management in understanding the basis of the weakness identified and what the options are, for example mitigating controls and system modifications, for improving the system.

Planning - Continuous

- Updating our understanding of the Council through discussions with management and a review of the monthly finance reports

Controls evaluation - February 2012

- Reviewing the design and implementation internal financial controls including IT, where they impact the financial statements
- Assessing audit risk and developing and implementing an appropriate audit strategy
- Assessing the Council's arrangements for complying with tax legislation and Bribery Act requirements
- Testing the operating effectiveness of selected controls
- Assessing internal audit against the CIPFA Code of Practice

Substantive procedures - July/August 2012

- Reviewing material disclosure issues in the financial statements
- Performing analytical review
- Verifying all material income and expenditure and balance sheet accounts, taking into consideration whether audit evidence is sufficient and appropriate

Completion - September 2012

- Performing overall evaluation of our work on the financial statements to determine whether they give a true and fair view
- Determining an audit opinion
- Reporting to the Audit Committee through our ISA 260 report

Accounts audit - other issues

Additional Assurance work

To support the audit opinion for 2011/12, we will undertake the following reviews:

- VAT - work is planned to review the current arrangements the Council has in place are appropriate to ensure VAT is accounted for correctly and in accordance with current legislation

- PAYE - We will undertake a review of the arrangements the Council has in place regarding taxation associated with payroll, including National Insurance and PAYE. This will look to provide assurance over the figures recorded within the financial statements are true and fair and calculated appropriate and in accordance with current legislation

- Fraud - we will use our forensic team to review the overall adequacy of the Council's arrangements to ensure that fraud and corruption are addressed effectively, including the Council's arrangements for addressing the Bribery Act and the policies for ensuring that gifts and hospitality are managed in compliance with Council policies.

In completing the above work we will draw on the work of internal audit and other review agencies.

Whole of Government Accounts

We will also review the Whole of Government Accounts (WGA) consolidation pack prepared by the Council for consistency with the Council's accounts.

Certification of Claims and Returns

In addition to our audit of the Council's financial statements and the Value for Money audit, we are required to certify grant claims and returns above predetermined thresholds.

In carrying out work in relation to grant claims and returns, Grant Thornton UK LLP acts as an agent of the Audit Commission, on behalf of the grant paying bodies. The work that the auditor is required to undertake is specified in a Certification Instruction, issued by the Audit Commission for each scheme, following discussion with the grant paying body. As agents of the Audit Commission we are required to recover, in respect of each grant claim and return, a fee that covers the full cost of the relevant work undertaken. These rates are based on the hourly rates for certifying claims and returns set out in the Audit Commissions 'Work programme and scales of fees 2011-12.'

Prior to the commencement of our work we will issue a grants plan and report in full to the Council on conclusion of our certification work.

National Fraud Initiative (NFI)

The Council participates in the National Fraud Initiative, the Audit Commission's data-matching exercise designed to prevent and detect fraud in public bodies. We will review the Council's progress and actions in following up the matches identified.

Accounts audit - public reporting

Annual Governance Statement and External Reporting

As part of our work on the accounts audit, we will review the Annual Governance Statement (AGS) to determine if it is consistent with our knowledge of the Council.

We will assess the Council's external reporting, through the 2010/11 Annual Governance Statement and explanatory foreword to the accounts, against best practice and will use our benchmarking tool, containing data from over 200 UK local authorities, to measure the Council against existing sector practice. This will enable us to identify areas where the Council is performing well and areas where there is scope to improve to improve external reporting to move towards 'best in class' in 2011/12 and beyond.

Elector challenge

The Audit Commission Act 1998 gives electors certain rights:

- the right to inspect the accounts
- the right to ask the auditor questions about the accounts; and
- the right to object to the accounts.

As a result of these rights, in particular the right to object to the accounts, we may need to undertake additional work to form a decision on the elector's objection. The additional work may be significant and could result in the requirement to seek legal representations on the issues raised. The costs incurred in responding to any questions or objections raised by electors are not part of the audit fee. In the event of costs being incurred as a result of elector's objections we will discuss these with the Council and, where appropriate, charge for this work in accordance with the Audit Commission's fee scales.

Value for money audit

Introduction

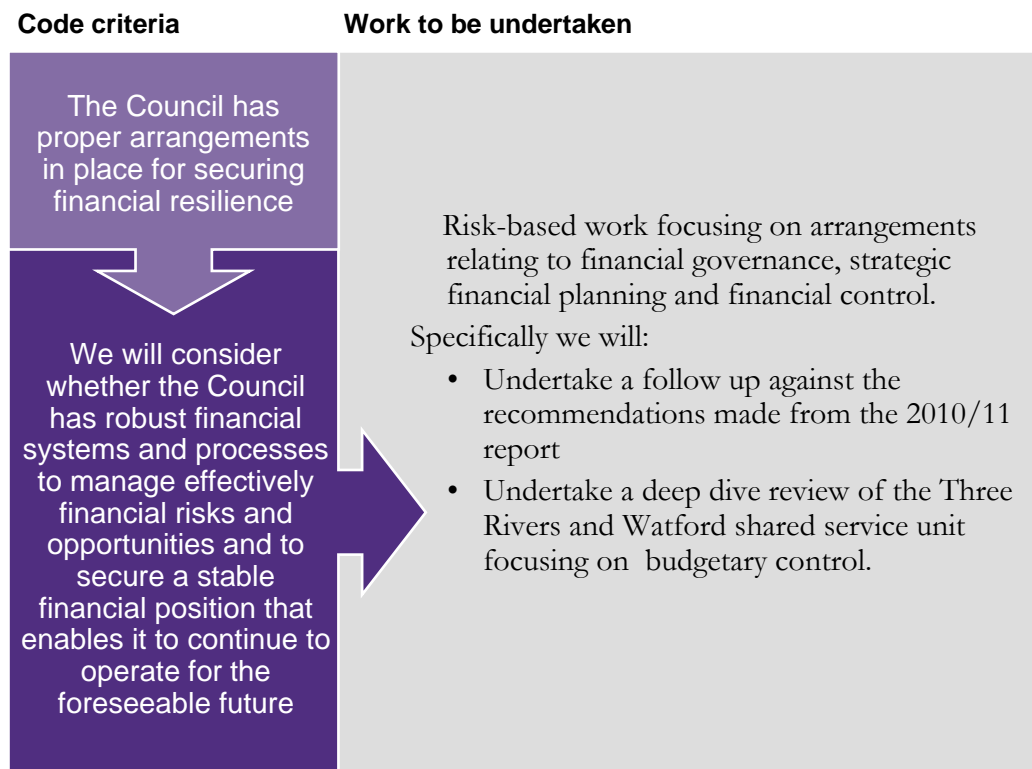
The Code requires us to issue a conclusion on whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VfM) conclusion.

2011/12 VfM conclusion

The Value for Money approach for 2011/12 remains the same as the prior year. Our VfM conclusion will be based on two reporting criteria specified by the Audit Commission:

- the Council has proper arrangements in place for securing financial resilience.
- the Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

The work we will do to conclude on these criteria is summarised in the following charts:



Value for money audit

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Code criteria

The Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness

We will consider whether the Council is prioritising its resources within tighter budgets

Work to be undertaken

Risk-based work focusing on arrangements for prioritising resources and improving productivity and efficiency.

Specifically we will:

- complete a risk assessment of the Council's arrangements agreeing any specific pieces of work to address any high risk areas identified.
- perform an asset management review of the Council's asset base to provide assurance over the arrangements in place over the Council's land and buildings.

We will tailor our VfM work to ensure that as well as addressing our high risk areas, it is, wherever possible, focused on the Council's priority areas and can be used as a source of assurance for officers and Members. Where we plan to undertake specific reviews to support our VfM conclusion, we will issue a brief specification for each review outlining the scope, methodology and timing. These will be agreed with officers and presented to Audit Committee.

The results of all our local VfM audit work and key messages will be reported in our Report to Those Charged with Governance (ISA 260 report) and in the Annual Audit Letter. We will agree any additional reporting to the Council on a review-by-review basis.



Engagement team - key contacts

Your main audit team is based in London and are all public sector specialists.

However, we operate as a national practice, coordinating the work of all our offices to ensure that new ideas, good practice experiences and services are developed and disseminated to all, irrespective of location.



Paul Dossett (CPFA)
Engagement Lead
T 0207 728 3180
E paul.dossett@uk.gt.com

Paul is the Council's Engagement Lead, bringing his extensive local authority expertise to the Council. Paul will be a key contact for the Chief Executive, the Director of Finance, other senior Council Officers and the Audit Committee.

Paul is responsible for the overall delivery of the audit including the quality of output and, signing the audit reports and conclusion



Richard Lawson (FCCA)
Manager
T 0207 728 2084
E richard.lawson@uk.gt.com

Richard is responsible for the audit strategy, planning and liaison with key Council contacts to ensure the smooth running of the audit and the delivery of the overall audit plan.

Richard reviews the quality of audit outputs and ensures accuracy of reporting prior to presenting plans and reports to the Council's officers and Members.

Gurpreet Dulay (CPFA)
Audit Executive
T
E gurpreet.dulay@uk.gt.com

Reporting to Richard, Gurpreet is responsible for the performance of the audit fieldwork and day-to-day liaison with the Trust's finance department.

Gurpreet will be supported by a team of audit assistants.

Engagement team - specialist support



Negat Sultan CPFA
IT Audit Manager
T 0116 247 5590
E negat.sultan@uk.gt.com

Negat is responsible for review of the Council's IT systems to complement the financial accounts process.



Bob Anderson ACA
IFRS Specialist
T 020 7728 2245
E bob.anderson@uk.gt.com

Bob is responsible for the provision of specialist technical support to the audit team. Bob will be used to provide support and advice to the Council throughout the year as it prepares its accounts for 2011/12.



Bruce Mew CPFA
Advisory Specialist
T 0207 728 3420
E bruce.mew@uk.gt.com

Bruce has extensive public sector experience specialising in financial, efficiency and performance reviews and transformation and change management.

Audit fee

What is the scale audit fee?

This is defined as the fee required by auditors to meet statutory responsibilities under the Audit Commission Act in accordance with the Code of Audit Practice 2008.

It represents the Commission's best estimate of the fee required to complete an audit where the audited body has no significant audit risks and it has in place a sound control environment.

How your scale audit fee is calculated

The Audit Commission has published a scale fee for all authorities. This scale fee is based on the 2010/11 fee, which reflected our assessment of risk and complexity, reduced by 5%

Variations to the scale audit fee

Based on a thorough review by the audit team which includes discussions with Council Officers and Members, we tailor our work to reflect local circumstances. This may result in a variation upwards or downwards on the scale audit fee. Any variation to the scale fee must be approved by the Audit Commission, following agreement of the proposed fee with the Council.

2011-12 audit fee

Your external audit fee for 2011/12 is £114,000 (£120,000 in 2010/11). This is the same as the indicative fee communicated to you in April 2011, and represents a 5% reduction on last year.

The fee will be subject to continuous review and may be revised if significant new audit risks during the audit or if we are unable to progress as planned due to the timing or quality of information provided by the Council. In the event that we consider it necessary to revise the Council's audit fee upwards, we will discuss this with the Head of Strategic Finance.

A summary of the audit fee is shown in the table below:

Table 2: 2011/12 audit fee

Audit area	Planned fee 2011/12	Actual fee 2010/11
Accounts, including WGA	£ 70,000	£ 80,000
VfM conclusion	£ 44,000	£40,000
Total audit fee	£ 114,000	£120,000
Certification of claims and returns*	£ 20,000* est	£ 20,000* est

* the quoted fee for grant certification work is an estimate only and will be charged at published hourly rates

Outputs

Reports will be discussed and agreed with the appropriate officers before being issued to the Audit Committee.

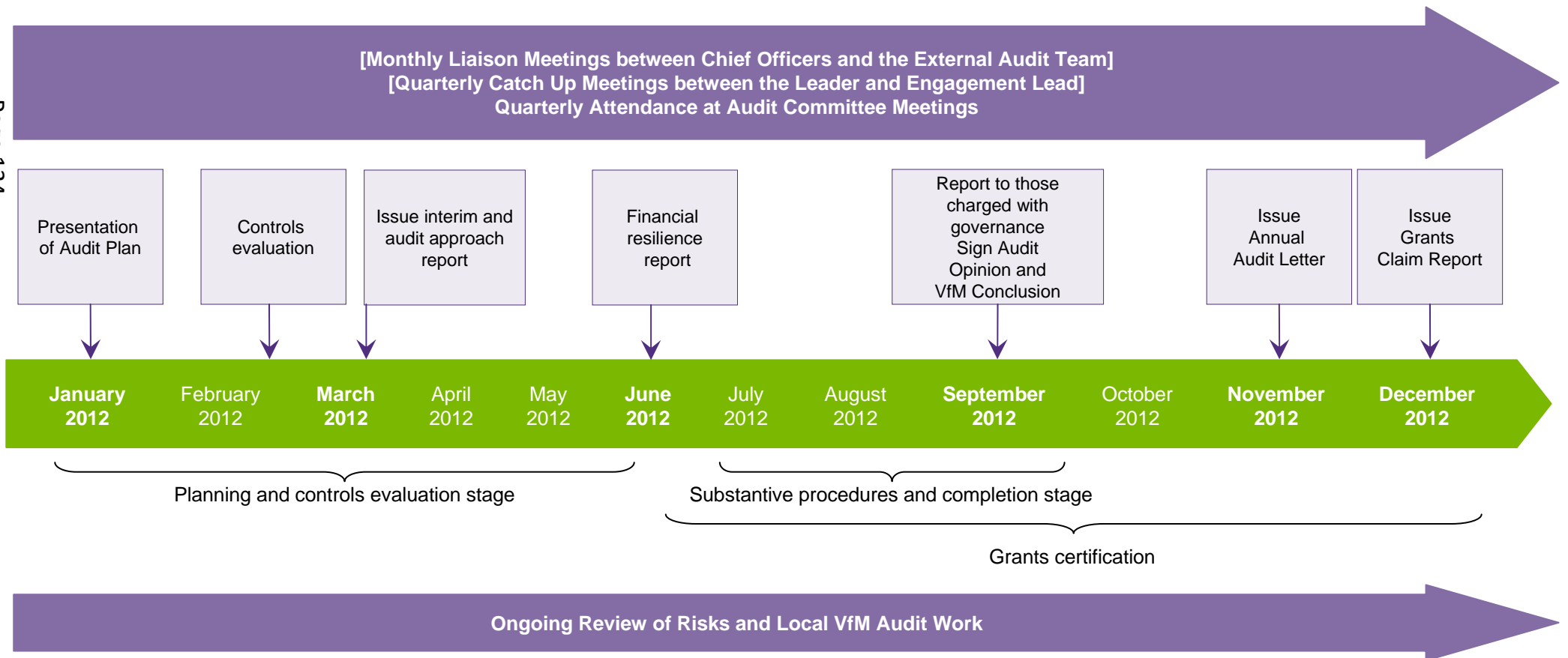
Reports are addressed to the Audit Committee and management and are prepared for the sole use of the Council. No responsibility is taken by the auditors to any member or officer in their individual capacity, or to any third party.

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Output	Purpose	Issue date
Audit Plan	<ul style="list-style-type: none"> Outline audit approach for the accounts and VfM audits Identify initial high risk areas and our planned response Confirm Plan with Audit Committee 	January 2012
Interim Report	<ul style="list-style-type: none"> Report the results of the control evaluation of our audit and its impact on our planned audit approach Confirm focus areas for the audit of the accounts based on updated risk assessment Provide certain disclosures to those charged with governance under auditing standards Confirm with Senior Officers and Audit Committee 	March 2012
Financial Resilience	<ul style="list-style-type: none"> the Council has proper arrangements in place for securing financial resilience 	June 2012
Report to those charged with Governance (ISA 260)	<ul style="list-style-type: none"> Highlight key issues arising from the audit and the resolution of these Communication of adjusted and unadjusted audit differences Improvement recommendations resulting from audit procedures 	September 2012
Auditor's Reports	<ul style="list-style-type: none"> Report on Watford Borough Council's financial statements Report on Watford Borough Council's value for money conclusion 	September 2012
Annual Audit Letter	<ul style="list-style-type: none"> Short summary of the key issues arising from our 2011/12 audit 	November 2012
Grants Claim Certification	<ul style="list-style-type: none"> Highlights key issues arising from our grants certification work Recommendations identified for improvement 	December 2012

Timeline

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Appendices

Appendix A

Independence and objectivity

We are not aware of any relationships that may affect the independence and objectivity of the audit team, which we are required by auditing and ethical standards to communicate to you.

We comply with the ethical standards issued by the APB and with the Commission's requirements in respect of independence and objectivity as summarised below.

Auditors appointed by the Audit Commission are required to comply with the Commission's Code of Audit Practice and Standing Guidance for Auditors, which defines the terms of my appointment. When auditing the financial statements auditors are also required to comply with auditing standards and ethical standards issued by the Auditing Practices Board (APB).

The main requirements of the Code of Audit Practice, Standing Guidance for Auditors and the standards are summarised below.

International Standard on Auditing (UK and Ireland) 260 (Communication of audit matters with those charged with governance) requires that the appointed auditor:

- discloses in writing all relationships that may bear on the auditor's objectivity and independence, the related safeguards put in place to protect against these threats and the total amount of fee that the auditor has charged the client
- confirms in writing that the APB's ethical standards are complied with and that, in the auditor's professional judgement, they are independent and their objectivity is not compromised.

The standard defines 'those charged with governance' as 'those persons entrusted with the supervision, control and direction of an entity'. In your case, the appropriate addressee of communications from the auditor to those charged with governance is the audit committee. The auditor reserves the right, however, to communicate directly with the authority on matters which are considered to be of sufficient importance.

The Commission's Code of Audit Practice has an overriding general requirement that appointed auditors carry out their work independently and objectively, and ensure that they do not act in any way that might give rise to, or could reasonably be perceived to give rise to, a conflict of interest. In particular, appointed auditors and their staff should avoid entering into any official, professional or personal relationships which may, or could reasonably be perceived to, cause them inappropriately or unjustifiably to limit the scope, extent or rigour of their work or impair the objectivity of their judgement.

The Standing Guidance for Auditors includes a number of specific rules. The key rules relevant to this audit appointment are as follows:

- Appointed auditors should not perform additional work for an audited body (i.e. work over and above the minimum required to meet their statutory responsibilities) if it would compromise their independence or might give rise to a reasonable perception that their independence could be compromised. Where the audited body invites the auditor to carry out risk-based work in a particular area that cannot otherwise be justified as necessary to support the auditor's opinion and conclusions, it should be clearly differentiated within the audit plan as being 'additional work' and charged for separately from the normal audit fee.
- Auditors should not accept engagements that involve commenting on the performance of other auditors appointed by the Commission on Commission work without first consulting the Commission.
- The Engagement Lead responsible for the audit should, in all but the most exceptional circumstances, be changed at least once every five years
- The Engagement Lead and senior members of the audit team are prevented from taking part in political activity on behalf of a political party, or special interest group, whose activities relate directly to the functions of local government or NHS bodies in general, or to a particular local government or NHS body.
- The Engagement Lead and members of the audit team must abide by the Commission's policy on gifts, hospitality and entertainment.

Keeping you up to date...

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Grant Thornton

Spending Review 2010 Headlines

Grant Thornton

The Bribery Act 2010

Spring 2011

Grant Thornton

Sustainable cities

A vision of our future landscape



Grant Thornton

long's in and e real ver the port ay

Barry Perry, Grant Thornton

The focus on jobs that support economic activity is clear. The investment in transport and green energy is welcome alongside the positive announcements on skills and Regional Growth Funds which will harness expertise and drive growth.

Grant Thornton

Annual Governance Statement: adding real value?

Grant Thornton

Is your audit committee effective?

Spring 2011

Grant Thornton

Asset management

Grant Thornton

Surviving the storm: how resilient are local authorities?

summary findings 2011 our findings result in 4 key implications for local authorities summer 2011

and buildings which are held largely idly and cost in use is often not well met, but hidden cost overheads being set against it is possible to both reduce.

Our approach typically evolved through a cycle of:

- Performance Analysis
- Intervention
- Options and Prioritisation

performance diagnosis - since we have established an inventory of property and land assets, we would undertake an initial assessment of two factors for each asset:

1. the building cost and the potential realisable value. From this analysis we would hope to identify high cost and/or high value assets.
2. the strategic value to service delivery, efficiency in use and the challenges that may prevent early rationalisation.

The output from this phase would be the identification of a portfolio of assets that are candidates for further in depth review.

options and prioritisation - the candidates would then be evaluated in detail to determine the range of options for rationalisation, covering the key risks, challenges, costs and benefits that may be realised. This analysis would lead to prioritisation and a plan for implementation.

28% reduction in funding

Staff consistency: minimal open cut

Free loading of cuts makes things worse for local authorities

Local government faces a perfect storm

From Total Place to Big Society

Major restructuring of services announced

Pressure on social care provision

Merger talks progressing between councils

Necessity to open up planned library closures



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PART A

Report to: Audit Committee
Date of meeting: 12th January 2012
Report of: Audit Manager
Title: Internal Audit Progress Report

1.0 **SUMMARY**

This report and appendices provide updated information on the work undertaken by Internal Audit on the 2011/2012 Audit Plan in the period 1st April 2011 to 30th November 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 – Audit Manager
telephone extension 8104 (Watford) or (01923) 727463 (Three Rivers) 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 September 2011 to progress the Audit Plan for 2011/2012. Appendix (1) shows the position on individual audits from the 2011/2012 Audit Plan as at 30 November including cumulative time taken for the year compared to the time allocated in the annual audit plan. Appendix (2) shows the local performance measures to the same date.
- 3.2 The work undertaken to 30 November 2011 on the planned audits for 2011/2012 – namely Section 106 funds, the Museum, Decent Homes Grants, Insurance, Benefit Subsidy Claims, Current Contracts (Vehicle Maintenance), COA Post implementation review, Money Laundering, Financial Procedure Rules, Construction Industry Scheme (CIS) payments, Hospitality, IT Project Management – has not at this stage generated issues that need to be brought to the attention of the Audit Committee, other than as previously reported or as subsequently detailed below.
- 3.3 **COA (eFinancials) Post Implementation Review** – the report for this audit is currently in draft form and is based on a review of the security of data within the financial management system.

Processes for adding and deleting users and controlling scheduled access by the supplier were found to have been strengthened during 2011/12. However, the audit identified that action to resolve potential risks to the integrity of data on the eFinancials system and other council systems highlighted by external penetration testing (the ICT Health Check report) completed between October and December 2010 had been significantly delayed.

Moving forward, a prioritised project plan of infrastructure and process improvements to address all of the issues within the ICT Health Check report now forms workstream 5 of the Infrastructure Priority Roadmap programme.

The first phase of this workstream, dealing with the most significant issues, has been underway since November and progress is being reported weekly to the Head of ICT and then fortnightly to the Joint Shared Services Management Team.

- 3.4 **Current Contracts (Vehicle Maintenance)** – The audit has made recommendations in relation to documenting the systems for monitoring the existing and future contracts, obtaining a copy of the signed contract and implementing key indicators against which to monitor the performance of the contract. These have been accepted by the service and will be implemented for the new contract that is currently being tendered.

3.5 **Money Laundering** - Although a money laundering procedure note was introduced in 2006, there are no specific controls in place to ensure that potential money laundering cases are notified to the Money Laundering Reporting Officer (MLRO). In particular it was noted that whilst cash payments are regularly received by the Income Team, staff were not aware that reports should be made to the MLRO whenever large amounts of cash are paid to the council.

Recommendations have been made to ensure that regular refresher training on the processes for identifying and dealing with suspected money laundering cases is arranged for all staff responsible for taking cash payments or issuing refunds.

3.6 **Financial Procedure Rules** – A draft report has yet to be issued for this report. The initial findings are that the council's financial procedure rules (FPRs) have not been fully reviewed since 2008 and their availability is poorly signposted for staff.

3.7 **Hospitality** – The current guidance and forms regarding the receipt and recording of gifts and hospitality need to be updated to ensure they reflect the implications of the Bribery Act 2010 that came into force in July 2011.

Inconsistency in the completion of records when gifts are received, identified through testing for this audit, could potentially bring the adequacy of existing processes into question when looked at in the light of the Bribery Act requirements if left unchecked.

3.8 **IT Project Management** – This report identified and made recommendations in relation to the need to standardise the processes for project initiation and project closedown, including the completion of a project review to ensure that appropriate lessons are learned from what went well and what could have gone better for each project. The recommendations have now been implemented.

3.9 **Reconciliations** – Implementation of the new income management system has impacted on the production of bank reconciliations for Watford, with the last being completed in September 2011. Finance staff are confident that following successful completion of the bank reconciliations for Three Rivers using the new income management system that the reconciliations for Watford will soon be brought up to date.

Reports have been generated from the Academy systems for Revenues & Benefits that should allow reconciliation to the eFinancials system. Analysis of the Academy reports had yet to be completed by Finance at the time of writing this report to Audit Committee and as a result the Academy Revenues & Benefits systems had not been reconciled to eFinancials as at that time.

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

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.

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

Project	Progress as at 30 November 2011	Days Allocated 2011/12	Days Taken 2011/12
Audits Brought forward – 2010/2011			
Benefits Administration	Final report – 15 07 11	-	5.2
Data Quality - WATFORD	Final report – 12 08 11	-	7.4
Council Tax	Final report – 15 07 11	-	7.7
NNDR	Final report – 15 07 11	-	6.0
FMS – Reconciliations	Final report – 08 04 11	-	0.1
Budget Monitoring – WATFORD	Final report – 04 04 11	-	0.1
VAT (Deloitte & Touche)	Final report – 30 06 11	-	
IT - Information Governance (Deloitte & Touche)	Updated Draft report – 17 10 11	-	
IT - Remote Working (Deloitte & Touche)	Draft report – 25 05 11	-	
2010/11 Audits – Total (WBC staff days)		-	26.5
2011/2012 Audits			
Shared Audits			
Payroll		15	
Recruitment	Work in Progress	8	1.2
NNDR		15	
Council Tax		15	
Benefits		25	
Creditors		15	
Debtors		15	
FMS Reconciliations	Work in Progress	25	1.3
Insurance	Final draft report – 07 11 11	10	12.0
IT - Network Controls – follow up		5	
IT - Disaster Recovery and Back-up		10	
IT – Project Management (Deloitte)	Final report – 15 11 11	10	10.0
IT - Asset Management		5	

Project	Progress as at 30 November 2011	Days Allocated 2011/12	Days Taken 2011/12
IT - Virus Protection		5	
COA – Post Implementation Review	Work in progress	20	12.9
Watford BC			
Income Collection		15	
Benefits Subsidy Claim	Final report – 17 10 11	8	7.9
Benefits Overpayments	Work in progress	8	0.2
Treasury Management		6	
Budget Monitoring		8	
Construction Industry Scheme (CIS)	Draft report stage	5	6.0
Section 106	Final report – 14 11 11	8	13.2
Financial Procedure Rules	Draft report stage	4	3.2
Hospitality	Draft report stage	3	2.3
Money laundering	Draft report – 29 09 11	5	5.7
Current Contracts (Vehicle Maintenance)	Draft report – 27 10 11	10	17.0
Home Improvement Grants	Final report – 02 09 11	10	9.6
Museum	Final report – 12 08 11	10	10.2
CSC	Work in progress	5	0.5
External Audit Recommendations – follow up		8	
Additional Audit			
West Herts Crematorium	Final report – 14 07 11	0	1.9

LOCAL PERFORMANCE MEASURES 2011/2012

<u>Criteria</u>	Target p.a. (as per Audit Plan)	Actual To 30 November 2011	Comment
% of annual audit plan achieved. Based on number of audits.	92%	N/A	Best measured at year end.
Sickness – average days per employee.	4	1.5	
Training – average days	4	6.7	Time includes for internal and external seminars/training. All auditors hold a relevant qualification and two are now studying for a higher qualification.

Criteria	<u>Target p.a.</u>	Actual To 30 November 2011	Comment
Final audit reports issued within 10 available working days of agreement to draft report.	100%	100%	
Level of customer satisfaction	94%	95.75%	Based on five surveys returned for 2011/2012 to date.

Agenda Item 8

PART A

Report to: Audit Committee
Date of meeting: 12th January 2012
Report of: Audit Manager
Title: Implementation of Internal Audit Recommendations

- 1.0 **SUMMARY**
This is the 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 – Audit Manager
telephone extension 8104 (Watford) or (01923) 727463 (Three Rivers) email:
mark.allen@watford.gov.uk

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

3.0 **DETAILS**

3.1 **Benefits, Council Tax and NNDR**

Work on implementing the recommendations from the external consultants report continues. The outstanding Internal Audit recommendations from previous years have been superseded by the recommendations arising from the 2010/2011 Internal Audit work.

The majority of recommendations relating to Benefits, Council Tax and NNDR audits for 2010/2011 are not due to be implemented until December 2011 or later. All of the recommendations that were due to be implemented by November 2011 have been reported as implemented by the Head of Revenues & Benefits.

3.2 **Procurement.**

A Procurement Officer, Howard Hughes, has now been appointed and took up the post on 5 December. A copy of the Internal Audit report has been sent to the Procurement Officer and this will allow the recommendations relating to the promotion of good procurement practice to be moved forward.

3.3 **Health & Safety Follow Up**

33 of the original 36 recommendations are now reported to have been implemented or are no longer required. Progress continues to be made in implementing the 3 outstanding recommendations.

3.4 **IT Service Desk / Change Management and IT BACS Payments**

Follow up of ICT implementation of recommendations has been put on hold until the conclusion of the 12 week change freeze. Follow up will recommence in February 2012 to allow the position to be reported to the March Audit Committee.

3.5 **Reconciliations**

Follow up of the 2010/2011 recommendations has been undertaken as part of the 2011/2012 audit process.

The formalising of responsibilities for addressing differences arising from the reconciliation of the Academy systems to the eFinancials system is still outstanding pending analysis of the bespoke reports from the Academy system that will facilitate the reconciliations.

Following the successful implementation of the new income management system in October the two other outstanding recommendations, relating to harmonisation of reconciliation formats and the allocation of responsibility for reconciling the new income management system to other financial systems, are still to be fully implemented.

The work on implementation of the income management system has meant that the bank reconciliation for Watford was last performed in mid September 2011. The supporting reconciliations have continued to be performed and work is underway to bring the Watford bank reconciliation up to date following successful completion of the Three Rivers bank reconciliation for November 2011 using the new system.

3.6 There are no other outstanding recommendations from prior years to report to Committee. There are no outstanding recommendations to report for audits completed to date for 2011/2012.

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

Report to: Audit Committee
Date of meeting: 12 January 2012
Report of: Head of Strategic Finance
Title: Treasury Management Quarterly Report

1.0 **SUMMARY**

1.1 This report provides the third quarter's 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

3.0 Background

- 3.1 The UK and global economies have experienced a slowing of overall growth projections. Combined with that there has continued to be turmoil within the EU community. The recent Heads of State meeting in Brussels resulted in a Treaty signed by 26 members of the EU (the UK rejected the Treaty). It is now apparent that there are serious divisions across Europe regarding the detail within the Treaty and it is likely that President Sarkozy will get increasingly isolated.
- 3.2 The 27 European Finance Ministers are due to discuss (19th December) the lending of 200 billion of euros to the IMF which, in turn, would make that available to euro countries requiring funding. There is a great deal of doubt that this will be delivered as it is dependent upon the 10 non euro zone countries within the EU having to contribute 50 billion euros of the total. The UK has been pencilled in to contribute 30 billion even though it rejected the latest Treaty. It is possible that the IMF itself will make additional credit facilities available to euro zone countries but there continues to be understandable reluctance from the USA/ Canada that the IMF should be required to solve Europe's problems for them.
- 3.3 Just before the festive break, the European Central Bank announced unlimited credit facilities for private banking institutions across Europe. This had an immediate (if worrying response) in that this facility was drawn down by over 17.3 billion euros before the Xmas recess (with a further drawdown of 14.8 billion euros on 3rd January). This indicates the scale of private banking difficulties. President Sarkozy has a master strategy whereby these banks borrow extensively from the ECB (at 1% rates of interest) and lend on to their own national governments at the going rate (circa 3-4%). This has had limited success but the ECB exposure to euro zone debt is now very significant and the northern Europe countries are extremely concerned.
- 3.4 The credit rating agencies have taken a dim view of the current situation and it is only a matter of time before countries such as France and Austria lose their much cherished triple AAA credit rating. This has caused a political back lash in France where national elections will be held in the Spring 2012.
- 3.5 The consequence of this accumulation of 'fear' has resulted in a situation where UK banks have reduced their exposure to club med countries and also to French Banks and have increased their lending to US, German and Dutch financial institutions.
- 3.6 The global slowdown in the economy has resulted in an increase in the UK base rate being delayed until probably 2013. This continues to be 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.
- 3.7 For Watford, 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 three quarters of the year an average 1.23% has been achieved). The volatility in the financial markets referred to earlier has meant that Watford's strategy continues to be to keep our investments with a relatively short maturity profile and this has affected investment returns.

4.0 Current Investment Strategy

4.1 The over-riding criteria for the Council's investments is governed by:

S ecurity of the investment (how safe is the counterparty)

L iquidity (how quickly can you move your investment somewhere else)

Y ield (what rate of interest can you achieve)

In that priority order.

4.2 Another tenet of investment strategy is to spread investments and, when last reported to Audit Committee in September, it was intended to restrict all investments in banks to £3m or less per institution and to £2m for the top 5 building societies (the Treasury Policy Statement approved by Council permits £5m and £3m upper limits). Council has also approved the placing of overnight money with Nat West (maximum ceiling £10m) and the Co-op (maximum ceiling £5m).

4.3 Since the last report to the Audit Committee, the Council has received a number of refunds from the Government relating, for example, to overpayments to the Business Rates Pool (circa £3m). As a consequence the balance of the Council's investment portfolio has increased from £33m to £39m and a temporary home was required for the Council's cash. This does cause a problem as the counter party list available to the Council is not large (unless we were to increase our lending list which is not advisable at the present time). There is always recourse to the Government Debt Management Office (DMO) where the rate of interest on offer is only 0.25%. The Government also own circa 90% of RBS and 43% of Lloyds and the Council's Treasury adviser, Sector, continue to recommend these institutions as safe havens.

4.4 Faced with this dilemma, the Head of Strategic Finance instructed the treasury officers within Shared Services Finance to place an additional £2m with Barclays for three months at 0.88% rate of interest. This will bring the Council's exposure to Barclays up to the upper limit of £5m permitted within the Treasury Policy Statement. He also instructed a further £3m be placed with Lloyds for a four month period at 1.70% rate of interest. The Council already has £3m with Lloyd's which is due to mature on 6th March 2012 and until that date the Council's exposure will be £6m which is £1m in excess of Treasury Policy guidelines.

4.5 The reason for this particular course of action includes Lloyds are 43% Government owned; Sector Treasury advisers recently recommended (within the last month to all its clients) to invest in Lloyds for 12 months duration—our current investments have a maximum exposure of 4 months; Lloyds have recently announced the Co-operative bank as having preferred bidder status for circa 634 of its banking outlets which fulfils an EU requirement, will bring in capital and will give the market confidence; finally the Chief Executive of Lloyds (Antonio Horta Osorio) has announced he will return to work on 9th January which has again provided some comfort to the markets.

4.6 The Audit Committee is asked to note this divergence to the current Treasury Policy Statement and which will be notified to Council when the Treasury Policy Statement is reviewed on 21st March 2012. The current portfolio is attached at **Appendix 1** and continues to have a predominantly short maturity profile with

£31m of investments due to mature by 14th March 2012.

5.0 IMPLICATIONS

5.1 Financial Issues

The Head of Strategic Finance comments that the revenue estimates for 2011/2012 has assumed £346k of investment interest will be achieved (based upon a 1.3% rate of return). The current rate of return is 1.23% so it is hoped that anticipated income will be achieved.

5.2 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.

5.3 Potential Risks

Potential Risk	Likelihood	Impact	Overall score
Investment with non approved body	1	3	3
Investment with an approved counterparty that subsequently defaults	1	4	4
Failure to achieve investment interest budget targets	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.			

5.4 Staffing

None Directly

5.5 Accommodation

None Directly

Loans Ref	Iolendref	Loan Type	Broker	Profile	Fix/Var	Notice	Start Date	Maturity	Principal	Rate	Appendix 1
1005	CLYDESDA	D		V	V		06-Apr-10	- -	-3,000,000.00	0.85	
1010	NATWESTS	D		V	V		27-Apr-10	- -	-9,000,000.00	0.90	
1025	CO-OP	D		V	V	C	01-Jul-10	- -	-2,820,000.00	0.56	
1035	BARCLAYS	D	TRAD	M	F		09-Feb-11	08-Feb-12	-3,000,000.00	1.50	
1038	NATWESTS	D		M	F		19-May-11	18-May-12	-2,000,000.00	1.51	
1039	SKIPTON	D	STER	M	F		27-Jul-11	25-Jul-12	-2,000,000.00	2.00	
1042	YORKSHIR	D	PREB	M	F		05-Sep-11	03-Sep-12	-2,000,000.00	1.50	
1047	NATIONWI	D	STER	M	F		23-Nov-11	23-Feb-12	-2,000,000.00	0.95	
1048	LLOYDSTS	D		M	F		06-Dec-11	06-Mar-12	-3,000,000.00	1.30	
1049	SANTAND	D		M	F		07-Dec-11	07-Mar-12	-3,000,000.00	1.35	
1050	COVENTRY	D	TRAD	M	F		09-Dec-11	09-Mar-12	-2,000,000.00	0.96	
1051	BARCLAYS	D	TRAD	M	F		15-Dec-11	14-Mar-12	-2,000,000.00	0.88	
1052	LLOYDSTS	D		M	F		15-Dec-11	13-Apr-12	-3,000,000.00	1.70	
									-38,820,000.00		

As at 30th December 2011.

Agenda Item 10

Report to: Audit Committee
Date of meeting: 12 January 2012
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

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.
- 3.1 The Appendix shows those actions that have been completed since the last review of the Audit Committee on 30th June 2011. Any items that were recorded as being resolved in the last review have been omitted from this report.
- 3.2 Of the original 73 recommendations, 13 that are not “business critical” remain open with a deadline in 2012 as shown. 2 recommendations ref 3.6.2 and 3.6.4 are noted as resolved “in part” as they are subject to a meeting to agree implementation on 6 January 2012. A further recommendation 5.3.11 is also shown as resolved “in part” as this is subject to ongoing activity by the Revenues Manager.
- 3.3 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. However those that remain open focus on the operational effectiveness of the service.

4.2 Legal

No implications

4.3 Potential Risks

Potential Risk	Likelihood	Impact	Overall score
Failure to carry out reconciliations	1	4	4
Cheque and payment processes need review	1	4	4

Any risks scoring 9 or above are considered significant and will need specific attention in project management.

Background Papers

None

REVENUES AND BENEFITS HEALTH CHECK: PROGRESS AGAINST ACTION PLAN AS AT 3 JANUARY 2012

Ref No.	Recommendation	Risk Priority	Action to Date	Responsibility	Deadline	Resolved	Revised deadline
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 03/01/12 – Process has been devised to enable regular reconciliation and support measures currently in place. Final meeting scheduled for 06/01/12 to agree implementation and operation	Benefits Manager	March 2011	In part	
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 03/01/12 – Process has been devised to enable regular reconciliation and support measures currently in place. Final meeting scheduled for 06/01/12 to agree implementation and operation	Benefits Manager	March 2011	In part	
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 03/01/12 – The current system of journal entries is considered adequate	Benefits Manager	March 2011	Yes	
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. 03/01/12 – Resolved. HB payments are run twice weekly and able to run ad-hoc payments via the system avoiding any reconciliation issues	Benefits Manager & Revenues Manager	April 2011	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	Yes	

Ref No.	Recommendation	Risk Priority	Action to Date	Responsibility	Deadline	Resolved	Revised deadline
			03/01/12 – Procedure Maps have been sent to ACS so that this resource may be used				
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. 03/01/02 – Completed by 29 August 2011	Head of Revenues & Benefits	April 2011	Yes	
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 2011/12	Head of Revenues & Benefits	April 2012	No	
5.3.7	Plan for single persons discount review over quarters 3 and 4	Low	Working in partnership with Herts CC 03/01/02 – Review commenced in December 2011	Revenues Manager	December 2011	Yes	
5.3.10	Harmonise payment dates as soon as possible	Medium	Most date are harmonised apart from DD. Will review for 2012/13 03/01/02 – Review carried out September 2011 and no business case to amend payment dates	Revenues Manager	April 2012	Yes	
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 03/01/02 – Review is continuing but not a high priority. Revised deadline set for December 2012	Revenues Manager	October 2011	No	December 2012
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 03/01/02 – Harmonised write-off policy agreed and debts not being written off in accordance with policy	Revenues Manager	September 2011	Yes	
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
5.3.19	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 03/01/12 – As we have moved further away from the migration from previous systems to Academy, there is no longer a business case for converting notepads. Access is available and for the volume of cases affected deemed sufficient. – Closed	Policy Quality & Training Team Leader	April 2011	Yes	
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 03/01/12 – This has been subject of a number of discussions with Northgate the system providers. Progress is slow but we are continuing to explore how best to use the system	Policy Quality & Training Team Leader	April 2011	No	Feb 2012 (from 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 2012
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 Programme Board. 03/01/02 – Migration completed 29/0811	Head of Revenues & Benefits	April 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 03/01/02 - Regular monitoring now underway using reports from both	Policy Quality & Training Team Leader	April 2011	Yes	

Ref No.	Recommendation	Risk Priority	Action to Date	Responsibility	Deadline	Resolved	Revised deadline
			Academy and Anite				
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. 03/01/12 – recent attention has been on clearing cases and any issues have been dealt with on a case by case basis. There is an acknowledgment that refresher training is required and this will be arranged for May 2012	Policy Quality & Training Team Leader	April 2011	No	May 2012 (from July 2011)
6.6.6	Undertake customer surveys to measure satisfaction with the service	Medium	Agreed to work in collaboration with both CSC 03/01/12 – This has not been a high priority to date with focus on clearing work)	Head of Revenues & Benefits	June 2011	No	June 2012 (from June 2011)
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 03/01/12 – This has not been a high priority to date with focus on clearing work)	Head of Revenues & Benefits	June 2011	No	June 2012 (from June 2011)
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. 03/01/02 – Completed by 29/08/11	Head of Revenues & Benefits	April 2011	Yes	Aug 2011
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 03/01/02 – Triage system now in place to identify clean claims and prioritise	Benefit Manager	June 2011	Yes	
7.1.5	Commence customer feedback surveys. Consider a target for customer satisfaction	Medium	Repeat of 6.6.6 and 6.6.7 above 03/01/12 – This has not been a high priority to date with focus on clearing work)	Head of Revenues & Benefits	June 2011	No	June 2012 (from June 2011)
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,	Policy, Training & Quality Team	April 2011	Yes	

Ref No.	Recommendation	Risk Priority	Action to Date	Responsibility	Deadline	Resolved	Revised deadline
			Training & Quality Team Leader will be responsible 03/01/12 – Procedure Maps have been sent to ACS so that this resource may be used	Leader			
7.1.13 And 3.6.4	Reconcile the benefits system to all other systems such as Council Tax and Finance	High	To be dealt with at the same time as 3.6.2 above 03/01/02 – Now resolved. Measures now in place to enable daily reconciliation	Benefits Manager	March 2011	Yes	
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) 03/01/02 – Multi-tray printer now in place to enhance printing ability	Head of Revenues & Benefits	April 2011	Yes	
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 03/01/12 – This has been subject of a number of discussions with Northgate the system providers. Progress is slow but we are continuing to explore how best to use the system	Policy Quality & Training Team Leader	April 2011	No	Feb 2012 (from 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 03/01/02 – No longer a priority so deferred to March 2012	Benefit Manager	June 2011	No	March 2012
8.1.9	Set up Watford income section users on the Three Rivers systems	Medium	Agreed. Scheduled for completion in June 2011 03/01/02 – Completed with introduction of Income Management System	Income Team Leader	June 2011	Yes	
8.1.11	Harmonise HR policies as soon as possible	High	Corporate initiative underway 03/01/02 – Corporate exercise completed	Head of HR	June 2011	Yes	
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	