

# Public Document Pack



## AYLESBURY VALE DISTRICT COUNCIL

### Democratic Services

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29 October 2015

### AUDIT COMMITTEE

A meeting of the **Audit Committee** will be held at **6.30 pm** on **Monday 9 November 2015** in **The Olympic Room, Aylesbury Vale District Council, The Gateway, Gatehouse Road, Aylesbury, HP19 8FF**, when your attendance is requested.

Contact Officer for meeting arrangements: Craig Saunders; [csaunders@aylesburyvaledc.gov.uk](mailto:csaunders@aylesburyvaledc.gov.uk);

**Membership:** Councillors: T Mills (Chairman), K Hewson (Vice-Chairman), B Chapple OBE, M Collins, A Hetherington, S Renshell, M Smith, R Stuchbury, D Town and H Mordue (ex-Officio)

### AGENDA

#### 1. APOLOGIES

#### 2. TEMPORARY CHANGES TO MEMBERSHIP

Any changes will be reported at the meeting.

#### 3. MINUTES (Pages 1 - 10)

To approve as a correct record the Minutes of the meeting held on 26 September, 2015, attached as an appendix.

#### 4. DECLARATION OF INTEREST

Members to declare any interests.

#### 5. EXTERNAL AUDIT - ANNUAL LETTER (Pages 11 - 22)

To consider the report attached as Appendix B.

Contact Officer: Evelyn Kaluza (01296) 585549

#### 6. BUSINESS ASSURANCE SERVICES - PROGRESS REPORT (Pages 23 - 32)

To consider the report attached as Appendix C.

Contact Officer: Evelyn Kaluza (01296) 585549

#### 7. WORK PROGRAMME (Pages 33 - 34)

To consider the item attached as Appendix D.

Contact Officer: Evelyn Kaluza (01296) 585549

## **8. DATE OF FUTURE MEETINGS**

The next meeting of the Audit Committee would be held at 6.30pm on 25 January, 2016, in the Olympic Room at The Gateway, Gatehouse Road, Aylesbury.

## Audit Committee

28 SEPTEMBER 2015

**PRESENT:** Councillor T Mills (Chairman); Councillors K Hewson (Vice-Chairman), B Chapple OBE, M Collins, S Renshell, M Smith, R Stuchbury and D Town

Also present: David Guest from Ernst and Young LLP.

**APOLOGIES:** Councillors A Hetherington and H Mordue

### RISK MANAGEMENT

Prior to the commencement of the formal business of the meeting, Members received a presentation from the Business Intelligence and Assurance Officer on Risk Management and the work/actions being undertaken by Council Officers and Members in response.

#### 1. MINUTES

RESOLVED –

That the minutes of the meeting held on 27 July, 2015, be approved as a correct record.

#### 2. EA AUDIT RESULTS REPORT (ISA 260)

The Committee had received a report on the current position with the draft Statement of Accounts for 2014-15 to the July meeting, prior to the accounts being submitted to the external auditors.

The Audit Commission's Code of Audit Practice required the external auditors to report to 'those charges with governance' on the work carried out to discharge the external auditors statutory and audit responsibilities, together with any governance issues identified.

The Committee received a report summarising the auditors findings from the 2014-15 audit which was substantially complete. It included the messages arising from the audit of the financial statements and the results of the work undertaken to assess the Council's arrangements to secure value for money in the use of resources. The report highlighted the following key findings:-

- (i) Financial Statements – it was expected to issue an unqualified opinion, subject to the satisfactory clearance of any outstanding work. The audit results demonstrated that the Council had adequately prepared the financial statements.
- (ii) Value for Money – it was expected to conclude that the Council had made appropriate arrangements to secure economy, efficiency and effectiveness in the use of resources.
- (iii) Whole of Government accounts – it was expected to issue an unqualified confirmation to the National Audit Office regarding the Whole of Government accounts submission, and that there were no significant matters to report.
- (iv) Audit Certificate – it was expected to issue the audit certificate at the same time as the Audit Opinion, which demonstrated that the full requirements of the Audit Commission's Code of Audit had been discharged for the relevant audit year.

During their work, the external auditors had identified two significant audit risks and a number of other audit risks. These had been reported to Members in the Audit Plan. An explanation of the approach taken by the external auditors to look at these and how they had gained audit assurance on them was also included in the report. The identified issues were:-

### **Significant Audit Risks (including fraud risks)**

- Risk of Management Override – management was in a unique position to perpetrate fraud because of their ability to directly or indirectly manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. As such, the external auditors considered this fraud risk as a part of every audit engagement.
- Revenue and expenditure recognition – ISA 240 required auditors' consideration of the risks of material misstatement due to fraud to be based on a presumption that there were risks of fraud in revenue and expenditure recognition. This was due to the potential pressures or incentives on management to commit fraudulent financial reporting to achieve an expected financial outcome through inappropriate revenue and expenditure recognition.

Given the level and nature of revenue and expenditure; and the financial challenges facing the Council, we are unable to rebut this presumption of fraud and therefore assess this as a significant risk.

### **Other Audit Risks**

- New Monitoring Officer – the Monitoring Officer had been replaced with an interim Monitoring Officer during 2014/15. Due to the importance of this role in maintaining the highest standards of conduct for elected Councillor's and staff, there was a risk that the interim Monitoring Officer was not appropriately experienced or qualified to perform their role.
- Group Accounting – it was important that the Council's share of transactions was accounted for properly. As the Aylesbury Vale Estates accounts were produced using UKGAAP versus AVDCs using IFRS, the Council needed to ensure that arrangements were in place to make appropriate IFRS judgements.
- Property, Plant and Equipment (PPE) – an error identified in the 2013/14 accounts had required amendment. This had been caused by the useful lives of some assets not being updated in line with the External Valuers revaluations. This led to corrections being made on depreciation charges, gross book values and land and buildings figures. The impact of these errors were outlined in Appendix A to the external auditors' report.
- Non-Distributed Costs – the external auditors had identified last year that this expenditure line had been used for items which should have been classified elsewhere in the Comprehensive Income and Expenditure Statement. No issues arose this year during testing.
- Design and Operation of Internal Controls – a number of historic control issues relating to the APTOS finance system (being replaced for 2015/16) meant that the auditors were unable to rely on controls for Accounts Receivable, Accounts Payable and journal systems. The auditors' walkthrough confirmed that the

control issues remained although some work had also been done to provide controls over the financial systems in place.

The audit had identified a number of misstatements, all of which management had corrected during the course of audit work. Details of these were provided at Appendix A to the auditor's report. The auditors had not identified any misstatements that management had chosen not to adjust

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, the auditors required to communicate significant findings from the audit and other matters that were significant to the oversight of the Council's financial reporting process including the following:

- Qualitative aspects of your accounting practices; estimates and disclosures.
- Matters specifically required by other auditing standards to be communicated to those charged with governance. For example, issues about fraud, compliance with laws and regulations, external confirmations and related party transactions.
- Any significant difficulties encountered during the audit.
- Other audit matters of governance interest.

However, there were no issues relating to these that the auditors wished to report.

The auditor's report also included information on the values that had been used to determine a magnitude for uncorrected misstatements to be material for the financial statements as a whole. For the Council's financial statements this was 2% of gross expenditure (£2.118m) and for the Group Accounts it was 2% of gross expenditure in the accounts (£2.066m). A Tolerance Error (TE) had also been set at the more detailed level of an individual account or balance. It had also previously been agreed with the Audit Committee that all audit differences in excess of £0.106m would be reported.

There were also a number of other matters reported including that eight Members had not responded to the Council's related party disclosure request. Six of these were for Councillors who either did not stand or were unsuccessful in being re-elected at the 2015 elections. Two related to Members who had been re-elected in 2015. While the auditors had asked for a specific representation regarding these transactions to provide assurance where the returns had not been received, it was recommended that the Council put in place arrangements to ensure that all future returns are collected in a timely manner.

The audit had looked at both the arrangements for securing financial resilience and arrangements for securing economy, efficiency and effectiveness and had not identified any significant risks under these criterion nor did they have any issues to report. It was commented that the Council continued to face financial challenges due to the ongoing austerity measures being promulgated by central Government.

The external auditors confirmed that the total audit fee was in line with the agreed fee at this point in time, subject to the clearance of the outstanding audit work. It had not been necessary to undertake any non-audit work outside of the Audit Commission's Audit Code requirements.

Members sought and were provided with additional information as follows:-

- (i) that during the course of the audit it had been identified that the information produced by the Fixed Asset Register package to reflect the movements during the year was producing an incorrect treatment of the figures. The figures relating to the revaluation of the Community Centres and Hampden House car park had been amended to show the correct position within the Income and Expenditure

account and the revaluation reserve. The supplier of the Fixed Asset Register software was currently working on correcting the reporting error.

- (ii) that the external auditors looked at the work and individual reviews being done by the Business Assurance Service as part of their work, to gain a better understanding of issues such as backlogs or issues identified in individual service areas.
- (iii) that both external and internal audit would have looked at the Aylesbury Vale Estates governance arrangements when that entity had been set up. Further reviews might take place in the future if there were changes to the arrangements.
- (iv) that the Council would review and look to put in place arrangements to ensure that all Members' related parties disclosure returns were collected in a timely manner.

RESOLVED –

- (1) That the matters raised in the external auditors' report and raised by the auditors at the meeting be noted.
- (2) That the Letter of Representation be agreed, and the Chairman of the Audit Committee be approved to sign it off on the Committee's behalf.

### **3. BUSINESS ASSURANCE PROGRESS REPORT**

The Committee received a progress report on assurance work activity undertaken against the 2015/16 Assurance Plan since July 2015 and the following matters were highlighted:-

- (i) **Assurance Reviews completed since the last progress report** – three reviews had been completed on Enterprise Car Pool (savings), Section 106 (Developer Contributions) and Conference Centre Income. All have been given a reasonable assurance.

- (ii) **Assurance Reviews Follow-up**

Transparency Code – Compliance: the target for all datasets had been extended from the end of July to 31 August. There were still 2 non-compliant areas that were 'The Organisation' (salaries, pay scales, senior posts and union facility time) and 'Land and Property'. The second area was more complex to resolve and work had started to update the Uniform system. It was anticipated that the HR information would be uploaded before the end of September

New Finance Software – the new finance system (Tech One) had gone live on 1 June 2015. A number of areas of control had not been implemented and these were listed in the appendix to the report. It had been agreed that the outstanding areas would be implemented by 30 September 2015, with detailed testing then carried out during October / November.

- (iii) **Assurance Plan Work in Progress**

The contract for software to assist the Council to track policy compliance (2014/15 Plan) had been agreed and the project implementation started. It was expected to go live in October 2015.

It was anticipated that the reviews of 2015/16 Data Protection (Off Site and Mobile Devices), 2015/16 Supplier Resilience and 2015/16 Housing Allocations would all commence in September 2015.

- (iv) **Service Risk Assurance 2014/15** – The Assurance Plan had been reviewed and updated for the remaining six months to reflect changes. Some reviews were no longer a priority for this year and in other cases they have been merged with other reviews or removed all together. Details of the changes and on completed and outstanding work was provided at Appendix 2.
- (v) **Update on Impact of Single Fraud Investigation Service** – the two Fraud Investigation staff who reported to the Revenues and Benefits Service Manager transferred to the DWP's Single Fraud Investigation Service on 2 February 2015. Prior to the transfer, the Revenues and Benefits Service had established a Compliance Team and the work of the team has expanded to deal with the ongoing referral of Housing Benefit fraud cases to the DWP and as the point of contact for any exchange of information between the Council and the DWP. These arrangements were documented in an SLA.

Any other allegations of council tax fraud were referred to the Compliance Team mailbox. The team were responsible for drawing information from various sources and making decisions to amend council tax accounts. Penalties were added to accounts, where appropriate. In addition the compliance team had a process for reviewing all discounts, exemptions and disregards on Council Tax which included a risk based priority system.

A more detailed update on the work of the compliance team would be reported to the Committee in November, on the number of housing benefit fraud referrals and the amount of council tax recovered through the compliance team reviews.

- (vi) **Overdue Audit Recommendations and Tracker** – All assurance reviews were followed up at an appropriate point in time to ensure that agreed management actions had been completed. Further follow-ups were undertaken on outstanding actions and where these were six months overdue (or more), they were reported to the Committee.

The Business Assurance Manager did not close cases until she was satisfied that the management control was fully completed or in operation. A further date was then set to review the item again.

A summary on recommendations over 6 months old was detailed at Appendix 4.

- (vii) **Resource Update**

As reported in April 2015, one of the internal auditors had left the Council and the work plan was being managed by the remaining auditor.

Since the last meeting the Business Assurance Manager had been seconded, initially for a 12 month period, to a new role to lead a new venture to achieve substantial future income for the Council.

The Council was legally required to have an internal audit provision (albeit it can be provided by an external provider if necessary) as directed by the Audit and Accounts Regulations 2015. As the Business Assurance Manager had responsibilities for not only internal audit the Director with responsibility Finance was seeking to find an interim solution. It was hoped that these arrangements

would be in place from October 2015. The Chairman of the Audit Committee would be consulted before any arrangements were formalised.

Members sought further information and were informed:-

- further on the arrangements being made for internal audit provision.
- on the impact of the move of two Fraud Investigation staff to the DWP's Single Fraud Investigation Service on 2 February, 2015.
- Network Drives Audit (Overdue Recommendations Tracker) – that the biggest issue for the Council in not finalising the agreed management actions (target date had been 01/05/2012) related to Data Protection Act compliance.
- that the review of Taxi Licensing was being finalised and the outcomes would be reported to the next Committee meeting.
- that the list of outstanding reviews on the Assurance Plan 2015/16 was being reviewed and re-prioritised in light of available staff resources.
- that reviews/audits that gave an overall rating of 'Substantial' or 'Reasonable', meant that there was a good level of confidence on service delivery arrangements, management of risks and the operation of controls and/or performance. Where reviews/audits had a 'Limited' or 'None' rating then a summary of them was provided with the Business Assurance Manager's Progress Reports, including information on identified risk and impact, and on management action agreed in response to them.
- that if any changes were proposed following the wider review of Shopmobility by the Engine Room, then this would be reported in due course to scrutiny and Cabinet.

Members also commented that as the Network Drives Audit target was now more than 3 years overdue it should be reviewed to ascertain whether there had been any change in the risk and impact. If there was still a requirement to share the data across service areas, then how was it intended that this would be achieved.

RESOLVED –

- (1) That the progress report be noted.
- (2) That an update on the Network Drives Audit and management action to be taken be reported to the next meeting.

#### **4. RISK MANAGEMENT STRATEGY AND STRATEGIC RISK REGISTER**

The risk management arrangements of the Council were a key part of the overall internal control arrangements of the Council and form part of the Annual Governance Statement. When risk appetite is properly understood and clearly defined, it becomes a powerful tool, not only in taking well measured risks, but also for improving overall performance and decision making.

At the most basic level, risk appetite was how much risk the Council was prepared to take in order to attain the benefit / return for our investment (£ or effort) or in other words, the individual and total impact of risk it was prepared to accept in the pursuit of the strategic objectives.



The Committee received a report and were informed that an updated and revised Risk Management Strategy had been produced (Appendix 1) to reflect changes in the Council's approach to risk and risk appetite since the last strategy had been approved in September 2013. To help update the Strategy it had been necessary to gain an insight into how we 'Think about Risk', particularly those risks associated with our emerging priorities. These had been discussed with Transition Board on 2 September, and informally with Cabinet on 21 September. Feedback from those meetings was reported verbally to Members.

The Audit Committee had a role to monitor the effectiveness of risk management and internal control across the Council and as part of discharging this role was asked to review the Strategic Risk Register.

The Strategic Risk Register provided evidence of a risk aware and risk managed organisation. While it reflected that many of the risks that were on the current radar for Transition Board were similar to those faced across other local authorities, the difference was in how they were assessed and managed. The Register had been considered by Transition Board to review the ratings, establish how effectively the risks were being managed and where further action was required.

The matrix at Appendix 1 (page 1) detailed a summary of 15 areas of risk and how they had been rated. The ratings had taken into account the importance of the risk in terms of the impact on the Council and also the confidence in managing that risk. The third dimension (size of bubble in matrix) is how likely the risk was to change in the next twelve months. This reflected that some of the risks were "slow burning" which meant there were potential longer term impacts but action to mitigate the risks might still be required.

The Risk Register was reviewed on a six monthly basis by Transition Board and reported to the Audit Committee.

Members sought further information and were informed:-

- on the various sources of assurance that the Council used to satisfy itself that it was meeting its safeguarding duties. The Council also had a new Prevent Duty from 1 July 2015, that would require additional training and putting together a Prevent Risk Assessment and Action Plan.
- that risk management was addressed as a part of every business case. For example, it would be included in any reports that came forward to scrutiny, Cabinet and Council on a unitary Council business case.
- that the Council's risk appetite on some issues had changed over the last few years, mainly due to the budgetary position brought about by reductions in Government grant. However, issues and appetite were looked at on a case-by-case basis.
- that the Strategic Risks Summary detailed the 15 principal risks facing the Council. Part of the Council's approach was to manage and mitigate these risks to decrease the likelihood of the risks increasing.
- that Risk Registers were put together for matters, depending on risk assessment results and the outcome of Risk Appetite Matrix assessments.

- on the work being done to manage risk and ensure the Vale of Aylesbury Local Plan was delivered on time, and to improve the Council's resilience and ability to respond and manage in the event of a significant loss of key buildings, staff, finance or customers.

Members also requested that an additional explanatory bullet point be included with the 'Key Roles' pyramid on Member responsibilities within the structure.

RESOLVED –

- (1) That the updated Risk Management Strategy, which defined the risks facing the Council, risk appetite and, how these were being managed, be noted.
- (2) That Cabinet and senior Officers be asked to consider the comments and feedback for future risk management decision making.

## **5. POST AUDIT STATEMENT OF ACCOUNTS**

The Accounts and Audit Regulations state that Members should only approve the accounts when they have been made aware of the findings of the audit and hence were able to make a better informed decision.

Following on from the report on the draft accounts to the July meeting, Members received a report updating them on the audit process and the changes made to the accounts in accordance with the external auditor's recommendations. The auditors' comments and findings from their work on the 2014/15 accounts had already been reported to Members in the Annual Governance Report (AGR).

Subject to being satisfied with the revised accounts and that the auditor's comments had been correctly responded to, the Committee was required to authorise the Chairman to sign them on the Audit Committee's behalf, together with the Director with responsibility for Finance, in order to comply with the 30 September statutory deadline. However, it was requested that the Committee delegate to the Head of Finance, in consultation with the Chairman or Vice Chairman, the ability to make such changes to the accounts that are considered necessary in order to achieve the statutory deadline.

As already reported by the external auditors, a couple of amendments had been made to the accounts to revise misstatements and to better explain the nature of certain financial transactions. The changes to the accounts between the draft submitted for audit in July and the version now submitted to this meeting were:-

- Fixed Asset Register – it was identified that information produced by the Fixed Asset Register package to reflect the movements during the year was producing an incorrect treatment of the figures. This figures for the revaluation of the Community Centres and the Hampden House car park had been amended to some the correct position within the income and expenditure account and the revaluation reserve. Despite the changes, the overall year end position of the revaluation reserve was unchanged, with the contribution to balances being £135,703.
- External loan – a loan of £5.17m had been re-classified from long term borrowing to short term borrowing, as it was due for repayment in December 2015.
- Aylesbury Land Use and Transport Strategy (ALUTS) – under the financial instruments note 17.1, the ALUTS amount had been removed as it did not meet the definition of a financial instrument.

- Related Parties Transactions Note – all but 2 Members had now returned their disclosure returns. Completion of these disclosures was an audit requirement and as a result of the delays experienced this year this area had been highlighted by the auditors.

While the Council could choose whether or not to make amendments to its draft accounts for non-material errors or misstatements, the view this year had been that it would reflect all errors or misstatements in the accounts that were raised by external audit.

There was a requirement to report significant events that occur after the balance sheet date and before the sign off date, however, none had occurred since the July 2015 Audit Committee meeting.

Members sought and were provided with additional information on the Statement of Accounts 2014/15 as following:-

- (i) that the process for receiving and incorporating the Aylesbury Vale Estates group accounts into AVDC's statement of accounts was now working well.
- (ii) on senior Officer remuneration and on remuneration of over £50,000 p.a. paid to Council employees and on the number of exit packages and total cost of compulsory and other redundancies. Members were informed that the reduction in the total number of AVDC staff over the last few years had been achieved across the whole organisation.
- (iii) on the position regarding the present value of liabilities of the Local Government Pension Scheme.

Having considered the final Statement of Accounts for 2014/15, it was –

RESOLVED –

- (1) That the final outturn position of the Council's Statement of Accounts 2014/15 be noted.
- (2) That approval be given to the Chairman of the Audit Committee to sign off the Statement of Accounts for 2014/15 on the Committee's behalf.
- (3) That approval be given to the Director with responsibility for Finance, in consultation with the Chairman or Vice Chairman, to make such changes as considered necessary to achieve sign off by the statutory 30 September deadline.

## **6. WORK PROGRAMME**

The Committee considered the future Work Programme for 2015-16 which took account of comments and requests made at Audit Committee meetings and the requirements of the internal and external audit processes.

RESOLVED –

That the future Work Programme as discussed at the meeting be approved.

## **7. DATES OF FUTURE MEETINGS**

The next meeting of the Audit Committee would be held at 6.30pm on 9 November, 2015, in the Olympic Room at The Gateway, Gatehouse Road, Aylesbury.

## EXTERNAL AUDIT – ANNUAL AUDIT LETTER 2014/15

### Purpose

- 1.1 The Council's external auditors have issued their Annual Audit Letter which provides an overall summary on completion of the Audit Commission's work at the Council. The report draws on audit work carried out at the Council relating to the 2014/15 financial year.

### 2 Recommendations/for decision

- |   |
|---|
| 2.1 The Committee is asked to agree the contents of the external auditor's Annual Audit Letter. |
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### 3 Supporting information

- 3.1 The external auditor's Annual Audit Letter for 2014/15 is attached at Appendix 1.
- 3.2 The Audit Committee's Terms of Reference include dealing with external and internal audit issues. This report allows formal recognition of our external auditor's report by a Committee of the council.
- 3.3 The external auditor's Annual Audit Letter will be made available to the public on the Council's web site after it has been discussed at this meeting.

### 4 Options considered

- 4.1 None.

### 5 Reasons for Recommendation

- 5.1 The Annual Audit Letter is an essential element of the independent external audit process. This report has to be presented to a Committee of the Council for their consideration.

### 6 Resource implications

- 6.1 None.

Contact Officer: Kate Mulhearn, [kmulhearn@aylesburyvaledc.gov.uk](mailto:kmulhearn@aylesburyvaledc.gov.uk)  
Background papers: None

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# Aylesbury Vale District Council

Annual Audit Letter for the year ended 31 March 2015

September 2015

Ernst & Young LLP



The Members  
Aylesbury Vale District Council  
The Gateway  
Gatehouse Road  
Aylesbury  
Bucks HP19 8FF

30 September 2015

Dear Members

## **Annual Audit Letter 2014/15**

The purpose of this annual audit letter is to communicate to the Members and external stakeholders, including members of the public, the key issues arising from our work, which we consider should be brought to the attention of the Authority.

We have already reported the detailed findings from our audit work in our 2014/15 annual results report to the 28 September 2015 Audit Committee, representing those charged with governance. We do not repeat those detailed findings in this letter.

The matters reported here are the most significant for the Authority.

We would like to take this opportunity to thank the Authority's staff for their assistance during the course of our work.

Yours faithfully

Maria Grindley  
Executive Director  
For and on behalf of Ernst & Young LLP  
Enc.



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Relevant parts of the Audit Commission Act 1998 are transitionally saved by the Local Audit and Accountability Act 2014 (Commencement No. 7, Transitional Provisions and Savings) Order 2015 for 2014/15 audits.

The Audit Commission's 'Statement of responsibilities of auditors and audited bodies' (Statement of responsibilities). It is available from the accountable officer of each audited body and via the [Audit Commission's website](#).

The Statement of responsibilities serves as the formal terms of engagement between the Audit Commission's appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The Standing Guidance serves as our terms of appointment as auditors appointed by the Audit Commission. The Standing Guidance sets out additional requirements that auditors must comply with, over and above those set out in the Code of Audit Practice 2010 (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Annual Audit Letter is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

## 1. Executive summary

Our 2014/15 audit work has been undertaken in accordance with the Audit Plan that we issued on 18 March 2015 and is conducted in accordance with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

The Authority is responsible for preparing and publishing its Statement of Accounts, accompanied by an Annual Governance Statement (AGS). In the AGS the Authority reports publically on an annual basis on the extent to which it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in year, and on any planned changes in the coming period. The Authority is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

As auditors we are responsible for:

- forming an opinion on the financial statements and on the consistency of other information published with them;
- reviewing and reporting by exception on the Authority's Annual Governance Statement;
- forming a conclusion on the arrangements the Authority has in place to secure economy, efficiency and effectiveness in its use of resources; and
- undertaking any other work specified by the Audit Commission and the Code of Audit Practice.

Summarised below are the results of our work across all these areas:

Area of work	Result
Audit of the financial statement of Aylesbury Vale District Council for the financial year ended 31 March 2015 in accordance with International Standards on Auditing (UK & Ireland).	On 28 September 2015 we issued an unqualified audit opinion in respect of the Authority.
Form a conclusion on the arrangements the Authority has made for securing economy, efficiency and effectiveness in its use of resources.	On 28 September 2015 we issued an unqualified value for money conclusion.
Report to the National Audit Office on the accuracy of the consolidation pack the Authority is required to prepare for the Whole of Government Accounts.	We reported our findings to the National Audit Office on 28 September 2015.
Consider the completeness of disclosures on the Authority's Annual Governance Statement, identify any inconsistencies with the other information of which we are aware from our work and consider whether it complies with CIPFA/ SOLACE guidance.	No issues to report.
Consider whether, in the public interest, we should make a report on any matter coming to our notice in the course of the audit.	No issues to report.
Determine whether any other action should be taken in relation to our responsibilities under the Audit Commission Act.	No issues to report.

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***As a result of the above we have also:***

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Issued a report to those charged with governance of the Authority communicating significant findings resulting from our audit.

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Our Audit results report was issued on 28 September 2015 to the Audit Committee.

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Issue a certificate that we have completed the audit in accordance with the requirements of the Audit Commission Act 1998 and the Code of Practice issued by the Audit Commission..

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Issued on 28 September 2015.

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Issue a report to those charged with governance of the Authority summarising the certification (of grant claims and returns) work we have undertaken.

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This will be issued on completion of the 2014/15 certification work.

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## 2. Key findings

### 2.1 Financial statement audit

The Authority's Statement of Accounts is an important tool for the Council to show how it has used public money and how it can demonstrate its financial management and financial health.

We audited the Council's Statement of Accounts in line with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission and issued an unqualified audit report on 28 September 2015.

Our detailed findings were reported to the 28 September 2015 Audit Committee.

The main issues identified as part of our audit were:

#### **Significant risk 1: Risk of management override**

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Our testing gave us no concerns as to management override through inappropriate or biased management decisions.

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#### **Significant risk 2: Revenue and expenditure recognition**

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Our testing gave us no concerns as to inappropriate revenue and expenditure recognition through fraudulent or biased management decisions.

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#### **Other key findings: Members Related Party Returns**

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There was a deficiency in the collation of related party returns from Members during 2014/15 and eight returns were not received by the Council by the time the audit was complete.

We recommended that the Council put in place arrangements to ensure that all returns are collected in a timely manner. This will give the Council assurance that all related party transactions have been disclosed within the statement of accounts.

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### 2.2 Value for money conclusion

We carry out sufficient and relevant work to conclude whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in the use of resources. This is known as our value for money conclusion.

In accordance with guidance issued by the Audit Commission, our 2014/15 value for money conclusion was based on two criteria. We consider whether the Council had proper arrangements in place for:

- ▶ securing financial resilience; and,
- ▶ challenging how it secures economy, efficiency and effectiveness

We issued an unqualified value for money conclusion on 28 September 2015.

We noted the following issues as part of our audit:

### **Significant Risk 1: Arrangements for securing financial resilience**

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We reviewed the Council's financial planning to date and the latest medium-term financial plan as well as the assumptions made by the Council in drawing up the plan. This includes a number of efficiency initiatives and income streams to reduce the budget gap in future years. The Council's strategic plan appears to be reasonable.

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#### Whole of Government Accounts

The NAO reporting instructions were amended this year and we were only required to report to the NAO on an exception basis if there were significant issues or outstanding matters arising from our work. There were no such issues.

#### Annual Governance Statement

We are required to consider the completeness of disclosures in the Council's annual governance statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it complies with relevant guidance.

We completed this work and did not identify any areas of concern.

## **2.3 Objections received**

We did not receive any objections to the 2014/15 financial statements from members of the Public.

## **2.4 Other powers and duties**

We identified no issues during our audit that required using powers under the Audit Commission Act 1998, including reporting in the public interest.

## **2.5 Certification of grant claims and returns**

We will issue the Annual Certification report for 2014/15 in January 2016.

### 3. Control themes and observations

As part of our work, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control identified during our audit.

We did not identify any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in the Council's financial statements of which it was not already aware.

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## BUSINESS ASSURANCE PROGRESS REPORT – NOVEMBER 2015

### 1 Purpose

- 1.1 To receive the Business Assurance Services Progress Report of activity undertaken since September 2015.

### 2 Recommendations

- 2.1 The committee is recommended to note the progress report at Appendix A

### 3 Supporting Information

- 3.1 This report provides an update on the progress made against the 2015/16 Assurance Plan. Appendix A includes information on:
- Summary of assurance reviews completed or in progress
  - Overdue Audit Recommendations
  - Outstanding Actions from T1 implementation

### 4. Reasons for Recommendations

- 4.1 Ensuring a proper and effective flow of information to Audit Committee Members enables them to perform their role effectively and is an essential element of the corporate governance arrangements at the council.

### 5. Resource Implications

- 5.1 There are no resource implications to report.

Contact Officer: Evelyn Kaluza, Business Assurance Manager 01296 585549  
Background papers: none



# **Business Assurance Services**

## **Assurance Progress Report**

November 2015

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## 1. Assurance reviews completed since the last progress report

### Assurance Reviews

No Assurance	Limited Assurance	Reasonable Assurance	Substantial Assurance
			Taxi Driver Licensing

## 2. Follow up Work

### Technology One (Finance System) – Update

We reported in the July & September Progress Reports that the new finance system 'Technology One', went live on 1 June 2015, but there were a number of areas of control that were not implemented at that stage. The Project Board agreed around that time that whilst it is known that there were aspects of the system to address, they weren't serious enough to prevent go-live. It was also agreed that they would be resolved by 30<sup>th</sup> September.

Appendix 2 to this report provides an updated position as at October 2015.

The majority of the issues remain unresolved. The Finance Manager has had to prioritise the issues which has meant that certain aspects of the system haven't been progressed as would have been expected. The most pressing of those issues was the systems inability to issue reminders for people that have outstanding debts with the Council.

We are about to start a comprehensive review of the key controls operating over both Creditors and Debtors. This work will incorporate the issues that we've been tracking but this review will involve actual testing of transactions to ensure the controls are operating as we would expect. An assurance opinion will then be provided based on any gaps in the controls within the Technology One software or how the processes have been designed.

This review will be completed by the end of November and we will report back to the Audit Committee at the next meeting in January 16.

In the 4<sup>th</sup> quarter we will focus on other aspects of the system such as cash receipting, budgeting and bank reconciliations.

### Transparency Code – Compliance

A target of the end of June 2015 was agreed for all datasets to be published. At the July committee it was agreed that this date would be extended to 31 August.

In September we reported that there were still two main areas of the Code that the Council weren't compliant with being 'The Organisation' (salaries, pay scales, senior posts and union facility time) and 'Land & Property'.

The Organisation data has since been published which leave 'Land & Property' data. This was more complex to resolve due to the scale and nature of this particular dataset.

The Property and facilities Manager provided the following update to us.

*"Progress has been made. The team are currently sanitising and updating 9000 records (3000 completed), starting with those that have been sold. This effectively removes the houses sold to VAHT, making any reports more meaningful".*

*"The team are working with IDOX (document imaging) to create and implement a document management system, which will mean that going forward we will be able to access data associated with properties that are current, much quicker".*

*"We are hoping that the first tranche of data will be available by the end of November 15, which will be put onto the website. This will include the larger properties, community centres etc. We will put properties onto the website when checked to ensure there are fewer amendments to make. The majority of land will in some form of order by the end of December and will be added to the website at that point".*

### 3. Assurance Plan Work in progress

The following areas are in progress from the Assurance Plan

<b>Assurance Plan Area</b>	<b>Type of Assurance</b>	<b>Progress</b>
15/16 Housing Allocations	Assurance	A draft report has been written but not issued
14/15 Policy Compliance Software	Advisory	Contract for software agreed and project implementation started. In the process of resolving some technical and organisation issues before it can be rolled out. Expected go-live in November 2015.
15/16 Data Protection (Off site & Mobile Devices)	Assurance	The review has been scoped but the fieldwork has not started due to the reviews of the Finance Software being brought forward. This review will be completed by end December at the latest.
15/16 Supplier Resilience	Assurance	The review has been scoped but the fieldwork has not started due to the reviews of the Finance Software being brought forward. This review will be completed by end December at the latest.

#### **4. Overdue Recommendations and Tracker**

At the September committee members asked questions about the level of risk around the long outstanding action relating to network drives and If there was still a requirement to share the data across service areas, then how was it intended that this would be achieved.

Alan Evans has responded that there is a new driver now to find a solution more urgently as a result of future organisational changes around services and teams and this is expected to have an impact on teams as the changes will need to be implemented by January.

A further update will be provided in the January progress report.

## Assurance Definitions

<p><b>Substantial</b></p>	<p>Our critical review or assessment on the activity gives us a high level of confidence on service delivery arrangements, management of risks, and the operation of controls and / or performance.</p> <p>The risk of the activity not achieving its objectives or outcomes is low.</p> <p>As a guide there are a few low risk / priority actions arising from the review.</p>
<p><b>Reasonable</b></p>	<p>Our critical review or assessment on the activity gives us a reasonable level of confidence on service delivery arrangements, management of risks, and operation of controls and / or performance.</p> <p>There are some improvements needed in the application of controls to manage risks. However, the controls are in place and operating sufficiently so that the risk to the activity not achieving its objectives is medium to low.</p> <p>As a guide there are mostly low risks and a few medium risk/priority actions arising from the review.</p>
<p><b>Limited</b></p>	<p>Our critical review or assessment on the activity identified some concerns on service delivery arrangements, management of risks, and operation of controls and / or performance.</p> <p>The controls to manage the risks are not always being operated or are inadequate. Therefore, the risk of the activity not achieving its objectives is medium to high.</p> <p>As a guide there are mostly medium and a few high risk / priority actions arising from the review.</p>
<p><b>None</b></p>	<p>Our critical review or assessment on the activity identified significant concerns on service delivery arrangements, management of risks, and operation of controls and / or performance. The controls to manage the risks are not being operated or are not present. Therefore the risk of the activity not achieving its objectives is high.</p> <p>As a guide there are a large number of medium and high risks / priority actions arising from the review.</p>

## Appendix 2 - Financial Controls Weaknesses

As at 27 October 2015 the following areas are still outstanding and the Finance Team have been unable to demonstrate through evidence that the new system has addressed the weaknesses identified in the old system.

Control Area of weakness in old system	Finance Manager Response 17 <sup>th</sup> April 15 Position	Finance Manager Response July 15	Finance Manager update – October 15
Aged debtors reports that show where debts have instalment plans in place.	Still being addressed.	Still being addressed. But there is a screen that shows an aged debt position for a customer, so an enquiry on that customer will show you the aged debt position. <b>Action: Reports to be developed by 30 September 2015</b>	Due to the ongoing problems with the ability to issue reminders from the system this has not been progressed. We finally got up to date last week.
Management information monitored i.e. speed to pay suppliers.	This will be looked at once the system is up and running and we have time to develop the reports.	Same position as the 17 April. Still getting to grips with the basics. Too early to start looking at management information aspects. <b>Action: Reports to be developed by 30 Sept 2015</b>	No progress on this as yet.
Journal processing workflows – lack of clear authorisation processes and finance role in this.	Workflow will be part of TechOne.	Currently only Finance Section officers can process and authorise journals due to the workflow set up. Any journal request has to be approved by another officer. Journal requests now allow for evidence to be easily attached. <b>Action: Process to be reviewed by 30 Sept 2015</b>	No progress on this. Process needs to be discussed with Andrew Small.
Virements (moving / creating budgets) – Controls and authorisations over what financial regs regards as virements and who authorises what and the evidence behind these.	Still being addressed.	No virements have yet been done in the system and not going to be possible until end of September. <b>Action: Process and rules to be in place by 30 September 2015.</b>	No progress on the process. Although, some virements have been done recently.



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**The following areas have been implemented but not subject to any detailed testing by Business Assurance – This is planned for November.**

<b>Control Area of weakness in old system</b>	<b>Finance Manager Response 14 July 15 Position</b>	<b>Finance Manager update – October 15</b>
Applying VAT at potentially incorrect rates on debtor invoices.	VAT rules built in to most common products leaving some adhoc areas which are reviewed by Finance before approving.	Finance review the vat status before posting.
Authorisation controls over BACS file release.	Authorisation process in place.	Nothing to add.
Lack of purchase order process – no evidence to support the purchase prior to invoices being received and therefore expenditure committed.	In order to order goods officers have to request a requisition that has to be approved by their manager or in cases of less than a £1,000 another user who has been assigned to Pool A. Once approved the PO can be sent out. Invoices will not be paid unless there is a PO number on the invoice. Still early days as pre 1 June invoices still coming through.	Now fully in to the process but unable to ascertain whether officers are using it correctly. There still seems to be a large number of invoices coming in and then they are entered in to TechOne.  A report will be run to highlight this.
Lack of authorisation / control over setting up new suppliers.	Any new supplier has to be approved by Procurement. If a supplier does not exist then a new supplier request form has to be completed and attached to the requisition before it can be approved. At the moment all requests are being granted as they have been used previously within Aptos.	Very few are refused and if they are it is because the supplier already exists in the system, credit card would be a better option. None have been refused due to procurement reasons as yet.
Control over the ability to alter supplier details i.e. bank account details.	We haven't had any requests at the moment but the procedure will be documented. New supplier details are attached to the workflow request.	Nothing to add.

Authorisation over debtors invoices and credit notes.	All debtor and credit note requests have to be approved by a manager before coming to Finance for review and posting.	Nothing to add.
Evidence of the authorisation for writing off debts.	Workflow will be part of TechOne. Items under £1,000 will go to Andrew. Items over £1,000 will go to cabinet and once approved a copy of the report will be attached to the debt and then either Andrew or myself will approve them in TechOne.	Nothing to add, although we are waiting for Andrew Small to approve a batch and then we can process in TechOne.
Budget Managers should be accountable for variances on their budgets and have to explain them. These should be automatically reported to senior management.	The first set of reports are being rolled out to managers. They are being shown what can be done. Hopefully, more bespoke reports will be written over time.	More managers have been shown how to run reports and monthly meetings have started. A review of the manager workplace is required to make it easier for them. No timescale for this.
Monitoring and control over suspense accounts.	Bank suspense accounts are currently being monitored by the Finance Manager and procedure notes are being developed. The task will be handed over in the next couple of months.	Still being overseen by the Finance Manager as the loss of an officer to the CFT has made it more difficult to handover.
Review over rolling forward balances.	This will done next April 2016	Nothing to add.

## AUDIT COMMITTEE WORK PROGRAMME

### 1 Purpose

- 1.1 To discuss, amend and approve the future work programme for the Audit Committee.

### 2 Recommendations/for decision

- |     |   |
|-----|---|
| 2.1 | The Committee is asked to review, amend and approve the proposed work programme. Appendix 1 |
|-----|---|

### 3 Supporting information

- 3.1 The proposed programme has been prepared taking into account the comments and requests made at previous Audit Committee meetings and the requirements of the Internal and External Audit process.
- 3.2 The Committee is asked to consider whether they wish to add or remove any items and whether the timing of items is appropriate to their needs.
- 3.3 The Committee is also asked to consider whether there are any additional areas or topics not included in the current work programme which they would like to add.

### 4 Reasons for Recommendation

- 4.1 To allow members of the Audit Committee to amend and agree their work programme.

### 5 Resource implications

- 5.1 An allowance is always included in the Annual Assurance Plan to support the work of the Audit Committee. There are no additional direct resource requirements arising from this report.

Contact Officer

Evelyn Kaluza Business Assurance Services Manager  
Tel: 01296 585549

Background Documents

None

## AUDIT COMMITTEE WORK PROGRAMME 2015-16

Item	Contact Officer	9 Nov 2015	25 Jan 2016	21 Mar 2016	25 July 2016
Audit Committee Work Programme	Evelyn Kaluza	X	X	X	X
Member Training / Briefing Sessions	Evelyn Kaluza		X		X
Audit Committee Annual Report	Evelyn Kaluza			X	
External Audit Plan & fee letter	David Guest			X	
External Audit - Audit Results Report (ISA 260)	David Guest				
External Audit Annual Letter	David Guest	X			
External Audit AGR for Grant Claims	David Guest		X		
External Audit Update / Progress Report	David Guest	X	X		X
Assurance Strategy and Plan	Evelyn Kaluza			X	
Assurance Progress Report	Evelyn Kaluza	X	X	X	X
Audit Committee Review of Effectiveness	Evelyn Kaluza			X	
Risk Management Progress Report	Evelyn Kaluza				
Fraud Progress	Evelyn Kaluza		X		
Business Assurance Services Manager's Annual Report	Evelyn Kaluza				X
Annual Governance Statement	Evelyn Kaluza			X	X
Statement of Accounts	Tony Skeggs				X
Post Audit Statement of Accounts	Tony Skeggs				
Working Balances	Tony Skeggs			X	