

# Public Document Pack



## AYLESBURY VALE DISTRICT COUNCIL

### Democratic Services

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14 January 2016

### AUDIT COMMITTEE

A meeting of the **Audit Committee** will be held at **6.30 pm** on **Monday 25 January 2016** 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: K Hewson (Vice-Chairman), Branston, B Chapple OBE, M Collins, A Hetherington, P Irwin, M Smith, R Stuchbury, D Town and H Mordue (ex-Officio)

### AGENDA

1. **APOLOGIES**
2. **ELECTION OF CHAIRMAN**
3. **ELECTION OF VICE - CHAIRMAN**
4. **TEMPORARY / PERMANENT CHANGES TO MEMBERSHIP**

Any changes will be reported at the meeting.

5. **MINUTES** (Pages 1 - 4)

To approve as a correct record the minutes of the meeting held on 9 November 2015, attached as an appendix.

6. **DECLARATION OF INTEREST**

Members to declare any interests.

7. **EXTERNAL AUDIT - CERTIFICATION OF GRANT CLAIMS AND RETURNS ANNUAL REPORT 2014-2015** (Pages 5 - 14)

To consider the report attached as Appendix B.

Contact Officer: Kate Mulhearn (01296) 585724

8. **EXTERNAL AUDIT - PROGRESS REPORT** (Pages 15 - 32)



To consider the report attached as Appendix C.

Contact Officer: Kate Mulhearn (01296) 585724

**9. FRAUD PROGRESS REPORT - JANUARY 2016** (Pages 33 - 52)

To consider the report attached as Appendix D.

Contact Officer: Craig Saunders (01296) 585724

**10. BUSINESS ASSURANCE SERVICES - PROGRESS REPORT** (Pages 53 - 62)

To consider the report attached as Appendix E.

Contact Officer: Kate Mulhearn (01296) 585724

**11. WORK PROGRAMME** (Pages 63 - 64)

To consider the work programme attached as an appendix.

Contact Officer: Kate Mulhearn (01296) 585724

**12. DATE OF FUTURE MEETINGS**

Future meetings are planned as follows:-

- 6.30pm on 21 March 2016
- 6.30pm on 25 July 2016
- 6.30pm on 26 September 2016
- 6.30pm on 14 November 2016

## AUDIT COMMITTEE

9 NOVEMBER 2015

**PRESENT:** Councillor T Mills (Chairman); Councillors P Agoro, M Collins, A Hetherington, P Irwin, R Stuchbury, D Town and H Mordue (ex-Officio).

Also present: David Guest from Ernst and Young LLP.

**APOLOGIES:** Councillors B Chapple OBE, K Hewson and M Smith.

### 1. ANNOUNCEMENTS

#### **Business Assurance team update**

The Committee welcomed Kate Mulhearn to her first meeting of the Audit Committee. Miss Mulhearn, who was an experienced auditor with PricewaterhouseCoopers, would be working for the Council two days a week leading the Business Assurance team whilst the Business Assurance Services Manager was seconded to work related to forming a trading company that would provide opportunities for the Council to generate new income streams.

#### **Councillor Mills**

The Chairman reported that this would be his last meeting as a Member and Chairman of the Audit Committee. He had decided to step down after 9 years on the Committee and thanked Members of the Committee and Officers for their support, particularly whilst he had been chairman.

### 2. MINUTES

RESOLVED –

That the minutes of the meeting held on 28 September 2015 be agreed as a correct record.

### 3. EXTERNAL AUDIT - ANNUAL LETTER

The Committee received, for information, the external auditors' Annual Audit Letter which provided an overall summary of the external auditors' assessment of the Council. The letter had also been circulated to all Councillors with the Members' Information Sheet on Friday 30 October.

The letter drew on the findings of audit work carried out on the Council's financial statements for 2014/15. These key findings on the Financial Statements audit, the Value for Money conclusion, Whole of Government Accounts, Annual Governance Statement, and control themes and observations had already been reported to the Audit Committee, so were very briefly summarised in the AAL.

The external auditors were anticipating issuing the Annual Certification Report of grant claims and returns for 2014/15 in January 2016.

Members requested additional information and were informed:-

- (i) that the outstanding testing on housing benefits claims would be completed by the end of November.

- (ii) that audit work would look at the overall impact that Government policies such as universal credit / child tax credits and increases in housing rents in the social sector had on the Council's accounts, however, this work would not look at individual cases or circumstances.

RESOLVED –

That the contents of the External Auditor's Annual Audit Letter for 2014/15 be noted.

#### **4. BUSINESS ASSURANCE SERVICES - PROGRESS REPORT**

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

- (i) **Assurance Reviews completed since the last progress report** – the review of taxi driver licensing had been completed and had been given a substantial assurance.

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

Technology One (Finance System – Update) – some areas of the system had been implemented but had not yet been subject to detailed testing by Business Assurance. Appendix 2 to the Committee report provided an update on a number of outstanding areas that the Finance team had been unable to demonstrate through evidence that the new system was addressing the weaknesses identified in the old system. They included:-

- aged debtor reports that showed where debts had instalment plans in place.
- how management information was monitored, i.e. speed to pay suppliers.
- journal processing workflows – there was a lack of clear authorisation processes and finance role in this.
- virements (moving / creating budgets) – controls and authorisations over financial regulations such as virements and that clearly evidenced an audit trail for authorisations.

The majority of these issues remained unresolved as the Finance Manager had needed to prioritise issues, the most pressing of which had been to be able to issue outstanding debt reminders.

Information was also provided on a number of areas that had been implemented but not subject to any detailed testing by Business Assurance. This testing was planned for November 2015.

A comprehensive review of the key controls operating over creditors and debtors was about to start and would be reported to Members in January 2016. The fourth quarter would focus on other aspects of the system such as cash receipting, budgeting and bank reconciliations.

Transparency Code – 'Land and Property' was the only remaining non-compliant area. Progress had been made and 3,000 of the 9,000 records had been updated, starting with those that had been sold. It was anticipated that the first tranche of data would be loaded onto the Council's website by the end of November 2015, with the majority of land then added by the end of December.

- (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 had started. It was expected to go live in November 2015.

The 2015/16 Data Protection (Off Site and Mobile Devices) and 2015/16 Supplier Resilience reviews had not started due to the reviews of the Finance software being brought forward but were now expected to be completed by the end of December.

A draft report on the 2015/16 Housing Allocations had been issued but not yet released.

- (iv) **Overdue Audit Recommendations and Tracker** – Members were informed that there was a greater urgency to find a solution to the network drives outstanding action regarding the sharing of data across service areas, as this would be necessary to support the future organisational changes around services and teams. A further update would be provided in January 2016.

Members sought further information and were informed:-

- that the outcome and findings of the 2015/16 Housing Allocations would be reported to the Committee in January 2016.
- that the impact of housing 'right to buy' on the Council and the financial repercussions of any delays in the East/West rail project would be explained at the forthcoming Members' budget seminar and in the capital programme update that was due to come to scrutiny, Cabinet and Council in the next month.
- that further assurance would be sought from Land and Property that all remaining records would be loaded onto the Council's website by the end of December 2015.
- that the Finance Manager was satisfied that the core controls of the new finance system were working as expected. The next priority would be to look at the procurement and contracts processes. Work had also been done to ensure that suppliers were being paid on time and that outstanding debt reminders were being issued. Further work also needed to be done regarding budget virements controls and processes.
- that the performance of the new legal contract would be monitored and reviewed after it had a chance to bed in.
- that risk management and identification of risks was looked at in different levels of the Council including strategically, at project level, and when new contracts were awarded or key decisions were made. Individual services would also be expected to consider risk management as part of their day-to-day work.
- that the Assurance Strategy and Work Plan for the next period would be submitted to the Committee in March 2016, and could take into account some of the views Members had expressed at the meeting.

Members also commented and expressed concerns that they were not being provided with more frequent (quarterly) information on risk management, including changes in risks and mitigation work that had been undertaken. The Committee requested that some form of exception reporting of risks be included with the regular Business

Assurance Service reports, in addition to the periodic risk management progress reporting.

RESOLVED –

- (1) That the progress report be noted.
- (2) That further discussions would take place with the Chairman relating to reporting frequency of risk management and the level of information shared on completed audits.

## **5. 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.

## **6. 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.

## CERTIFICATION OF CLAIMS AND RETURNS 2014/15

### 1 Purpose

- 1.1 To receive a report on the external auditors' work associated with the certification of 2014/15 claims and returns submitted by AVDC.

### 2 Recommendations/for decision

- |     |  |
|-----|--|
| 2.1 | The committee is asked to note the contents of the external auditors' certification report (attached). |
|-----|--|

### 3 Supporting information

- 3.1 The external auditor is required to certify claims and report findings to the Audit Committee.
- 3.2 This year there was only one claim requiring certification. This was:  
-Housing Benefits Subsidy Claim
- 3.3 The certification work identified a small number of classification errors which were corrected and these had no impact on the subsidy claim.

### 4 Options considered

- 4.1 None.

### 5 Reasons for Recommendation

- 5.1 This certification report is required by the Audit Commission under Section 28 of the Audit Commission Act 1998..

### 6 Resource implications

- 6.1 Contained within the body of the report.

Contact Officer  
Background Documents

Kate Mulhearn 01296 58724  
none

# Certification of claims and returns annual report 2014/15

Aylesbury Vale District Council

12 January 2016

Ernst & Young LLP



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working world



The Members of the Audit Committee  
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12/01/2016

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Dear Members

## **Certification of claims and returns annual report 2014/15 Aylesbury Vale District Council**

We are pleased to report on our certification work. This report summarises the results of our work on Aylesbury Vale District Council's 2014/15 claims.

### **Scope of work**

Local authorities claim large sums of public money in grants and subsidies from central government and other grant-paying bodies and must complete returns providing financial information to government departments. In some cases these grant-paying bodies and government departments require appropriately qualified auditors to certify the claims and returns submitted to them.

Under section 28 of the Audit Commission Act 1998, as transitionally saved, the Audit Commission made arrangements for certifying claims and returns in respect of the 2014/15 financial year. These arrangements required only the certification of the housing benefits subsidy claim. In certifying this we followed a methodology determined by the Department for Work and Pensions and did not undertake an audit of the claim.

### **Statement of responsibilities**

The Audit Commission's 'Statement of responsibilities of grant-paying bodies, authorities, the Audit Commission and appointed auditors in relation to claims and returns' (statement of responsibilities) applied to this work. It serves as the formal terms of engagement between ourselves as your appointed auditor and the Council as audited body.

This report is prepared in the context of the statement of responsibilities. It is addressed to those charged with governance and is prepared for the sole use of the Council. As appointed auditor we take no responsibility to any third party.

### **Summary**

Section 1 of this report outlines the results of our 2014/15 certification work and highlights the significant issues.

We checked and certified the housing benefits subsidy claim with a total value of £44.8 million . We met the submission deadline. We issued a qualification letter for the claim.

Details of the qualification matters are included in section 1. Our certification work found errors which the Council corrected. The amendments had a marginal effect on the grant due.

Fees for certification work are summarised in section 2. The fees for 2014/15 were published by the Audit Commission on 27 March 2014 and are now available on the Public Sector Audit Appointments Ltd (PSAA's) website ([www.psaa.co.uk](http://www.psaa.co.uk))

We welcome the opportunity to discuss the contents of this report with you at the Audit Committee on 25 January 2016.

Yours faithfully

**Mark Hodgson**  
Executive Director  
Ernst & Young LLP  
Enc

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## 1. Housing benefits subsidy claim

| Scope of work                              | Results  |
|--|--|
| Value of claim presented for certification | £44,815,924  |
| Amended/Not amended                        | Amended – subsidy increased by £222  |
| Qualification letter                       | Yes  |
| Fee – 2014/15                              | £16,600  |
| Fee – 2013/14                              | £15,048  |
| Recommendations from 2013-14               | Findings in 2014/15  |
| None                                       | Initial workbooks completed early which allowed time to complete additional testing (40+ testing) on errors identified. This ensured that the deadline was met.<br><br>Further details of these findings are included below. |

Local Government administers the Government's housing benefits scheme for tenants and can claim subsidies from the Department for Work and Pensions (DWP) towards the cost of benefits paid.

The certification guidance requires auditors to complete more extensive '40+' or extended testing if initial testing identifies errors in the calculation of benefit or compilation of the claim. 40+ testing may also be carried out as a result of errors that have been identified in the audit of previous years claims. We found errors and carried out extended testing in several areas.

Extended and other testing identified errors which the Council amended. They had a small net impact on the claim. We have reported underpayments, uncertainties and the extrapolated value of other errors in a qualification letter. The DWP then decides whether to ask the Council to carry out further work to quantify the error or to claw back the benefit subsidy paid.

Findings raised on the Qualification letter included:

- 2 cases where the Authority had miscalculated the claimant's capital. One case resulted in an underpayment and the other did not have an impact;
- 1 case where benefit had been underpaid as a result of the Authority not using the correct Tax Credit amounts; and
- 1 case where the Authority had overpaid benefit as a result of miscalculating the claimant's earned income.

Each of these error types is dealt with separately below.

### Capital

As there is no eligibility to subsidy for benefit which has not been paid, the one underpayment and one non-impacting case identified do not affect subsidy and have not, therefore, been classified as errors for subsidy purposes.

However, because errors miscalculating the claimant's capital could result in overpayments an additional random sample of 40 cases was tested. No further errors of either type were identified.

### **Tax Credits**

As there is no eligibility to subsidy for benefit which has not been paid, the one underpayment and one non-impacting cases identified do not affect subsidy and have not, therefore, been classified as errors for subsidy purposes.

However, because errors miscalculating the claimant's tax credits could result in overpayments an additional random sample of 40 cases was tested. No further underpayments and no overpayments were identified.

### **Earned Income**

Testing of the initial sample identified 1 case (total value £9) where the Authority had overpaid benefit as a result of miscalculating the claimant's earned income. The effect of this error is to overstate cells 103 and 114 with a corresponding understatement of cell 113; there is no effect on cell 094.

Testing of an additional sample of 40 cases did not identify any further errors on the calculation of earned income.

## 2. 2014/15 certification fees

The Audit Commission determined a scale fee each year for the audit of claims and returns. For 2014/15, these scale fees were published by the Audit Commission on 27 March 2014 and are now available on the PSAA's website ([www.psa.co.uk](http://www.psa.co.uk)).

| Claim or return   | 2013-14         | 2014/15             | 2014/15         |
|---|-----------------|---------------------|-----------------|
|   | Actual fee<br>£ | Indicative fee<br>£ | Actual fee<br>£ |
| Housing benefits subsidy claim                                      | 15,048          | 16,600              | 16,600          |
| Certification of claims and returns –<br>annual report <sup>1</sup> |                 |                     |                 |
| <b>Total</b>  | <b>15,048</b>   | <b>16,600</b>       | <b>16,600</b>   |

<sup>1</sup> Fees for annual reporting and for planning, supervision and review have been allocated directly to the claims and returns.

### 3. Looking forward

From 1 April 2015, the duty to make arrangements for the certification of relevant claims and returns and to prescribe scales of fees for this work was delegated to (PSAA) by the Secretary of State for Communities and Local Government.

The Council's indicative certification fee for 2015/16 is £11,286. This was prescribed by PSAA in April 2015, based on no changes to the work programme for 2015/16. PSAA reduced scale audit fees and indicative certification fees for most audited bodies by 25 per cent based on the fees applicable for 2013/14.

Details of individual indicative fees are available at the following web address:  
<http://www.psa.co.uk/audit-and-certification-fees/201516-work-programme-and-scales-of-fees/individual-indicative-certification-fees/>

We must seek the agreement of PSAA to any proposed variations to these indicative certification fees. We will inform the Director responsible for finance before seeking any such variation.

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## EXTERNAL AUDIT – PROGRESS REPORT

### 1 Purpose

- 1.1 To receive a progress report from the external auditors Ernst and Young on the current stage of their work relating to 2015/16 is attached as an appendix.
- 1.2 The Ernst and Young general Local Government Sector update is also attached for information.

### 2 Recommendations/for decision

The Committee is asked to:

- 2.1 Consider the Progress Report from the external auditors and confirm that the work is aligned with the committee's expectations.

### 3 Supporting information

- 3.1 The progress summarises the work undertaken already and the work planned for 2015/16 in accordance with statutory requirements and to ensure it is aligned with the committee's expectation.

### 4 Reasons for Recommendation

- 4.1 This report forms part of the independent external audit review process. The Audit Committee's role requires it to receive regular reports from the external auditors on the progress of their work at AVDC.

### 5 Resource implications

- 5.1 None

Contact Officer Kate Mulhearn Tel: 01296 585724

Background Documents None

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# Audit Progress Report Year ending 31 March 2016

Aylesbury Vale District Council

12 January 2016

Ernst & Young LLP



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## 1. Purpose of Progress report

The purpose of this report is to provide the Committee with an overview of the progress that we have made with the work that we need to complete during the 2015/16 audit. This report is a key mechanism in ensuring that our audit is aligned with the Committee's service expectations. We will bring a progress report (verbal or written) to each Committee except for those where we will bring the Audit Plan or the Audit Results Report.

Our audit is undertaken in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements.

## 2. Planned work

### 2015/16 Planning

We are progressing well with our initial audit planning and scoping work. We plan to discuss our proposed work programme with Senior Managers in late January / early February before producing a draft plan for discussion with you at the March 2016 Committee.

### Meetings

We are continuing our regular meetings with key officers as part of our ongoing audit process including:

- Fortnightly meetings with key finance staff during the opinion audit visit to discuss significant risks around the accounts, and updates on our work;
- Quarterly meetings with the Director responsible for Finance and Senior Finance Officers to discuss the significant risks faced by the Council and our approach and progress with the audit.

### Audit Committee

If members of the Audit Committee have any particular issues they want to discuss with us we would be pleased to discuss these with you.

### Local appointment of auditors

The Department of Communities and Local Government (DCLG) has announced that it has decided not to extend the existing arrangements for external audit contracts beyond the end of 2017/18. From 2018/19 onwards, local authorities will be responsible for appointing their own auditors, and directly managing the resulting contract and the relationship.

Although the new approach to local audit does not come into play until 2018/19, bodies will need to start putting in place the mechanism required to deliver this. As part of the process, bodies will need to set up auditor panels to advise on the selection, appointment and removal of external auditors, and on maintaining an independent relationship with them. These will need to be in place by early 2017, with the procurement process taking place in spring 2017 and external auditors being appointed by December 2017.

Existing external audit arrangements will remain unchanged for the 2015/16, 2016/17 and 2017/18 years.

## **Value for money**

The NAO has consulted on a draft Auditor Guidance Note (AGN) in respect of auditors' work on value for money (VFM) arrangements. The guidance has now been issued and sets out the proposed overall approach to work on VFM arrangements which apply to audits from 2015/16 onwards.

A copy of the final AGN, and the supporting information for local government bodies, can be viewed on the NAO website: <http://www.nao.org.uk/code-audit-practice/guidance-and-information-for-auditors/>.

We are required to reach our statutory conclusion on arrangements to secure value for money based on the overall evaluation criterion, supported by sub-criteria as set out below.

The overall criterion for 2015/16 is:

- ▶ In all significant respects, you had proper arrangements to ensure you took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

And the sub criteria are:

- ▶ informed decision making;
- ▶ sustainable resource deployment; and
- ▶ working with partners and other third parties.

We will carry out our initial risk assessment in early 2016 and report the risks we have identified, and associated work we will carry out, to the Audit and Governance Committee in March 2016.

## **Other issues of interest**

In addition to our formal reporting and deliverables we provide practical business insights and updates on regulatory matters through our Sector Briefings.

### 3. Timetable

#### Audit Committee Timeline

We have set out below a timetable showing the key stages of the audit, including the value for money work and the whole of government accounts, and the deliverables we have agreed to provide to you through the 2015/16 Audit Committee cycle.

We will provide formal reports to the Audit Committee throughout our audit process as outlined below. Where required, we will issue an Interim Report, summarising the findings from our audit at that stage. From time to time matters may arise that require immediate communication with the Audit Committee and we will discuss them with the Audit Committee Chair as appropriate.

Following the conclusion of our audit we will prepare an Annual Audit Letter in order to communicate to the Council and external stakeholders, including members of the public, the key issues arising from our work.

| Audit phase                             | Timetable                     | Deliverables  |
|---|-------------------------------|---|
| High level planning:                    | <b>April 2015</b>             | Fee Letter provided to the Chief Executive and Chair of the Audit Committee in April 2015   |
| Risk assessment and setting of scopes   | <b>March 2016</b>             | Audit Plan - Reported to Those Charged With Governance March 2016   |
| Update on progress and interim feedback | <b>July 2016</b>              | Progress report - Reported to Those Charged With Governance July 2015   |
| Value for money conclusion              | <b>January/September 2016</b> | Ongoing   |
| Year-end audit                          | <b>July – September 2016</b>  | Report to those charged with governance<br><br>Audit report (including our opinion on the financial statements and a conclusion as to whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources).<br><br>Audit completion certificate<br><br>Whole of Government Accounts Certification<br><br>Reported to Those Charged With Governance September 2016 |
| Reporting                               | <b>November 2016</b>          | Annual Audit Letter   |
| Grant claims                            | <b>January 2017</b>           | Report on the audit of grant claims   |

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# Local government audit committee briefing

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### Key questions for the audit committee

### Find out more

This sector briefing is one of the ways that we hope to continue to support you and your organisation in an environment that is constantly changing and evolving.

It covers issues which may have an impact on your organisation, the Local government sector and the audits that we undertake.

The public sector audit specialists who transferred from the Audit Commission form part of EY's national Government and Public Sector (GPS) team. Their extensive public sector knowledge is now supported by the rich resource of wider expertise across EY's UK and international

business. This briefing reflects this, bringing together not only technical issues relevant to the local government sector but wider matters of potential interest to you and your organisation.

Links to where you can find out more on any of the articles featured can be found at the end of the briefing, as well as some examples of areas where EY can provide support to Local Authority bodies.

We hope that you find the briefing informative and should this raise any issues that you would like to discuss further please do contact your local audit team.



## Government and economic news

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### EY Item Club Autumn Forecast

The latest EY Item Club forecast (Autumn 2015) predicts tougher times for the UK economy as what it describes as the 'consumer sugar rush' begins to fade.

GDP is forecast to grow by 2.5% this year (compared to 2.9% in 2014) and slow further to 2.4% in 2016 and 2.3% the year after. Consumer Price Inflation is expected to remain below target until 2018. Prospects for exports remain poor, and domestic consumption is likely to be affected by rising inflation and tighter fiscal policy from early 2016. Progress is seen to depend upon productivity gains rather than coming from the commodity price falls that are supporting demand this year. Businesses will need to work hard on overseas markets as opposed to relying on consumer-led domestic markets.

The forecast highlights that the last decade has seen a strong increase in the supply of labour which has depressed real wages and, arguably, productivity, but that we are now seeing a more normal recovery. This is characterised by an increase in the demand for labour, which boosts real wages and productivity. Wage inflation is highlighted as being strong. This is expected to be boosted further in April 2016 by the National Living Wage, the effects of which could be very significant for some sectors and regions.

Provided that increased productivity matches wage inflation, the expectation is that the Monetary Policy Committee will keep base rates on hold until next autumn.

For details of the EY Item Club's latest forecast, see <http://www.ey.com/UK/en/Issues/Business-environment/Financial-markets-and-economy/ITEM---Forecast-headlines-and-projections>

### Housing Associations Right to Buy

The Chartered Institute of Public Financial Accountants (CIPFA) has produced a briefing following the Government's announcement in October that it intends to extend its Right to Buy scheme to Housing Associations. The briefing seeks to explore the potential impact of these plans on Local Authorities.

Local authority housing is intended to be self-financing, based on 30 year business plans established in 2012 with the HRA self-financing regime, with Council housing for each council financed from its own rental income. This principle was reflected in the 30 year business plans, but CIPFA suggests that these business plans do not reflect recent changes contained within the budget. These changes include amendments to the rent policies as well as the proposed sale of high value local authority housing stock in order to compensate housing associations for the shortfall in income caused by the new Right to Buy scheme.

According to CIPFA, research has shown properties sold under the existing Right to Buy scheme have in many instances returned to the rental market at a higher level of rent than council levels. They have cited the example of Barking and Dagenham where it is said that 41% of properties purchased under the Right to Buy scheme are now let privately.

CIPFA warns 'Any legislation that leads to a negative impact on the housing business plan models of local authorities could seriously undermine the very basis of self-financing which promised autonomy for local authorities in the delivery of housing in their areas.'



## Government and economic news

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However, Communities Secretary Greg Clark said:

“We’re determined to ensure that home ownership is seen as a reasonable aspiration for working people.

Right to Buy is a key part of this, offering a helping hand to millions of people who would have no hope of buying their own home without it.

Today’s historic agreement with housing associations and the National Housing Federation will extend that offer even more widely, whilst at the same time delivering thousands of new affordable homes across the country.”

The Government agreement with housing associations and the National Housing Federation will see housing association tenants able to buy their homes from 2016.

CIPFA’s briefing document can be downloaded from <http://www.cipfa.org/cipfa-thinks/briefings>, and further information from the government is available at <https://www.gov.uk/government/news/historic-agreement-will-extend-right-to-buy-to-13-million-more-tenants>

### Consultation: improving efficiency on Council Tax Collection

Council tax collection rates have been relatively high in recent years: 97% across England in both 2014/15 and 2013/14. However, the Government is looking at ways to enable local authorities to further improve collection rates.

To this end, the Government has issued a consultation on its proposals to improve the collection and enforcement process for council tax. The government’s stated intention is to help local authorities to keep council tax rates low, and so the proposals are aimed at ensuring that everyone contributes fairly.

The consultation follows a trial by Manchester City Council, Salford City Council, HMRC and the Cabinet office under the ‘Better Business Compliance Cabinet programme’, and reflects consideration of the findings from this trial.

An example of this is the Government’s proposal to extend the data-sharing gateway which currently exists between HMRC and local authorities. This would enable HMRC to share employment information with councils where council tax debtors have not voluntarily shared the information within 14 days of receiving a liability order. Manchester estimates, based on its pilot with HMRC, that this would recover £2.5mn of debt in its area alone.

The consultation also asks for other suggestions to improve council tax collection.

Responses are requested by 18 November 2015.

For more information on the consultation and details on how to respond, please see [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/466386/150930\\_Improving\\_Efficiency\\_of\\_Council\\_Tax\\_collection\\_Consultation\\_Doc.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/466386/150930_Improving_Efficiency_of_Council_Tax_collection_Consultation_Doc.pdf)



## Government and economic news

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### Local Plans for New Homes

In October, the Government announced that councils will be required to produce local plans for new homes by 2017. Where councils fail to do so, the Government will consult with local people to ensure that plans are produced for them.

In 2012, the National Planning Policy Framework was introduced to provide guidance for local planning authorities and decision-takers, both in drawing up plans and making decisions about planning applications. This framework reinforced the role of local plans. It required the plans to include an annual trajectory over a period of around 15 years of how many homes they plan to build in their area, and it required local authorities to review this plan approximately every 5 years. Councils were also encouraged to give local people more say on where new developments would be located and what they would look like.

The Government have said that the response to this has been mixed:

- ▶ 82% of councils have published local plans which state how many homes they intend to build over a given period
- ▶ 65% have fully adopted these plans
- ▶ Nearly 20% of councils do not have an up to date plan

If councils fail to produce and bring into force an up to date plan for new homes by 2017, the Government intends to work with local people to ensure one is created.

Read the government press release at <https://www.gov.uk/government/news/prime-minister-councils-must-deliver-local-plans-for-new-homes-by-2017>



# Accounting, auditing and governance

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## Proposals for further emergency services collaboration announced

The Government has launched a consultation which is looking into how the three core emergency services of Police, Fire and Rescue and the Ambulance service could potentially work together in a more efficient and effective manner. Key features of the consultation include:

- ▶ Enabling Police and Crime Commissioners (PCCs) to take on the duties and responsibilities of Fire and Rescue Authorities where a local case was made for this to happen
- ▶ Where a case is made by a local PCC to take on such a role, there would also be the possibility for them to take on the role of a single employer and in doing so enable the sharing of back office support functions
- ▶ Improving joint working between PCCs and local NHS Ambulance Foundation Trusts by encouraging them to allow PCCs to sit on their Council of Governors

The Government also intends to introduce a new statutory duty for the three emergency services to collaborate with one another; and sees this as not being a burden, but is about seeking efficiencies.

However, a key legal distinction would remain under the new proposals, in that a member of a police force will not be permitted under law to become a firefighter, and firefighters will not be given the power of arrest. In order to maintain transparency for local taxpayers, funding from central government will remain separate for police and fire organisations, as will council tax precepts.

<https://www.gov.uk/government/news/proposals-for-further-emergency-services-collaboration-announced>

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/459986/Consultation\\_-\\_Enabling\\_closer\\_working\\_between\\_the\\_Emergency\\_Services\\_\\_w\\_\\_2\\_.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/459986/Consultation_-_Enabling_closer_working_between_the_Emergency_Services__w__2_.pdf)

## Finance in the Cloud?

Cloud computing allows users to rent access to a variety of virtual computing options, conveniently, ranging from network-accessible data storage and software development environments to fully featured applications. As such, the data and applications are not required to be stored on local servers or 'on-premise'; rather, they are hosted and managed by third-party cloud service providers (CSPs).

Enterprises essentially outsource varying levels of IT functionality to CSPs, and users only need an internet connection to access the data and applications via virtual servers. By moving into the cloud, organisations have the potential to reduce greatly, or even eliminate, the total cost of ownership (TCO) of the IT function, thereby forever altering their business model.

The benefits of cloud adoption are highly touted. However, over a decade ago, on-premise enterprise resource planning (ERP) solutions made similar promises. Although the trigger for rushed ERP implementations in the 1990s was the much-fretted Year 2000 (or Y2K) calamity, Y2K concerns turned out to be largely unfounded, and many finance executives would now argue that they have yet to reap genuine, tangible benefits from investing in costly ERP systems.



## Accounting, auditing and governance

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Although a company's financial management system is critical to success, EY is finding that many organisations have systems averaging from 10 to 15 years old, with upgrade cycles ranging from 5 to 10 years. Despite aging legacy systems, many finance decision-makers are hazy on how cloud solutions are really any different from the ERP solutions hyped in the previous decade.

Organisations that truly understand cloud technology, as well as the associated challenges and risks, are better placed to manage the impact of cloud computing on the finance function. Moreover, they must engage an agile innovation strategy focused on deploying the right operating model in order to realize fully the benefits of cloud computing.

In EY's experience, organisations that fail to make a robust cloud risk assessment often need to make subsequent, costly changes to the cloud model, thereby negating any savings gained from cloud migration. EY recommends that organisations develop a clear, attainable cloud strategy, including an appropriate operating model accompanied with a cloud risk management approach to mitigate risks and avoid a premature move to the cloud.

EY has a proven framework for cloud models, along with risk assessments and broad-based diagnostics to evaluate and optimise a cloud strategy that enables minimal disruption whilst accelerating an organisation's evolution. For more information on this, please talk to a member of your engagement team or read the EY publication at [http://performance.ey.com/wp-content/uploads/downloads/2015/10/EY-Performance-Finance-in-the-cloud\\_Final.pdf](http://performance.ey.com/wp-content/uploads/downloads/2015/10/EY-Performance-Finance-in-the-cloud_Final.pdf)

### Value for Money Conclusion guidance

The NAO have recently released a consultation document (<http://www.nao.org.uk/keep-in-touch/wp-content/uploads/sites/11/2015/08/Vfm-arrangements-auditor-guidance-consultation-document.pdf>) a consultation document for auditors on their review of arrangements to secure economy, efficiency and effectiveness in their use of resources. This is also referred to as the three E's or the Value for Money (VfM) conclusion. The guidance covers the VfM work for 2015/16.

Based on the responses received to a similar consultation in 2014 the new draft guidance seeks to:

- ▶ Take forward existing guidance and reflect changing circumstance for public sector organisations such as finding savings and maintain financial stability over the medium and long term
- ▶ Update the definition of 'proper arrangements'
- ▶ Strengthen guidance on the identification and work around significant risks whilst maintaining a risk based approach
- ▶ Update and clarify the range of reporting opinions available to auditors and expectations at key stages of the audit
- ▶ Maintain sector specific guidance that will sit outside of the statutory guidance but can provide up-to-date information on sector specific risks

The consultation closed on 30 September and the NAO will communicate a summary of the responses once they have reviewed them. Further information can be found at <https://www.nao.org.uk/keep-in-touch/our-surveys/consultation-auditors-work-on-value-for-money-arrangements/>.



## Regulation news

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### Consultation on 2016/17 proposed fee scales

Public Sector Audit Appointments (PSAA) is currently consulting on both the work programme and scale of fees for 2016/17 audits. The consultation describes the work that auditors will undertake at principal audited bodies for 2016/17 and their associated scales of fees.

There are no planned changes to the overall work programme for 2016/17 and their proposal is to set scale audit fees at the same level as the scale fees for 2015/16 which already reflect a reduction of 25% in addition to the reduction of up to 40% made from 2012/13.

A change in accounting requirements in 2016/17 relating to highways infrastructure assets will require additional audit work at some authorities. As the amount will differ between authorities, the fee variation process will apply in 2016/17 for this additional work.

The consultation closes on Friday 15th January 2016, and the final work programme will be published following this in March 2016.

For details of the consultation, please refer to the PSAA website at <http://www.psaa.co.uk/audit-and-certification-fees/consultation-on-201617-proposed-fee-scales/>

### NAO Case Study: managing reductions in local authority government funding

The National Audit Office (NAO) has made available more than 30 case studies which give examples of how organisations have used their recommendations or analysis to support the achievement of financial savings.

One of these case studies follows the production of its 2014 report 'Financial Sustainability of Local Services'

The NAO case study states that following their report, the Department for Communities and Local Government (DCLG) has acknowledged that its processes for estimating local authority spending requirements and assessment the potential impacts of spending reductions need to be improved.

They also note use of their report in the sector, citing the following examples:

- ▶ Leeds City Council and Birmingham City Council have drawn on the work in their debates with central government over devolution
- ▶ Wolverhampton City Council and Oldham Council have used the work to inform discussion and decision-making in cabinet meetings and audit and scrutiny meetings
- ▶ The Local Government Association and treasurers' societies have used the analysis from the report to inform their thinking

Find out more about the impact made by NAO reports in their interactive pdf at <https://www.nao.org.uk/wp-content/uploads/2015/10/Impacts-case-studies-2014.pdf>



## Key questions for the audit committee

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### **What questions should the Audit Committee ask itself?**

Have we considered the impact of the extension of Right to Buy and reflected our consideration in our Medium Term financial plans and/or Local Plan?

How successful are we in systematically improving our collection rates for Council Tax? Is there best practice that we could share via the Government's consultation?

What is our mid to long term IT strategy? Are we considering cloud-based IT and if so how robust are our risk assessments supporting the shift?

Have we formulated a response to the PSAA consultation on the work programme and scale of fees for 2016/17?





## Find out more

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### **EY Item Club Autumn Forecast**

For details of the EY Item Club's latest forecast, see <http://www.ey.com/UK/en/Issues/Business-environment/Financial-markets-and-economy/ITEM---Forecast-headlines-and-projections>

### **Housing Associations Right to Buy**

For further information, please see the government press release at <https://www.gov.uk/government/news/historic-agreement-will-extend-right-to-buy-to-13-million-more-tenants> and access the CIPFA report at <http://www.cipfa.org/cipfa-thinks/briefings>

### **Consultation: Improving Efficiency on Council Tax Collection**

For more information on the consultation and details on how to respond, please see [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/466386/150930\\_Improving\\_Efficiency\\_of\\_Council\\_Tax\\_collection\\_Consultation\\_Doc.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/466386/150930_Improving_Efficiency_of_Council_Tax_collection_Consultation_Doc.pdf)

### **Local Plans for New Homes**

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### **Proposals for further emergency services collaboration announced**

For more information on the Government's proposals, please see <https://www.gov.uk/government/news/proposals-for-further-emergency-services-collaboration-announced>, and for a copy of the consultation document please see [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/459986/Consultation\\_-\\_Enabling\\_closer\\_working\\_between\\_the\\_Emergency\\_Services\\_\\_w\\_\\_2\\_.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/459986/Consultation_-_Enabling_closer_working_between_the_Emergency_Services__w__2_.pdf)

### **Finance in the Cloud?**

To find out more about Cloud Computing and how EY can support you, please ask a member of your engagement team or read the EY publication at [http://performance.ey.com/wp-content/uploads/downloads/2015/10/EY-Performance-Finance-in-the-cloud\\_Final.pdf](http://performance.ey.com/wp-content/uploads/downloads/2015/10/EY-Performance-Finance-in-the-cloud_Final.pdf)

### **Value for Money Conclusion guidance**

Further information can be found at <https://www.nao.org.uk/keep-in-touch/our-surveys/consultation-auditors-work-on-value-for-money-arrangements/>, and a copy of the NAO's consultation document is available at <http://www.nao.org.uk/keep-in-touch/wp-content/uploads/sites/11/2015/08/Vfm-arrangements-auditor-guidance-consultation-document.pdf>

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### **NAO Case Study: Managing reductions in local authority government funding**

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[ey.com/uk](http://ey.com/uk)

## BUSINESS ASSURANCE FRAUD PROGRESS REPORT - JANUARY 2016

### 1 Purpose

- 1.1 To receive an update on the anti fraud and corruption work that has taken place over the last 12 months including the results of the fraud risk benchmarking assessment and a report on the activity of the Compliance Team for the first 6 months of 2015-16, following transfer of staff to the DWP's Single Fraud Investigation Service (SFIS).

### 2 Recommendations/for decision

- 2.1 The committee is recommended to note the report of the Compliance Team and agree the results and action plan arising from the benchmarking assessment compared to the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption.

### 3 Supporting information

- 3.1 In March 2015 the Fraud Investigation Team transferred to the DWP Single Fraud Investigation Service as part of the governments new aims to try to tackle welfare benefit fraud. Since then the Council has had no resource dedicated to fraud investigation.
- 3.2 The Compliance Team which is part of the Revenues and Benefits Service has been established to undertake interventions and reviews of customer's council tax liability, housing benefit and council tax reduction entitlement, and to ensure account/claim records are correct, identifying errors and recovering overpayments as well as applying penalties where appropriate.
- 3.3 A report is attached at Appendix A which summarises the outcomes of the Compliance Team work for the first half of 2015-16.
- 3.4 In October 2013, an assessment was performed of the Council's Anti Fraud and Corruption polices and processes compared to the three themes outlined in the Local Government Fraud Strategy: Acknowledge, Prevent and Pursue. The actions identified in the Anti-Fraud and Corruption Improvement Plan have largely been addressed and were reported to the Audit Committee in October 2014.
- 3.5 Since the previous fraud risk assessment new best practice guidance on anti-fraud in the public sector has been released by the Chartered Institute of Public Finance and Accountancy (CIPFA). In addition, the Council has undergone significant change with corporate restructure, setting up the new business model and seeking to increase commercial trading. The transfer of the Fraud Investigations team to the DWP Single Fraud Investigation Service has also had an impact on resources available and mandate for investigation.
- 3.6 CIPFA's "Code of practice on managing the risk of fraud and corruption" supports organisations seeking to ensure they have the right governance and operational arrangements in place to counter fraud and corruption. It is a voluntary code that can be applied in any public service organisation.

- 3.7 Using the CIPFA Tool, Business Assurance Services (BAS) has performed a fraud benchmarking assessment of the current state of the Council's governance structures and processes against the CIPFA code.
- 3.8 The results of the assessment and action plan are attached at Appendix B. The Council is currently performing at 40% of the CIPFA standard. For an organisation of this size and complexity aiming for 100% may not be appropriate, but the assessment shows that there are some key areas where further attention is needed to strengthen both the governance and operational arrangements in place to manage the risk of fraud. The actions identified will help to improve the Council's governance structures and ability to demonstrate effective financial stewardship and strong public financial management.

#### **4 Reasons for Recommendation**

- 4.1 The Audit Committee is responsible for obtaining assurance that there are effective policies, processes and arrangements in place for the prevention and detection of fraud.

#### **5 Resource implications**

There are no resource implications to report.

|                      |  |
|----------------------|--|
| Contact Officer      | Kate Mulhearn Business Assurance Manager (Interim)<br>01296 585724 |
| Background Documents | None   |

**Aylesbury Vale District Council**

# **Compliance Team**

**Mid Year Report**

**Matthew Steer**



**2015-16**

## Introduction

Following the creation of the Single Fraud Investigation Service, covering all welfare benefit fraud, AVDC no longer undertakes fraud investigations. The Single Fraud Investigation Service falls within the Department of Work and Pensions as a single organisation and operates to a separate set of policies and procedures to tackle all welfare benefit fraud by bringing together welfare benefit fraud investigations currently undertaken by DWP, local authorities and HMRC.

AVDC continues to share data where permissible and works closely on cases of mutual interest. However, following the departure of AVDC's Fraud Team, a different approach was required. It was decided that the Compliance Team would focus their resources on reviewing Council Tax discounts and exemptions, Council Tax Reduction and Housing Benefit entitlement and undertaking work through FERIS, HBMS and RTI.

A year after the team was formed, Compliance work is currently under an internal review not only to streamline existing processes, but also to identify better, more efficient, ways of working. Given the limited resources to hand and the prospect of these further reducing in the future, more focussed, targeted, interventions will be considered.

## Aims

To undertake interventions and reviews of customer's council tax liability, Housing Benefit and Council Tax Reduction entitlement. To review council tax exemptions and discounts. To ensure account/claim records are correct, identifying errors and recover overpayments as well as applying penalties where appropriate. To undertake exercises through FERIS, HBMS and RTI.

## Detection

Our objectives are to prevent and reduce the financial losses to AVDC's benefits caseload as a result of fraud and error and maximise the collection of council tax.

This will be achieved by:

- Effective use of Information Technology
- Effective use of Data Matching
- The provision of good quality training and refresher training
- Effective liaison and partnership working
- Encouraging 'Whistle blowing' through use of the AVDC Confidential Reporting policy
- Encouraging both internal and external referrals of fraud and corruption

## Resources

The Compliance Team currently employs four part time members of staff headed by a fulltime supervisor.

**Sources of compliance work undertaken**

The Compliance Team liaises with all Council departments as and when required. All income types for HB/CTR and all exemption and discounts for council tax are currently reviewed annually. RTI and HBMS cases are reviewed every month and the NFI reports are worked on continuously. Internal and external allegations are received via the team’s mail box and in writing.

**Table of allegations received with their sources 2015/16 (First 6 months)**

Please note that the numbers on the tables do not equal each other because not all allegations are substantiated.

| Source of Fraud          | No of Cases |
|--------------------------|-------------|
| From Benefits Section    | 4           |
| HBMS                     | 3           |
| NFI                      | 0           |
| CRA matches              | 0           |
| DWP                      | 0           |
| Royal Mail DNR           | 0           |
| Anonymous Letter         | 7           |
| Anonymous Telephone Call | 5           |
| Pro-active Work          | 0           |
| Private Landlords        | 0           |
| From Other LA Depts.     | 2           |
| Intervention             | 0           |
| Website                  | 0           |
| Other                    | 14          |
| <b>Total</b>             | <b>45</b>   |

| Type of Fraud              | No of Cases |
|----------------------------|-------------|
| Working & Claiming         | 7           |
| undeclared Income/benefits | 2           |
| undeclared capital/assets  | 3           |
| LTAHAW                     | 6           |
| Others in Household        | 6           |
| False Identity             | 0           |
| Contrived Tenancy          | 0           |
| Landlord Fraud             | 0           |
| Non Residency              | 1           |
| SPD                        | 0           |
| right to buy               | 0           |
| Other                      | 0           |
| <b>Total</b>               | <b>25</b>   |

Note: 2014/15 statistics are not included in this report as they are not comparable with either 2013/14, or 2015/16. 2014/15 was a transitional year, with a dedicated Fraud Team for part of the year, a Compliance Team for the final few months, and a combination in between.

## Department for Work & Pensions Housing Benefit Matching Service data matches 2015/16

The DWP regularly match AVDC's data submissions with other data sources to assist in the prevention and detection of fraud and error. For example, individuals may fail to report a change in circumstances like returning to work, an undeclared capital sum, a private pension or lump sum, an increase or award of another 'benefit'. By cross matching the various data bases, anomalies are identified and referred to us for further investigation.

## The Fraud and Error Incentive Scheme

The Fraud and Error Reduction Incentive Scheme (FERIS) offers financial rewards to local authorities who reduce fraud and error in their Housing Benefit cases. The scheme aims to significantly reduce Housing Benefit fraud and error during those years and beyond. The Compliance Team have run a number of reports identifying claims where incomes, discounts etc haven't been reviewed during the past twelve months.

## Real Time Information

Real Time Information (RTI) is Her Majesty's Revenue and Customs' (HMRC) system for collecting Pay as You Earn (PAYE) information from employers and pension providers who are now required to provide HMRC with income details immediately after each payment they make.

The Department for Work and Pensions and HMRC have a joint Fraud and Error Strategy and seek to collaborate where possible, especially where one department's assets are of value to the other. RTI is an example of such an asset and provides new opportunities to identify fraud and error across all social security benefits including Housing Benefit. In respect of earnings, the RTI data is a richer and timelier solution than the existing data sources being used to identify fraud and error across DWP systems.

## Audit Commission's National Fraud Initiative 2015

Since 1996 the Audit Commission has run the National Fraud Initiative (NFI). This matches electronic data to prevent and detect fraud.

The following data sets were submitted for matching by AVDC

- Housing Benefit Claimants
- Payroll
- Insurance claims
- Taxi Licences
- Creditors
- Electoral Register
- Council Tax (*Note that the Council Tax Single Person Discount (SPD) data set and the Electoral Roll are submitted at a different time from the rest of the data. Results of this match have only just been received in October 2015.*)



**Total Overpayment of Housing Benefit and Council Tax Reduction**

The total overpaid benefits identified through the work of the Compliance Team during the period April to September 2015;

**FERIS**

|                               |   |             |
|-------------------------------|---|-------------|
| Housing Benefit               | - | £293,037.60 |
| Council Tax Reduction/Benefit | - | £111,218.59 |
| Cases Reviewed                | - | 1508        |

**RTI**

|                               |   |                  |
|-------------------------------|---|------------------|
| Housing Benefit               | - | £422,440.45      |
| Council Tax Reduction/Benefit | - | No data recorded |
| Cases Reviewed                | - | 501              |

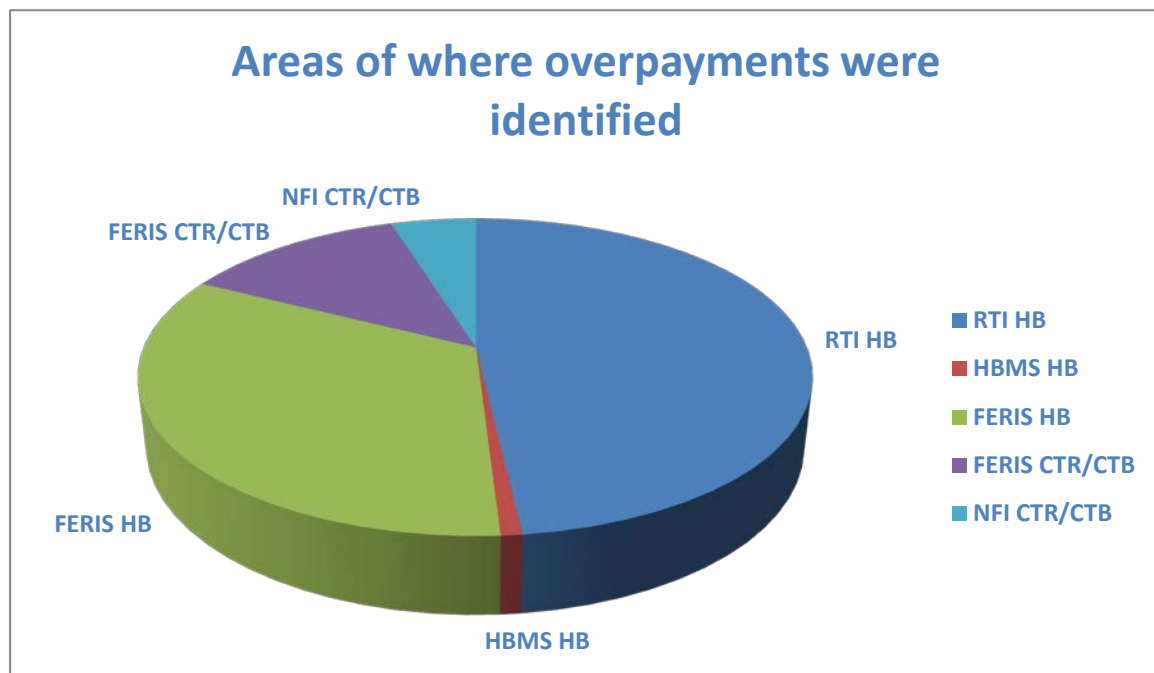
**HBMS**

|                               |   |                  |
|-------------------------------|---|------------------|
| Housing Benefit               | - | £7,804.51        |
| Council Tax Reduction/Benefit | - | No data recorded |
| Cases Reviewed                | - | 132              |

**NFI**

|                               |   |                  |
|-------------------------------|---|------------------|
| Housing Benefit               | - | No data recorded |
| Council Tax Reduction/Benefit | - | £42,462.97       |
| Cases Reviewed                | - | 1270             |

**Grand Total Overpayments £879,964.12**



## Penalties

There were eight penalties imposed totalling £560 and administration penalties totalling £5474.21.

## Case Studies

The following are actual cases, personal details have been removed:

**Claimant A** failed to report an increase in wages resulting in an overpayment of Housing Benefit totalling £13,140.53 and Council Tax Reduction £2173.10.

**Claimant B** failed to report an increase in wages resulting in an overpayment of Housing Benefit totalling £11,287.17.

**Claimant C** failed to report a change in child care costs resulting in an overpayment of Housing Benefit totalling £14,181.96 and Council Tax Reduction of £268.04.

**Claimant D** failed to report a change in child care costs resulting in an overpayment of Housing Benefit totalling £11,491.17, Council Tax Benefit of £289.82 and Council Tax Reduction of £2074.16.

## Fraud awareness training sessions

Clive Allen from SFIS has agreed to undertake training in January 2016.

## Internal and External Liaison

Liaisons and networking external – Vale of Aylesbury Housing Trust, Guinness Trust, Catalyst Housing, Thames Valley Police.

Liaisons and networking internal to AVDC – Housing & Homelessness, Budget Advice, Environmental Health, Benefits, Finance, Enforcement Forum, Audit Committee.

# Managing the risk of fraud and corruption

## Assessment and Action Plan



**January 2016**

# Managing the risk of fraud and corruption

## Assessment and action plan - January 2016

### 1. Background

In October 2013, an assessment was performed of the Council's Anti Fraud and Corruption policies and processes compared to the three themes outlined in the Local Government Fraud Strategy: Acknowledge, Prevent and Pursue. The actions identified in the Anti-Fraud and Corruption Improvement Plan have largely been addressed and were reported to the Audit Committee in October 2014.

Since our previous fraud assessment new best practice guidance on anti-fraud in the public sector has been released by the Chartered Institute of Public Finance and Accountancy (CIPFA). In addition, the Council has undergone significant change with corporate restructure, setting up the new business model and seeking to increase commercial trading. The transfer of the Fraud Investigations team to the Department of Work and Pensions Single Fraud Investigation Service has also had an impact on resource available and mandate for investigation. Previously embedded processes and controls may have weakened and policies implemented as a result of previous action plans may no longer be fit for purpose.

CIPFA's "Code of Practice on managing the risk of fraud and corruption" supports organisations seeking to ensure they have the right governance and operational arrangements in place to counter fraud and corruption. It is a voluntary code that can be applied in any public service organisation. Business Assurance Services (BAS) has performed a fraud benchmarking assessment of the current state of the Council's governance structures and processes against the CIPFA code. The resulting actions outlined in this report replace those previously reported.

### 2. CIPFA Code of Practice on Managing the Risk of Fraud and Corruption

Leaders of public services organisations have a responsibility to embed effective standards for countering fraud and corruption in their organisations. This supports good governance and demonstrates effective financial stewardship and strong public financial management.

The Chartered Institute of Public Finance and Accountancy (CIPFA) has developed a self assessment tool that helps organisations assess the robustness of their counter fraud processes. The criteria in the tool are evidenced based, which means that for the Council to achieve a satisfactory level against the criteria it must be able to demonstrate compliance. It is not appropriate to simply say 'Management take the risk of fraud seriously', it must be based on documented evidence.

The five key principles of the code are to:




- acknowledge the responsibility of the governing body for countering fraud and corruption
- identify the fraud and corruption risks
- develop an appropriate counter fraud and corruption strategy
- provide resources to implement the strategy
- take action in response to fraud and corruption.

The five key principles are supported by specific steps which should be implemented. Through a series of 68 individual questions, the assessment tool explores the evidence to demonstrate these steps are in place and provides an overall rating.

The role of Business Assurance Services (BAS) is to provide assurance to Management over the adequacy of the governance arrangements within the Council. The purpose of this report is to summarise the results of our independent assessment against the criteria, highlighting any strengths and identifying the main weaknesses to address. In addition BAS has a role to play in putting adequate anti-fraud and corruption policies in place within the Council.

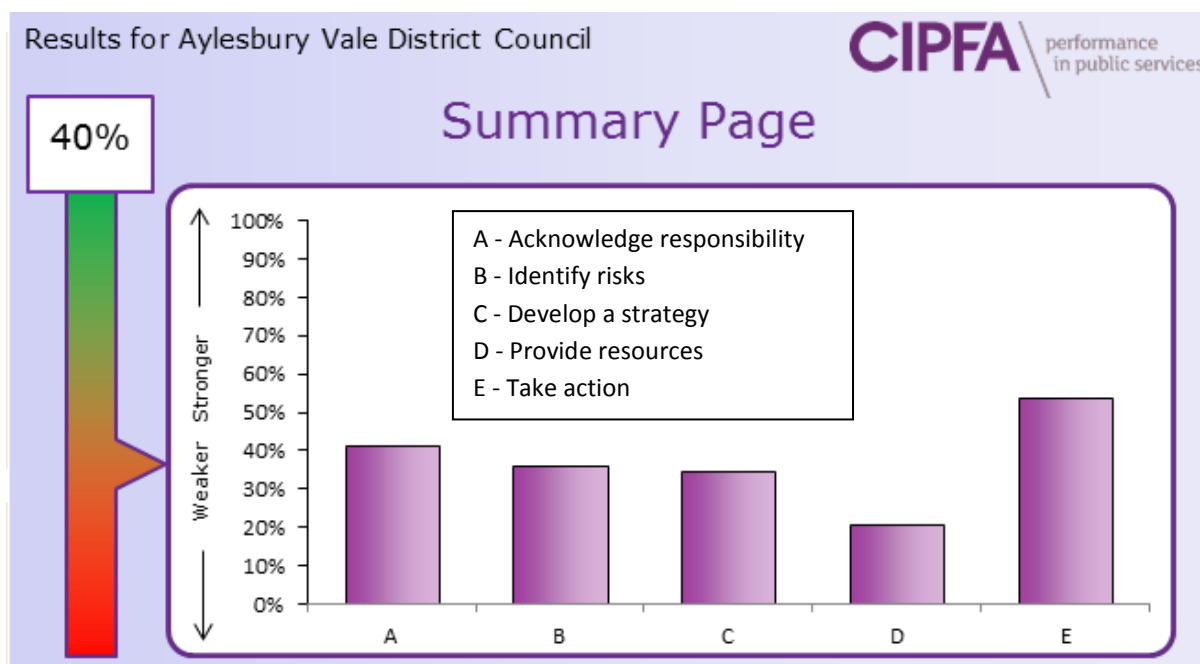
We have summarised the results of our assessment in section 3 together with a suggested action plan. More detail under each of the 5 core principles is also provided in section 5 of this report.

A traffic light system has been used to show whether, in our view, the criteria has been met, partially met or not met. The % scores are taken from the benchmarking tool and illustrate the strength of the Council’s performance against each of the criteria.

|  |  |
|--|--|
| <p>Met – performance in this area is considered satisfactory. Governance arrangements and structures are adequate for the size and context of the organisation.</p>                  |    |
| <p>Partially Met – there is some evidence that the criteria are achieved but these are either not consistently/regularly applied, or fail to meet the required standard in full.</p> |    |
| <p>Not Met – there is little evidence to suggest these criteria are in place or routinely operating.</p>   |  |

*Note: The assessment refers to the ‘Leadership Team’ throughout. At AVDC this is represented by the Transition Board*

### 3. Summary results and action plan



The Council has reached a basic level of performance against the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption. This includes having adequate arrangements in place against most of the performance criteria that are fundamental to the management of fraud and corruption risks. There remain a number of key areas where performance should be improved before a good standard of performance can be achieved. Overall the Council needs to do more to ensure it's resilience against fraud and to support good governance.

#### Areas of strength against the code:

- Some actions to publicly acknowledge the risks and to put in place some arrangements to manage those risks.
- The identification of some fraud risks.
- Appropriate steps in place to respond to fraud risk and referrals and the essential elements of a policy framework.

#### Areas for improvement:

- Leadership support needs to be demonstrated more regularly to help build an anti-fraud culture within the Council.
- More needs to be done to ensure that there is a regular review of fraud risks to the Council's principal activities and ensure arrangements for reporting and escalation of risks are robust.
- The Council should ensure that it is regularly reviewing external evidence of fraud risks and supporting fraud risk awareness amongst its managers and staff.
- The Council needs to review and update the Fraud strategy so that it comprehensively addresses the risks of fraud and corruption that it faces and is be aligned to the objectives and goals.

- Review the level of resource that is invested to counter fraud and corruption to ensure that it is sufficient to manage its risks.
- Through an action plan, ensure all aspects of an effective counter fraud strategy are implemented, including the development of the anti-fraud culture.
- The scope for improving assurance on performance should also be evaluated.

Having considered all the criteria set out in the CIPFA code and the gaps we have developed a high level set of actions that would strengthen the Council's position in managing the risk of fraud.

| Reference: | Issue & Proposed Action:  | Responsibility*: | Target Date*: |
|------------|---|------------------|---------------|
| A1         | The Transition Board should endorse/make a statement, at least annually identifying fraud and corruption threats specific to the Council and their associated harm e.g. how fraud could impact on AVDCs ability to meet business goals.<br>The statement should include commitment to actions to mitigate identified risk and specific goals in relation to fraud resilience. |                  |               |
| A2         | Leadership team publically communicate to staff (and contractors) the importance of fraud awareness (e.g. By-lines)   |                  |               |
| A3         | Refer to CIPFA counter fraud principles in 2015/16 Annual Governance Statement.   |                  |               |
| B1         | Include Fraud as a corporate level risk to ensure that it stays front of mind in governance and decision making.  |                  |               |
| B2         | Carry out an assessment of the main areas of activity where the risk of fraud and corruption is present (this will help inform resource assessment and future actions plans).   |                  |               |
| C1/E2      | Review and update the policy framework which supports the implementation of the counter fraud strategy, including: Counter fraud, Whistleblowing, Anti-money laundering, Anti-bribery, Anti-corruption, Gifts and hospitality, Pecuniary interest and conflicts of interest, Codes of conduct and ethics, Information security, Cyber security policy.                        |                  |               |
| C2         | Produce a detailed Counter Fraud action plan, with action owners and regular monitoring.  |                  |               |
| D1         | Review counter-fraud resources based on the council's level of risk.  |                  |               |

|    |   |  |  |
|----|---|--|--|
| D2 | Assess the level of competence of the cohort of investigators and consider if specialist Fraud investigation training is need for some or all of the investigators.   |  |  |
| D3 | Produce a Fraud Investigation Protocol which should include process for evaluation of the effectiveness of investigations.  |  |  |
| E1 | Develop a regular programme of training and awareness, including annual updates for all staff.  |  |  |
| E3 | The Annual Fraud Report should include: performance against the counter fraud strategy and action undertaken, assessment of resource availability, actions for next year and results of assessment of performance against the CIPFA Code. The Audit Committee should reports the results, conclusion and recommendations to Transition Board. |  |  |

\* The Business Assurance Manager will agree responsibility and target date with the Transition Board.


#### 4. Conclusion

Compared to the criteria set out in the CIPFA “Code of Practice on managing the risk of fraud and corruption”, the Council is currently performing at 40% of the standard. For an organisation of this size and complexity aiming for 100% may not be appropriate, but the assessment shows that there are some key areas where further attention is needed to strengthen both the governance and operational arrangements in place to manage the risk of fraud.

The actions set out above, which are all achievable with current resource, would improve the Council’s governance structures and ability to demonstrate effective financial stewardship and strong public financial management. Once in place and embedded, the actions identified should improve the overall assessment score and help provide assurance that the Council has adopted a response that is appropriate for its fraud and corruption risks and is committed to maintain its vigilance to tackle fraud.



## 5. CIPFA Fraud Risk Assessment Results

|  |  |
|--|--|
| <p><b>Key Principle A: The governing body should acknowledge its responsibility for ensuring that the risks associated with fraud and corruption are managed effectively across all parts of the organisation.</b></p>   | <br>41% |
| <p><b>Specific Steps</b></p>   |  |
| <p>A1 The organisation’s leadership team acknowledge the threats of fraud and corruption and the harm they can cause to the organisation, its aims and objectives and to its service users.</p>  |  |
| <p>A2 The organisation’s leadership team acknowledge the importance of a culture that is resilient to the threats of fraud and corruption and aligns to the principles of good governance.</p>   |  |
| <p>A3 The governing body acknowledges its responsibility for ensuring the management of its fraud and corruption risks and will be accountable for the actions it takes through its governance reports.</p>  |  |
| <p>A4 The governing body sets a specific goal of ensuring and maintaining its resilience to fraud and corruption and explores opportunities for financial savings from enhanced fraud detection and prevention.</p>  |  |
| <p><b>Summary of current position</b></p> <p>There is a lack of documented evidence to demonstrate Leadership commitment to anti fraud. Whilst this is evident through various meetings where risks and controls are discussed, and inherent in many of the Service Area monitoring processes, there is no formal statement of promotion of commitment to anti fraud behaviours at a corporate level There are no specific goals set in relation to fraud resilience. The leadership don’t actively explore initiatives to improve resilience.</p> <p>Whilst there is not a written acknowledgement of responsibility from the leadership, there is support from them during investigations. The 2014/15 Annual Governance statement does include assessment of how effectively AVDC is addressing its fraud and corruption risks. Fraud and Corruption is also referred to in a number of documents namely code of conducts and the constitution. The Anti-Fraud and Corruption Strategy does identify the Council’s ambitions in relation to fraud resilience, however these have not been formulated into specific goals.</p> |  |
| <p><b>Actions:</b></p> <ul style="list-style-type: none"> <li>A1. The Transition Board should endorse/make a statement, at least annually identifying fraud and corruption threats specific to the Council and their associated harm e.g. how fraud could impact on AVDCs ability to meet business goals. The statement should include commitment to actions to mitigate identified risks and specific goals in relation to fraud resilience.</li> <li>A2. Leadership team publically communicate to staff (and contractors) the importance of fraud awareness (e.g. By-lines)</li> <li>A3. Refer to CIPFA counter fraud principles in 2015/16 Annual Governance Statement.</li> </ul>   |  |

**Principle B: Fraud risk identification is essential to understand specific exposures to risk, changing patterns in fraud and corruption threats and the potential consequences to the organisation and its service users.**



36%

**Specific Steps**

B1 Fraud risks are routinely considered as part of the organisation's risk management arrangements.

B2 The organisation identifies the risks of corruption and the importance of behaving with integrity in its governance framework.

B3 The organisation uses published estimates of fraud loss, and where appropriate its own measurement exercises, to aid its evaluation of fraud risk exposures.

B4 The organisation evaluates the harm to its aims and objectives and service users that different fraud risks can cause.

**Summary of current position**

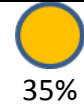
The Council's Risk Management Policy doesn't reference fraud and corruption risks. Risk assessments of core activities do not always consider fraud and corruption. There is no formal assessment of main areas of activity where the risk of corruption is present. There is limited assessment of potential fraud losses.

However the introduction of the Service Risk Assurance process two years ago has improved the understanding and ownership over service specific fraud risks. The whistleblowing policy gives information about how to report concerns. The staff code of conduct includes a section on Fraud and Corruption.

**Actions:**

- B1. Include Fraud as a corporate level risk to ensure that it stays front of mind in governance and decision making.
- B2. Carry out an assessment of the main areas of activity where the risk of fraud and corruption is present.

**Principle C: An organisation needs a counter fraud strategy setting out its approach to managing its risks and defining responsibilities for action.**



**Specific Steps**

C1 The governing body formally adopts a counter fraud and corruption strategy to address the identified risks and align with the organisation’s acknowledged responsibilities and goals.

C2 The strategy includes the organisation’s use of joint working or partnership approaches to managing its risks, where appropriate.

C3 The strategy includes both proactive and responsive approaches that are best suited to the organisation’s fraud and corruption risks. Proactive and responsive components of a good practice response to fraud risk management are set out below.

**Proactive**

- Developing a counter-fraud culture to increase resilience to fraud.
- Preventing fraud through the implementation of appropriate and robust internal controls and security measures.
- Using techniques such as data matching to validate data.
- Deterring fraud attempts by publicising the organisation’s anti-fraud and corruption stance and the actions it takes against fraudsters.

**Responsive**

- Detecting fraud through data and intelligence analysis.
- Implementing effective whistleblowing arrangements.
- Investigating fraud referrals.
- Applying sanctions, including internal disciplinary, regulatory and criminal.
- Seeking redress, including the recovery of assets and money where possible.

C4 The strategy includes clear identification of responsibility and accountability for delivery of the strategy and for providing oversight.

**Summary of current position**

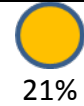
There is an Anti-Fraud and Corruption Strategy and a Whistleblowing Policy in place, though these are now due for review. Whilst the strategy doesn’t include partnership working to address fraud there is evidence that services do work with other organisations to prevent fraud. The Strategy includes clear identification of responsibility and accountability for delivery of the strategy.

Although a strategy is in place it is a very high level document and doesn’t include detail about how the council will prevent and detect fraud. There has been limited monitoring of the Fraud Action Plan.

**Actions:**

- C1. Review the Anti-Fraud and corruption Strategy and the Whistleblowing Policy.
- C2. Produce a detailed counter fraud action plan, with action owners and regular monitoring.

**Principle D: The organisation should make arrangements for appropriate resources to support the counter fraud strategy.**



21%

**Specific Steps**

D1 An annual assessment of whether the level of resource invested to counter fraud and corruption is proportionate for the level of risk.

D2 The organisation utilises an appropriate mix of experienced and skilled staff, including access to counter fraud staff with professional accreditation.

D3 The organisation grants counter fraud staff unhindered access to its employees, information and other resources as required for investigation purposes.

D4 The organisation has protocols in place to facilitate joint working and data and intelligence sharing to support counter fraud activity.

**Summary of current position**

The responsibility for oversight of Counter-Fraud work lies with the Business Assurance team but there has been no assessment of the level of resources required against the level of risk. A team of trained investigators was established in 2014, although they were not specifically trained in Fraud investigations.

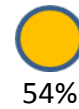
We have a number of policies that give investigators access to information as part of their investigation however these do not specifically refer to Fraud Investigations and this may not extend to outsourced services and partnering arrangements.

Agreements with other bodies are in place as part of the NFI process these are facilitated by the Cabinet Office, however as the instance of counter-fraud activities being conducted on a collaborative basis are rare there are no other agreements in place.

**Actions:**

- D1. Review counter-fraud resources based on the council's level of risk.
- D2. Assess the level of competence of the cohort of investigators and consider if specialist Fraud investigation training is need for some or all of the investigators.
- D3. Produce a Fraud Investigation Protocol which should include process for evaluation the effectiveness of investigations.

**Principle E: The organisation should put in place the policies and procedures to support the counter fraud and corruption strategy and take action to prevent, detect and investigate fraud.**



**Specific Steps**

E1 The organisation has put in place a policy framework which supports the implementation of the counter fraud strategy. As a minimum the framework includes:

- Counter fraud policy
- Whistleblowing policy
- Anti-money laundering policy
- Anti-bribery policy
- Anti-corruption policy
- Gifts and hospitality policy and register
- Pecuniary interest and conflicts of interest policies and register
- Codes of conduct and ethics
- Information security policy
- Cyber security policy

E2 Plans and operations are aligned to the strategy and contribute to the achievement of the organisation’s overall goal of maintaining resilience to fraud and corruption.

E3 Making effective use of national or sectoral initiatives to detect fraud or prevent fraud, such as data matching or intelligence sharing.

E4 Providing for independent assurance over fraud risk management, strategy and activities.

E5 There is a report to the governing body at least annually on performance against the counter fraud strategy and the effectiveness of the strategy from the lead person(s) designated in the strategy. Conclusions are featured in the annual governance report.

**Summary of current position**

Most of the required policies are in place though a number of them are due for review.

These policies are now on Policy Hub and a programme of review and compliance is being developed.

Training and awareness has been undertaken but not recently and on an ad hoc basis.

We adhere to NFI data matching and sharing protocols but a Council wide review of the effectiveness of data sharing has not been performed to date.

A team of trained investigators was established in 2014, although they were not specifically trained in Fraud investigations.

**Actions:**

- E1. Develop a regular programme of training and awareness, including annual updates for all staff.
- E2. Review the policy framework which supports the implementation of the counter fraud strategy, as a minimum this should include: Counter fraud, Whistleblowing, Anti-money laundering, Anti-bribery, Anti-corruption, Gifts and hospitality, Pecuniary interest and conflicts of interest, Codes of conduct and ethics, Information security, Cyber security policy.
- E3. The Annual Fraud Report should include: performance against the counter fraud strategy and action undertaken, assessment of resource availability, actions for next year and results of assessment of performance against the CIPFA Code. The Audit Committee should reports the results, conclusion and recommendations to Transition Board.

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## BUSINESS ASSURANCE PROGRESS REPORT – JANUARY 2016

### 1 Purpose

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

### 2 Recommendations

- 2.1 The committee is recommended to note the progress report at Appendix A and approve the proposed revisions to the 2015/16 Business Assurance plan.

### 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 and in progress
  - Revised assurance plan
  - Overdue recommendations and follow up work

### 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: Kate Mulhearn, Business Assurance Manager (01296) 585724

Background papers: none



## **Business Assurance Services**

### **Assurance Progress Report**

January 2016



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

| No Assurance        | Limited Assurance | Reasonable Assurance | Substantial Assurance |
|---------------------|-------------------|----------------------|-----------------------|
| Housing Allocations |                   |                      |                       |

### Housing Allocations

We reviewed the process and controls for Housing Allocations including processing applications in accordance with the Bucks Home Choice (BHC) Policy. Generally the processes operated by AVDC's Housing Service are good. Applicants to the register appear to be thoroughly vetted and in accordance with the BHC Policy. Overall we gave a reasonable assurance rating.

We raised one Medium priority recommendation relating to a wider review against the BHC Policy objectives. The objectives have not been subjected to a formal review since the policy was introduced in 2014; an annual review should be undertaken.

We also raised two Low priority recommendations:

- Within Aylesbury Vale the Housing Register is jointly managed by AVDC and the Vale of Aylesbury Housing Trust (VAHT). Whilst VAHT are not a named partner within the Policy, there is a 'Common Housing Register and Nomination Rights' Agreement in place between AVDC and VAHT. The final signed version of the agreement could not be located.
- Management checks are not routinely carried out at the point of entry to the housing register.

## 2. Assurance plan work in progress

The following areas are in progress from the Assurance Plan:

| Assurance Plan Area                        | Type of review | Progress  |
|--|----------------|---|
| Technology One - Accounts Payable          | Assurance      | A draft report was issued on 8 January. We are agreeing actions arising as a result of our recommendations with management. The report will be presented to Audit Committee in March. |
| Technology One - Debtors                   | Assurance      |   |
| Council Tax and Business Rates collections | Assurance      | The review is being scoped with a view to issuing a Terms of Reference and starting the review in January 2016.   |

|  |           |   |
|--|-----------|---|
| Housing Benefits and CT reduction                          | Assurance | The review is being scoped with a view to issuing a Terms of Reference and starting the review in January 2016.                           |
| Data Protection – Home working and use of personal devices | Assurance | High level scope has been provided to external provider and we are waiting on quotes. Detailed scope & start date will then be confirmed. |
| Policy Compliance Software                                 | Advisory  | Policy Hub went live in November 2015. We are now planning a compliance programme, including policy review and update and staff training. |

### **Service risk assurance**

In December 2015 we started the Service Risk Assurance process. We are currently reviewing the information submitted and updating risk ratings. The results of the service risk assessment will be reported in March 2016.

In February we will begin the review of the Strategic Risk Register.

### **3. Revised assurance plan**

In September 2015 a revised Assurance Plan was approved by members of the Audit Committee. The plan has been further reviewed and updated for the remaining three months of the year to reflect changes which have meant some reviews are no longer a priority for this year and in other cases they have been merged with other reviews or removed all together. Appendix 2 shows the work completed, outstanding and the changes.

### **4. Overdue recommendations and follow up work**

Business Assurance actively track and monitor the recommendations that we have raised from our Assurance Reviews. This is to ensure that the control weaknesses identified have been satisfactorily addressed by the agreed target date which reflects the priority weighting. We only report to the Audit Committee when more than 3 months has passed since the original agreed target date.

In November 2015 we alerted the Committee to outstanding recommendations. Below is the updated position.

#### **Financial control weaknesses - Update**

In November 2015 we updated the Committee on some of the issues with the implementation of the new finance system “Technology One”, which meant that previously identified financial control weakness had not yet been addressed.

We carried out the first assurance review of Technology One (Accounts Payable and Accounts Receivable) during November / December 2015. This scope of this review took account of the previous recommendations.

A draft report was issued to management on 8<sup>th</sup> January 2016. This contains a number of recommendations which will supersede those raised previously. We will provide a comprehensive update on our findings, recommendations and the agreed actions at the March Audit Committee.

### **Transparency Code - Implemented**

We carried out an assurance review to check compliance with the revised Transparency Code in 2014 and then did a follow up in early 2015. We identified that there were datasets that the Council should have been publishing but hadn't for various reasons. Two areas missed the original enforced deadline that the legislation dictates. These related to data about the 'Organisation and Salaries' and the other was data of 'Land and Property ownership.

The 'Organisation and Salaries' data was uploaded around mid 2015 and the 'Land and Property' data was uploaded in December 2015. This recommendation has been fully implemented and all data that the Council is required to publish as part of the Transparency Code can be found on the website under 'Accessing Our Information – Open Data'.

### **Network Drives - Implemented**

This has been a long outstanding recommendation concerning the creation of a better IT sharing environment to facilitate joint working.

A project launched in January 2016 to replace the Z drives with an Enterprise Content Management solution called Box. Box is a cloud based solution which allows facilitates easy sharing of documents whilst reducing the number of e-mail attachments we send.

The recommendation is fully implemented and the project to fully replace the Z drives is expected to take between 6 and 9 months to complete.

### **Section 106 (Developer Contributions) – Outstanding**

There was a Medium priority recommendation which had an agreed action with a target date of September 2015. This was concerning the Council's policy on developer contributions. This is commonly known as the 'Supplementary Planning Guidance'. We found that this document made no reference to the Community Infrastructure Levy (CIL). CIL is the Government's revision to the Developer Contribution regime.

An action was agreed to provide an addendum to the Guidance to reduce the prospect of a legal challenge from a Developer. This addendum has not yet been written.

## 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>   |

## REVISED ASSURANCE PLAN 2015/16

Updated January 2016

The 2015/16 Assurance Plan was revised and approved by members of the Audit Committee in September 2015. A status update on the revised agreed plan together with further proposed changes is presented below.

### COMPLETED REVIEWS

| Review Area                             | Description   | Reported to Audit Committee | Assurance Rating |
|---|---|-----------------------------|------------------|
| <b>Data Transparency</b>                | Provide assurance that the transparency requirements have been implemented and review data quality of key areas | July 2015                   | Limited          |
| <b>Depot fuel management</b>            | To review the control and management of fuel at the depot including fuel cards                                  | July 2015                   | Substantial      |
| <b>S106 allocations</b>                 | Review of process for determining and allocation S106 monies.   | September 2015              | Reasonable       |
| <b>Enterprise Car Pool</b>              | To review the controls in place for monitoring the use and administration of the pool cars and company cars     | September 2015              | Reasonable       |
| <b>Oculus income</b>                    | Review of arrangement for the charging and collection of income   | September 20 15             | Reasonable       |
| <b>Fraud Identification – post SFIS</b> | To review the impact of staff transferring to SFIS  | September 20 15             | N/A – advisory   |
| <b>Procurement Arrangements</b>         | To review the use of iESE and the future procurement resource needs of the council                              | September 20 15             | N/A - advisory   |
| <b>Taxi Licensing</b>                   | To review processes and controls for the issue of taxi licenses   | November 20 15              | Substantial      |
| <b>Housing</b>                          | Review of housing allocations process   | January 2016                | Reasonable       |
| <b>Fraud strategy</b>                   | To update strategy and action plan  | January 2016                | N/A - advisory   |

## OUTSTANDING REVIEWS

| Review Area                                       | Description  | Progress/Expected Start date   | Planned reporting |
|---|--|--|-------------------|
| <b>Data Protection – Home working</b>             | To review the information risks and arrangements for staff who regularly work out of the office with access to personal data | Seeking external support to deliver two data protection reviews due to limited BAS resource. This will have financial cost but benefit by bringing in outside technical expertise. Scope & start date TBC. | March 2016        |
| <b>Data protection – use of personal devices</b>  | To review use of personal devices for work   |  | March 2016        |
| <b>Supplier Resilience</b>                        | Assurance that key suppliers/contracts have adequate business continuity plans in place                                      | Work planned Mar-16  | July 2016         |
| <b>Core Financial - General Ledger</b>            | A review of budget setting, monitoring processes and reconciliations.  | Also include bank reconciliations and closure of Co-Op bank.<br>Work planned Feb-16  | March 2016        |
| <b>Core Financial - Payroll</b>                   | A review of payroll system and controls  | Work planned Feb-16  | March 2016        |
| <b>Core Financial - Accounts payable</b>          | Review of new T1 process and controls to test that they are working as expected  | Draft report issued 8 January 16.  | March 2016        |
| <b>Core Financial - Debtors</b>                   | To review the new T1 process and controls to test that they are working as expected  | Draft report issued 8 January 16.  | March 2016        |
| <b>Council Tax and Business Rates collections</b> | A review of the key controls around the collection process   | Work planned Jan-16  | March 2016        |
| <b>Housing Benefits and CT reduction</b>          | Review the processes and controls for the correct payment of housing benefits and application of CT reductions/exemptions    | Work planned Jan-16  | March 2016        |
| <b>Elections funding</b>                          | To review the expenditure and resources incurred in managing the elections   | Scope to be agreed. Will need external resource to deliver.  | TBA               |

## ITEMS REMOVED OR CHANGED FROM REVISED (SEPT 15) PLAN

| Review Area                                       | Description   | Reason for change  | Proposal               |
|---|---|--|------------------------|
| <b>Banking</b>                                    | Review of closure of Coop Bank  | Include bank reconciliations and closure of Co-Op bank in General Ledger review.   | Remove                 |
| <b>SALIX funding</b>                              | Review arrangements for managing SALIX projects   | Area to be reviewed as part of Commercial AVDC project. Business Assurance review not required.  | Remove                 |
| <b>Chiltern Rail Account</b>                      | Review controls around the account and reconciliation   | Considered a low priority with current resources.  | Review need in 2016/17 |
| <b>Safeguarding</b>                               | To assess the awareness and understanding of safeguarding in the high/medium risk services.                           | <p>Preliminary scoping meeting held Dec-15. The Bucks Safeguarding Children Board is currently revising the Section 11 audit requirements with an increased focus on outcomes and evidence of impact. The planned timescale for implementation is March/ April. BAS will support the Service with independent challenge and validation of evidence for the Sec 11 audit in 2016/17.</p> <p>Also to consider policy and process for safeguarding vulnerable adults.</p> | Include in 2016/17     |
| <b>Corporate Governance - Committee Reporting</b> | Review arrangements for reducing risk of decisions being presented to committee without due diligence by key officers | New process is being implemented early 2016 to monitor and record decision making process.   | Review need in 2016/17 |



## 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.

The only revision to the programme since November 2015 has been that the 'Fraud Progress' has been moved from then to this committee – January.

### 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                                  Kate Mulhearn - Business Assurance Services Manager  
Tel: 01296 585724

Background Documents                          None

## AUDIT COMMITTEE WORK PROGRAMME 2015-16

| Item  | Contact Officer | 28 Sep<br>2015 | 9 Nov<br>2015 | 25 Jan<br>2016 | 21 Mar<br>2016 | 25 July<br>2016 |
|---|-----------------|----------------|---------------|----------------|----------------|-----------------|
| Audit Committee Work Programme                      | Evelyn Kaluza   | X              | X             | X              | X              | X               |
| Member Training / Briefing Sessions                 | Evelyn Kaluza   | X              |               | 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     | X              |               |                |                |                 |
| 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              | X               |
| Audit Committee Review of Effectiveness             | Evelyn Kaluza   |                |               |                | X              |                 |
| Risk Management Progress Report                     | Evelyn Kaluza   | X              |               |                |                |                 |
| 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     | X              |               |                |                |                 |
| Working Balances                                    | Tony Skeggs     |                |               |                | X              |                 |