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AYLESBURY VALE DISTRICT COUNCIL

Democratic Services

Please ask for: Craig Saunders; csaunders@aylesburyvaledc.gov.uk;
Switchboard: 01296 585858
Text Relay Prefix your telephone number with 18001

14 July 2016

AUDIT COMMITTEE

A meeting of the **Audit Committee** will be held at **6.30 pm** on **Monday 25 July 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;

Membership: Councillors: K Hewson (Chairman), B Chapple OBE (Vice-Chairman), C Adams, Branston, M Collins, P Irwin, M Smith, R Stuchbury, D Town and H Mordue (ex-Officio)

AGENDA

1. APOLOGIES

2. TEMPORARY CHANGES TO MEMBERSHIP

Any changes will be reported at the meeting.

3. MINUTES (Pages 5 - 14)

To approve as correct records the Minutes of the meetings held on 21 March and 18 May 2016, attached as an appendix.

4. DECLARATION OF INTEREST

Members to declare any interests.

5. ANNUAL REPORT FROM THE CHAIRMAN OF THE AUDIT COMMITTEE (Pages 15 - 48)

To consider the attached report

Contact Officer: Kate Mulhearn 01296 585724

6. EXTERNAL AUDIT PROGRESS REPORT (Pages 49 - 54)

To consider the attached report.

Contact Officer: Kate Mulhearn 01296 585724

7. INTERNAL AUDIT ANNUAL REPORT (Pages 55 - 64)

To consider the attached report.

Contact Officer: Kate Mulhearn 01296 585724

8. ANNUAL GOVERNANCE STATEMENT (Pages 65 - 78)

To consider the attached report.

Contact Officer: Kate Mulhearn 01296 585724

9. INTERNAL AUDIT PROGRESS REPORT (Pages 79 - 166)

To consider the attached report.

Contact Officer: Kate Mulhearn 01296 585724

10. RISK MANAGEMENT REPORT (Pages 167 - 172)

To consider the attached report.

Contact Officer: Tamsin Ireland 01296 585004

11. ANNUAL FRAUD PROGRESS 2015/2016 (Pages 173 - 194)

To consider the attached report.

Contact Officer: Kate Mulhearn 01296 585724

12. STATEMENT OF ACCOUNTS (Pages 195 - 272)

To consider the attached report.

Contact Officer: Tony Skeggs 01296 585273

13. WORK PROGRAMME (Pages 273 - 274)

To consider the attached report.

Contact Officer: Kate Mulhearn 01296 585724

14. EXCLUSION OF THE PUBLIC

The following matter is for consideration by Members "In Committee". It will therefore be necessary to

RESOLVE –

That under Section 100(A)(4) of the Local Government Act, 1972, the public be excluded from the meeting for the following item of business on the grounds that it involves the likely disclosure of exempt information as defined in the Paragraph indicated in Part 1 of Schedule 12A of the Act:-

Item No. 10 – Risk Management report

The public interest in maintaining the exemption outweighs the public interest in disclosing the information because the report contains information relating to the financial or business affairs of organisations (including the Authority holding that information) and disclosure of commercially sensitive information would prejudice negotiations for contracts and land disposals or transactions.

15. RISK MANAGEMENT REPORT (Pages 275 - 276)

To consider the attached confidential information.

Contact Officer: Tamsin Ireland (01296) 585004

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Public Document Pack Agenda Item 3

AUDIT COMMITTEE

21 MARCH 2016

PRESENT: Councillor K Hewson (Chairman); Councillors J Brandis (in place of B Chapple), Branston, M Collins, A Hetherington, M Smith, R Stuchbury, D Town and H Mordue (ex-Officio).

IN ATTENDANCE: Councillor C Adams.

APOLOGIES: Councillors B Chapple and P Irwin.

1. MINUTES

RESOLVED –

That the minutes of the meeting held on 25 January 2016 be approved as a correct record.

2. EXTERNAL AUDIT - EXTERNAL AUDIT PLAN 2015-16 AND FEE LETTER

The Committee received a report and External Audit Plan which summarised the proposed approach and scope of work to be undertaken by the external auditors for 2016 in accordance with statutory requirements and to ensure it was aligned with the Committee's expectations.

The Audit Plan had been prepared having regard to several key inputs including:-

- Strategic, operational and financial risks relevant to the financial statements.
- Developments in financial reporting and auditing standards.
- The quality of systems and processes.
- Changes in the business and regulatory environment.
- Management's views on all the above mentioned issues.

The auditors had assessed the key risks which would drive the development of an effective audit and the planned audit strategy in response to those risks and had identified three significant risks to the opinion of the financial statements. These were the risk of fraud in revenue recognition, the risk of management override and the complexities in accounting for property, plant and equipment, the cyclical approach to valuations, and the material values involved.

There were also other financial statement risks that would be looked at, namely:-

- New General Ledger System – the Council had changed its general ledger system from 1 June 2015.
- Group Accounts – while the Council had been preparing group accounts for a few years in respect of Aylesbury Vale Estates LLP, three new companies (AVB Broadband, Novae Consulting and Vale Commerce Ltd) had been established in 2015.
- Pension Liability – the pension liability was considered a significant estimate in relation to its size. In 2014/15, the liability stood at £90.3m.

- Provision for Business Rates Appeals – although the Council had developed an appropriate methodology for calculating a provision in 2013/14, it was intended to reassess the methodology to ensure that the assumptions remained appropriate.

The audit work would also focus on whether there were proper arrangements in place for securing financial resilience at the Council, and to secure economy, efficiency and effectiveness in the use of resources by the Council. In particular, the auditors would be looking at the Council's finances and Medium Term Financial Plan for future years to ensure that appropriate means had been identified to account for the projected budget gap to 2018/19 of £5.6m.

An update on the results of the audit work in these areas would be reported back to the Committee in September 2016.

The indicative fee scale for the audit work was £56,785, although it was possible that this fee could increase in due course if additional testing or work was required in addition to that already identified within the Audit Plan. In addition, the estimated fee for the certification of the housing benefits subsidy claim and return was £11,286.

For the purposes of determining whether the financial statements were free from material error (i.e. the magnitude of an omission or mis-statement that, individually or in aggregate, could reasonably be expected to influence the users of the financial statements), the external auditors had determined that overall materiality for the financial statements was £2.12 million based on 2% of gross expenditure. As such, any uncorrected audit mis-statements greater than £105,894 would be reported to the Audit Committee.

Members sought further information and were informed:-

- on the rationale for identifying the significant financial statement risks facing the Council, which had been identified through the auditor's knowledge of the Council's operations and discussion with those charged with governance and Officers.
- that it was usual practice for auditors to make checks when an organisation changed their general ledger system during the year.
- that the value added by the companies recently established by AVDC would be assessed as part of the value for money assessment. However, it was possible that it would be too early this year to properly assessment these impacts.
- that information on AVE was published in their own accounts, as well as financial information then also being consolidated within AVDC's accounts.
- that the overall materiality threshold for the financial statements of the Council remained at 2% of gross expenditure, and due to this had increased slightly from £2.04m last year to £2.12m for this Audit Plan.
- that, as mentioned in the minutes of the last meeting, the figure quoted in the EY Local Government Audit Committee briefing on 80% of Councils having a Local Plan in place had been sourced from a Downing Street Press Release.
- That, as mentioned in the minutes of the last meeting, the information reported in the EY Local Government Audit Committee briefing on extended right to buy periods did not have a huge impact on AVDC due to the small number of recent such RTB sales.

However, the initial agreement with VAHT regarding the share of RTB sales coming back to AVDC and being ringfenced for affordable housing provision would expire after 10 years. While AVDC would continue to receive RTB sales monies from VAHT, the Council would need to make a decision on how affordable housing would be provided for in future years.

RESOLVED –

That the contents of the external auditors' Audit Plan for 2016 be noted.

3. RISK MANAGEMENT AND SERVICE RISK ASSURANCE

The Committee received a report updating Members on Risk Management and the results of the Service Risk Assurance for 2015/16. The risk management arrangements were a key part of the overall internal control arrangements of the Council and formed part of the Annual Governance Statement.

The Council was currently undergoing significant organisational change. The introduction of the new CIPFA Governance Framework in April 2016 and the ongoing Commercial AVDC Programme had also necessitated a review of the risk management arrangements.

The starting point for this had been a review of the Council's risk management strategy in late summer 2015, and a revised risk management strategy had then been submitted to the Audit Committee in September 2015.

The Strategic Risk Register had last been reviewed in September 2015. A high level review in January 2016 identified that a number of the risks were no longer relevant, or had changed. Workshops were planned with sector leads to identify the strategic and corporate risks and sources of assurance over those risks. This information would be used to update the Risk Register. Procedures for ongoing risk management and reporting would then be established.

The Service Risk Assurance process had been undertaken with 20 Services/teams but due to a number of organisations it had not been possible to make a direct comparison with last year. However, as had been the case since a new service risk assurance checking system had been introduced in 2014, the process looked to address identified gaps in assurance for specialist areas such as Health and Safety, IT security, financial control and safeguarding.

The biggest risks identified by services were Information Security, Health and Safety and Business Continuity. The Committee discussed the graphs provided which showed a summary of the Risk Rating for all services/teams. Members requested further information and were informed:-

- (i) that a further report on risk management would be submitted to the July meeting, with information evidencing that the Council was ensuring that risk management was being embedded in processes being implemented to advance the Council's commercial ambitions.
- (ii) that the consolidated results information on page 52 of the Committee report regarding the biggest risks posed by Information Security and Health and Safety would help to set the programme of internal audit work put together.
- (iii) that safeguarding was taken very seriously by the Council across all service areas. However, there were some services areas that had greater exposure to

young people / adults who might be vulnerable, and these areas had identified safeguarding as a higher risk for their day-to-day work activities.

- (iv) that AVDC did engage in some joint safeguarding work with other authorities and partners, including sitting on Bucks Safeguarding Boards.

RESOLVED –

That the results of the Service Risk Assurance for 2015/16 be noted.

4. AVDC COMPANY GOVERNANCE

As the approaches of the Commercial AVDC programme and particularly the formation and ownership of companies had the potential to become more common place, there was a need to ensure that good governance was in place so that the actions of AVDC and those companies were clear, transparent and in line with the overall aims of AVDC.

The Committee received the 'Guide to Creation and Working with Companies in which AVDC has a Financial Interest', that was included as an appendix to the Committee report and which set out how the relationships between any company that AVDC had a financial interest in and the council should be conducted. It also covered in broad terms the way in which new companies should be developed.

The governance of any company owned or invested in by AVDC was important as there was a need to :

- ensure that it was clear for the staff, public, Members and the company staff who was responsible for what, when and why.
- ensure that AVDC and the company was clear on its roles and responsibilities.
- ensure that nothing was developed that conflicted with AVDC, or placed AVDC in an unlawful position.
- ensure that any and all legal or contractual issues were complied with.
- ensure that the company was operating ethically and transparency was in line with the council's legal responsibilities.

The aim of any company owned or part owned by AVDC was to produce overall benefits for the residents and businesses of the Vale. The overarching aim should be at the heart of all decision making, and the guide sought to assist in developing these approaches. It was recognised that companies created preceding the publication of the guide may not be fully compliant, or those who were not 100% owned by AVDC, however where possible these should be transitioned over the medium term to align with the guide where practical.

Members requested further information and were informed:-

- (i) that the companies were legal entities in their own right, so AVDC could not totally control their activities, as long as they were acting in accordance with their agreed Business Plans. They would also be bound by their Articles of Association that were quite constricted.
- (ii) an explanation was provided on how Freedom of Information legislation would impact on the companies. Companies would be expected to work with AVDC on responding to data requests.
- (iii) that quarterly monitoring reports on the companies would be made to shareholders.

Members considered the guide and while they did not suggest any changes to it they also commented:-

- that it was important that sufficient resource(s) were made available to deliver the companies' aims and ensure good governance.
- that it was important for the Directors and Officers of the companies to have the right skill(s) sets to enable them to fulfil their roles, and to report/monitor the activities of the companies. This could be supplemented by periodic scrutiny by Members.
- that it would be important for the companies to have Business Plans that were clear and transparent. In expressing a desire for lines of accountability to be clear, it was advocated that Members should scrutinise Business Plans before they were agreed.
- that the Council should be clearer in the guide that one of the main reasons for operating these companies was to raise revenue that would in turn close the identified funding gap.

RESOLVED –

That Cabinet be asked to consider the comments made by the Audit Committee in finalising the 'Guide to Creation and Working with Companies in which AVDC has a Financial Interest'.

5. ANNUAL GOVERNANCE STATEMENT 2015-16 (DRAFT)

The Committee received a report updating Members on the progress made in developing the Annual Governance Statement (AGS) for 2015/16. A copy of the current draft AGS was included at Appendix 1 to the Committee report and was in a format similar to AGS presented to Members for the last few years. However, the introduction of the new CIPFA Good Governance Framework in April 2016 would require changes to the Annual Governance Statement for 2016/17.

The preparation and publication of the AGS was a statutory requirement of the Accounts and Audit Regulations 2011, with the Council required to review at least annually the effectiveness of its system of internal control and to prepare a statement on internal control in accordance with proper practices.

Part of the assurance gathering process used in putting together the draft AGS included a key assurance gathering process with Service Managers and Heads of Service, which had been introduced at the end of 2013/14 to replace the previous "Internal Control Assessment". Some minor improvements had been made to the process following a feedback session with some key staff.

This year, the assessment had been undertaken slightly earlier in January to avoid clashing with the office move at the end of January 2016. The results would be incorporated into the statement. An updated and more complete version of the AGS would then be reported to the Audit Committee's next meeting in July 2016.

Following some consideration of this early draft of the Annual Governance Statement, it was

RESOLVED –

That the current position regarding the preparation of the Annual Governance Statement 2015/16 be noted.

6. INTERNAL AUDIT STRATEGY AND PLAN FOR 2016-17

The Committee received a report with details of the Internal Audit Risk Assessment and Plan for 2016-17. The methodology applied in developing the Internal Audit Strategy and Plan had been updated for 2016-17. A full assessment of the “Audit Universe” had been performed with each auditable unit being risk assessed at a high level to determine the priority for internal audit, represented by the frequency of audit review.

As part of the Commercial AVDC Transformation Programme a number of “Business Reviews” were being undertaken across the Council. Where these have been defined, they had been identified in the risk assessment as Commercial AVDC reviews and projects could provide additional assurance. Internal Audit would review the scope of these projects and the outcomes and update the risk assessment accordingly.

Should further internal audit work be required as a result of emerging risks highlighted during the Commercial AVDC Business Reviews, the annual plan would be updated to accommodate this work.

The work plan had been discussed with Directors and Sector Leads to obtain their views and took into account any areas they had specifically identified as areas to review. The core financial systems areas and housing benefits and collection fund remained on the list each year but the scope of the reviews would be tailored to look at different areas of risk each year as well as the core key controls.

The Internal Audit Plan would be reviewed on a quarterly basis to allow for flexibility to pick up new areas of risk or organisational change. This would be reported to the committee as part of the progress report.

Members sought further information and were informed:-

- (i) that all Council areas would be considered for audit at least every 3 years, or at the frequency intervals detailed in the Plans’ Risk Assessment.
- (ii) that the majority of the plan would be delivered by the in-house Internal Audit Officer. Business Assurance Services currently had budget for 2 FTE vacant positions and where necessary, some of that money would be used to buy in specialist input to individual audit reviews.
- (iii) that this was the first year that the Internal Audit Plan had been assessed against auditable units. This would be re-assessed each year and it was possible that the frequency with which some services were then subject to audit would change.

RESOLVED –

That the Internal Audit Strategy and Plan for 2016-17 (Appendix 1 to the Committee report) be approved.

7. BUSINESS ASSURANCE SERVICES - PROGRESS REPORT

The Committee received a progress report against the 2015/16 Business Assurance Plan. The report also contained confidential information on the financial systems and controls review and Members referred to these as part of their deliberations.

The following Business Assurance work and matters were highlighted:-

- (i) Assurance reviews completed since the last progress report:

Accounts Payable and Accounts Receivable – the review had been given a Limited Assurance rating, details of which were attached at Appendix 3 to the Committee report.

Payroll – the review had been given a Reasonable Assurance rating and had raised two medium priority recommendations regarding the need to perform a monthly reconciliation between the payroll costs in iTrent and the general ledger, and to formally adopt a Corporate 'Pay Rate Structure' for casual workers and to review this annually.

- (ii) Assurance Plan Work in Progress – the following work from the 2015/2016 plan had started:-

Council Tax and Business Rates collections – the audit work was complete and a draft report was being prepared.

General Ledger and Budgetary Control – the review had been scoped and the terms of reference issued. The fieldwork and a draft report would be completed by the end of March 2016.

Housing Benefits – the review had been scoped and the terms of reference issued. The fieldwork and a draft report would be completed by the end of March 2016.

Data Protection (Home working and use of personal devices) – work on this assurance review would commence on 14 March 2016

- (iii) Revised Assurance Plan 2015/16 – a revised plan had been approved by Members in January 2016. The plan had been further reviewed and updated for the remainder of the year and these changes were reflected at Appendix 2, which also detailed work completed, outstanding and the changes.

- (iv) Overdue Audit Recommendations and follow up work

Section 106 (Developer Contributions) – this review had incorporated a 'health check' against the new regulations that impact on Section Agreements. The review had been completed and had highlighted the need for the Council to reflect the Community Infrastructure Levy (CIL) Regulations in the way Section 106 agreements were drafted.

Taxi Licensing – an assurance review had been undertaken to check the controls around vetting and issuing licences to drive private hire and hackney carriages. There had been one recommendation which the Department was currently actioning regarding a procedure for data retention that covered not just taxi

licensing but all other documents that may contain personal, sensitive information within the Environmental Health and Licensing Department.

The Chairman informed Members that he had met with the Business Assurance Services Manager (interim) and the Director with responsibility for finance to discuss the confidential information on the financial systems and controls review, and the actions being taken to update and improve some key monitoring controls. He was satisfied that actions to improve the controls were being taken, and had asked that a further report be made on the matter to the Audit Committee in due course.

RESOLVED –

- (1) That the progress report be noted, including the progress made by Business Assurance Services against work identified in the Assurance Plan for 2015/16.
- (2) That the 'Update on Financial Systems and Controls' be noted.

8. AUDIT COMMITTEE WORK PROGRAMME

The Committee considered the future Work Programme for 2016 which took account of comments and requests made at Audit previous Committee meetings and the requirements of the internal and external audit processes. It was noted that a report on the Audit Committee Review of Effectiveness would be submitted to the next meeting on 25 July 2016.

RESOLVED –

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

9. DATE OF FUTURE MEETINGS

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

AUDIT COMMITTEE

18 MAY 2016

PRESENT: Councillors C Adams, B Chapple OBE, J Bloom, C Branston, M Collins, P Irwin, M Smith, R Stuchbury, D Town and H Mordue (ex-Officio)

APOLOGY: Councillor K Hewson

1. ELECTION OF CHAIRMAN

RESOLVED –

That Councillor Hewson be elected Chairman of the Committee for the ensuing year.

2. APPOINTMENT OF VICE-CHAIRMAN

RESOLVED –

That Councillor B Chapple OBE be appointed Vice-Chairman of the Committee for the ensuing year.

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ANNUAL REPORT FROM THE CHAIRMAN OF THE AUDIT COMMITTEE

1 Purpose

- 1.1 To present the annual report on the Audit Committee's activities during the financial year 2015/16 and the annual review of effectiveness.

2 Recommendations/for decision

- 2.1 That the Annual Report from the Chairman of the Audit Committee for the year 2015/16 attached at Appendix A be noted.
- 2.2 That the Committee consider the self assessment (Appendix B) and determine any required amendments.
- 2.3 That the Committee consider the guidance set out in the CIPFA Audit Committee Members Knowledge and Skills Framework (Appendix C) and advise of any gaps or areas of weakness to be addressed by future training.

3 Supporting information

- 3.1 The Audit Committee has previously approved the publication of an annual report by the chairman to increase general awareness of its role and to outline its activities over the year. The publication of the report also promotes transparency in respect of the committee's actions and makes an important contribution to the Council's corporate governance arrangements.
- 3.2 As well as circulating the final version of the report to all members via the Members Information Sheet it will be published on the council's web site. The Chairman of the committee, Councillor Kevin Hewson, will formally present the report to members for discussion and noting.
- 3.3 The report also takes into account the review of effectiveness of the committee which is a self assessment against CIPFA's best practice guidance. This is included at Appendix B.
- 3.4 The self assessment has been updated to reflect any changes or improvements that have been implemented since March 2015 and where there are still areas for improvement.
- 3.5 In most areas the Committee is meeting the good practice requirements and is actively and effectively supporting improvement across the specified areas. A number of actions have been identified to further improve, including an assessment of the membership of the committee against the CIPFA core knowledge and skills framework.
- 3.6 An extract from the CIPFA guidance is attached to this report (Appendix C). This sets out the core knowledge and skills framework required for an effective audit committee.

4 Resource implications

- 4.1 None

Contact Officer

Kate Mulhearn
01296 585724

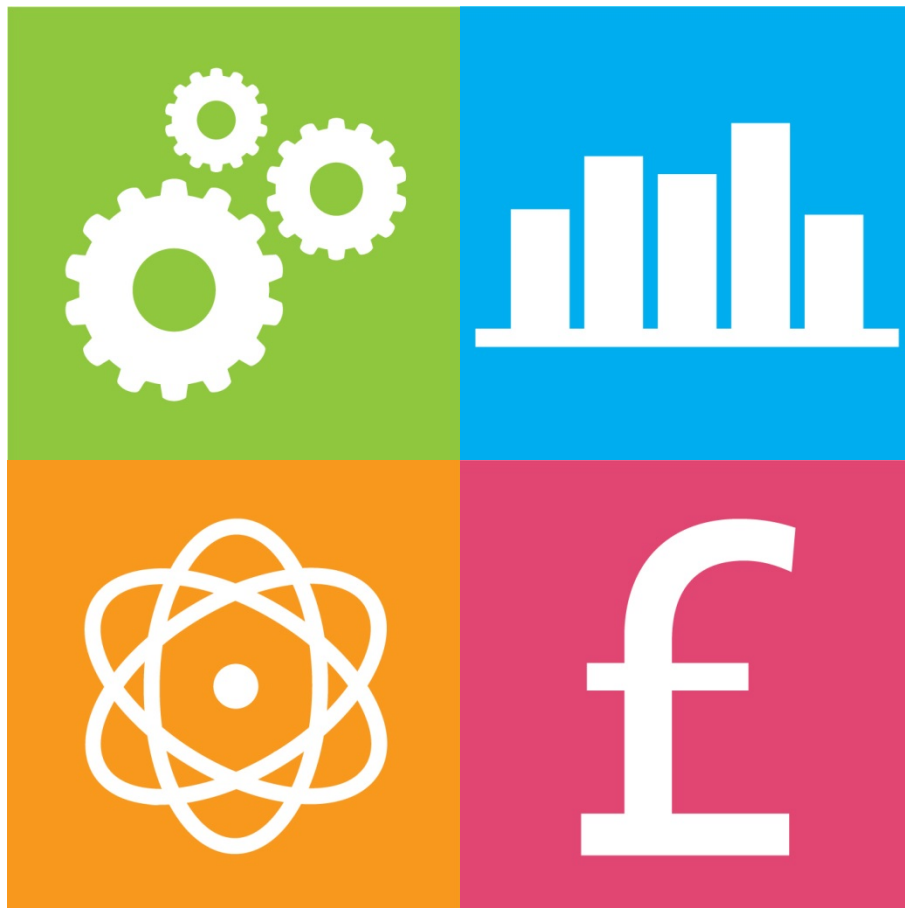
Background Documents

Annual report from the Chairman of the Audit
Committee



Aylesbury Vale District Council

Audit Committee Annual Report 2015-16



To secure the economic, social and environmental wellbeing of the people and businesses in the area.

Published July 2016 by Business Assurance Services

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Introduction by the Chairman

This report provides an overview of the Audit Committee's activity during the financial year April 2015 to March 2016.

I am pleased to report that the Committee continues to provide independent assurance on the adequacy of the Council's risk management framework and the associated control environment, and in providing robust scrutiny and challenge of the Authority's financial reporting processes.

This report includes a summary of the work carried out by the Committee during the year based around key agenda items and highlights a number of areas for Committee focus in the coming year.

Firstly, on behalf of the Committee, I would like to express gratitude to Councillor Timothy Mills who served as Audit Committee Chair until January 2016. As the new Chair of the Committee, I will seek to continue the good work of the Committee, providing independent challenge and support in our focus on governance, risk management and control.

During the year management identified concerns over financial processes and controls following the implementation of the new accounting systems. The committee welcomed the robust and open discussions with management and have received assurance that actions are being taken to address weaknesses. The Audit Committee will monitor progress on implementation of agreed actions and continue to seek assurance that effective processes are operating.

In looking forward to 2016-17 the Council is undergoing a major transformation in order to become more commercial, so that it can function as efficiently and effectively as possible for the benefit of customers, be they residents or businesses. With £5 million to save by 2020, the strategy includes not only internal review, restructure and efficiency savings, but also generating income through commercial opportunities. This has included setting up new commercial companies and the Committee considered the Council's approach to governance of these arrangements in March 2016, this will be an ongoing area of focus over the coming year.

During times of change effective risk management, governance and control are critical and the Audit Committee has valuable role to play in providing assurance over these processes. Along with my fellow members I look forward to meeting those challenges which lay ahead.



Councillor Kevin Hewson
Chairman of the Audit Committee – Appointed January 2016

Audit Committee Annual Report 2015/16

1. Role of the Audit Committee

The purpose of the Audit Committee is to provide independent assurance to the members of the adequacy of the Council's governance, risk management and internal control frameworks. It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.

The Audit Committee is a key component of the Council's governance framework by providing an independent and high-level resource to support good governance and strong public financial management. It has a vital role to play in ensuring that residents of the Vale are getting quality services and value for money.

The core functions of the Audit Committee are to:

- Be satisfied that the authority's assurance statements, including the Annual Governance Statement, properly reflect the risk environment and any actions required to improve it, and demonstrate how governance supports the achievements of the authority's objectives.
- In relation to the authority's internal audit functions:
 - oversee its independence, objectivity, performance and professionalism
 - support the effectiveness of the internal audit process
 - promote the effective use of internal audit within the assurance framework.
- Consider the effectiveness of the authority's risk management arrangements and the control environment. Review the risk profile of the organisation and assurances that action is being taken on risk-related issues, including partnerships with other organisations.
- Monitor the effectiveness of the control environment, including arrangements for ensuring value for money and for managing the authority's exposure to the risks of fraud and corruption.
- Consider the reports and recommendations of external audit and inspection agencies and their implications for governance, risk management or control.
- Support effective relationships between external audit and internal audit, inspection agencies and other relevant bodies, and encourage the active promotion of the value of the audit process.
- Review the financial statements, external auditor's opinion and reports to members, and monitor management action in response to the issues raised by external audit.

For more detail on the role of the Audit Committee see Appendix B: Terms of Reference.

2. Meetings

The Committee held **six** scheduled formal meetings during the year: 27th May, 27th July, 28th September, 9th November, 25th January and 21st March. The agenda items covered and supporting papers and reports are available on our website. Details of the meetings planned to take place during 2016/17 can also be found on the website. All meetings are open to the public.

<http://democracy.aylesburyvaledc.gov.uk/>

3. Membership

The Committee currently has 9 elected members and a number of changes were made during the year. Following the elections in May 2015 the Committee was chaired by Councillor Timothy Mills, with Councillor Kevin Hewson as Vice-Chairman. Councillor Howard Mordue is an ex-officio member of the Audit Committee in his capacity as Cabinet Member for Finance, Resources and Compliance.

Following the resignation of Councillor Timothy Mills from the Committee in January 2016, Councillor Kevin Hewson was elected as Chairman and Councillor Bill Chapple as Vice-Chairman.

See Appendix A for the current membership of the Audit Committee and details of those who have served during the year.

4. Work Programme

The Committee adopted a work programme for the year which focussed on the review of:

- The assurance needed before the approval of the final accounts for the Council
- The work undertaken by internal audit (referred to as Business Assurance Services)
- Other work undertaken by the external auditors
- The Council's risk management strategy
- Arrangements for managing the risk of fraud and corruption

The Audit Committee has taken a particular interest in the progress on implementing the new finance system which went live in June 2015. Members have sought assurance that the new system will address the weaknesses identified in previous audits and that it is supporting robust financial management and internal control.

Below is a list of agenda items from the past years work programme the detail of which is in the relevant Committee papers.

Governance & Regulatory

Item	Dates considered	Summary
Annual Governance statement for 2014-15	27/07/15	The Annual Governance statement explains how the Council has complied with the principles of corporate governance and has adopted proper practices in relation to internal control.
Draft Statement of Accounts 2014-15	27/07/15	This report sets out the current position in terms of Accounts preparation, identifies significant changes to accounting policies applied in the preparation of the accounts and reports the outturn position in a management style for member's information.
Final Statement of Accounts 2014-15	28/09/15	This report updates the committee on the audit process and advises of the changes that have been made to the accounts in accordance with the auditor's recommendations.
AVDC Company Governance	21/03/16	The Committee received the 'Guide to Creation and Working with Companies in which AVDC has a Financial Interest', which sets out how the relationships between any company in which AVDC has a financial interest and the Council should be conducted.

Business Assurance Services

Item	Dates considered	Summary
Business Assurance Progress Reports	27/07/15 28/09/15 09/11/15 25/01/16 21/03/16	The committee received progress reports which cover completed assurance reviews and a summary of results, advisory work and track progress against outstanding actions.
Business Assurance Manager's Annual Report 2014-15	27/07/15	The Business Assurance Manager is required to provide a written opinion to those charged with governance on the effectiveness of the risk management, control and governance arrangements.
Risk Management Strategy and Strategic Risk Register update	28/09/15	The committee received a report on the updated Risk Management Strategy and an update on the Strategic Risks which have been identified and assessed by Corporate Board.
Risk Management and Service Risk Assurance	21/03/16	The Committee received a report updating Members on Risk Management and the results of the Service Risk Assurance for 2015/16.
Internal Audit Strategy and Plan 2016-17	21/03/16	The Committee received a report with details of the Internal Audit Risk Assessment and Plan for 2016-17. The methodology applied in developing the Internal Audit Strategy and Plan had been updated for 2016-17.

External Audit

Item	Dates considered	Summary
External Audit Progress report and Audit Plan	27/07/15 25/01/16	Progress Report on work undertaken by Ernst and Young against their plan.
External Audit – Audit Results Report - ISA 260	28/09/15	The Committee received a report summarising the findings from the work they had completed prior to the final accounts being finalised.
External Audit Annual Audit Letter 2014/15	09/11/15	The Committee received for information a copy of the Annual Audit Letter which covers the findings of the audit work carried out on the Council's financial statements for 2014/15.
Certification of Claims and Returns Annual Report	25/01/16	The Committee received a report on the certification of grant claims for 2014/15.
External Audit - External Audit Plan 2015-16 and Fee Letter	25/01/16	The Committee received a report and External Audit Plan which summarised the proposed approach and scope of work to be undertaken by the external auditors for 2016 in accordance with statutory requirements and to ensure it was aligned with the Committee's expectations.

Counter-Fraud

Item	Dates considered	Summary
Fraud Progress Report	25/01/16	The Committee received an update on the anti fraud and corruption work that had been undertaken 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 six months of 2015-16 following the transfer of staff to the DWP's Single Fraud Investigation Service (SFIS).

5. Next year's focus for Audit Committee (2016/17)

The Council is undergoing a major transformation in order to become more commercial, so that it can function as efficiently and effectively as possible for the benefit of customers, be they residents or businesses. With £5 million to save by 2020, the plans include internal review, restructure and efficiency savings and also generating income through commercial opportunities.

During times of change, effective risk management, governance and control are critical and the Audit Committee has valuable role to play in providing assurance over these processes. Some areas of focus for the coming year are:

Item 1:

Review the Risk Management arrangements and receive regular update reporting on strategic and corporate level risks.

Item 2:

Seek assurance that internal audit issues identified following the implementation of the new financial system are being addressed and that effective controls and processes are embedded.

Item 3:

Review progress against the new CIPFA Delivering Good Governance in Local Government Framework and its application to the 2016/17 Annual Governance Statement.

Item 4:

Consider the outcomes of the Council's sector reviews and any proposals relating to the provision of internal audit services and other governance arrangements going forward.

Item 5:

Consider the Council's partnership arrangements including those over the new commercial companies, ensuring the partnership arrangements are satisfactorily established and are operating effectively in line with the approved guide to working with our companies.

Item 6:

Monitor progress of the Annual Internal Audit Plan and consider the findings of individual internal audit reports. Monitor progress on implementing agreed actions to address identified weaknesses or gaps in the control environment.








Item 7:

Monitor progress against the Fraud Action Plan.

Item 8:

Monitor the progress of actions identified in the 2015/16 Annual Governance Statement.

Appendix 1 - Audit Committee Members

	<p>Councillor Kevin Hewson Chairman of the Audit Committee</p>		<p>Councillor Bill Chapple OBE Vice-Chairman of the Audit Committee</p>
	<p>Councillor Cameron Branston Member of the Audit Committee</p>		<p>Councillor Michael Collins Member of the Audit Committee</p>
	<p>Councillor Andy Hetherington Member of the Audit Committee</p>		<p>Councillor Paul Irwin Member of the Audit Committee</p>
	<p>Councillor Mike Smith Member of the Audit Committee</p>		<p>Councillor Robin Stuchbury Member of the Audit Committee</p>
	<p>Councillor Derek Town Member of the Audit Committee</p>		<p>Councillor Howard Mordue Ex-officio Member of the Audit Committee and Cabinet Member for Resources</p>

The following members served for part of the year:

Cllr T Mills (Chair), Cllr D Isham (Vice Chair), Cllr J Chilver, Cllr T Hunter-Watts, Cllr A Davies, Cllr S Renchell, Cllr S Lambert

Appendix 2 - Terms of Reference of the Audit Committee

Statement of purpose

1. The audit committee is a key component of Aylesbury Vale District Council's corporate governance. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.
2. The purpose of the audit committee is to provide independent assurance to the members of the adequacy of the risk management framework and the internal control environment. It provides independent review of the council's governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.

Governance, risk and control

3. To review the council's corporate governance arrangements against the good governance framework and consider annual governance reports and assurances.
4. To review the Annual Governance Statement prior to approval and consider whether it properly reflects the risk environment and supporting assurances, taking into account internal audit's opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control.
5. To consider the council's framework of assurance and ensure that it adequately addresses the risks and priorities of the council.
6. To monitor the effective development and operation of risk management in the council.
7. To monitor progress in addressing risk-related issues reported to the committee.
8. To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
9. To review the assessment of fraud risks and potential harm to the council from fraud and corruption.
10. To monitor the counter-fraud strategy, actions and resources.

Internal audit

11. To approve the internal audit charter.
12. To approve the risk-based internal audit plan, including internal audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.
13. To approve significant interim changes to the risk-based internal audit plan and resource requirements.
14. To make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations.
15. To consider reports from the head of internal audit on internal audit's performance

during the year. These will include:

- a) Updates on the work of internal audit including key findings, issues of concern and action in hand as a result of internal audit work.
 - b) Reports on the results of the Quality Assurance and Improvement Programme.
 - c) Reports on instances where the internal audit function does not conform to the Public Sector Internal Audit Standards and Local Government Application Note, considering whether the non-conformance is significant enough that it must be included in the Annual Governance Statement.
16. To consider the head of internal audit's annual report:
- a) The statement of the level of conformance with the Public Sector Internal Audit Standards and Local Government Application Note and the results of the quality Assurance and Improvement Programme that supports the statement – these will indicate the reliability of the conclusions of internal audit.
 - b) The opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control together with the summary of the work supporting the opinion – these will assist the committee in reviewing the Annual Governance Statement.
17. To consider summaries of specific internal audit reports as requested.
18. To receive reports outlining the action taken where the head of internal audit has concluded that management has accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions.
19. To contribute to the quality Assurance and Improvement Programme and in particular, to the external quality assessment of internal audit that takes place at least once every five years.
20. To consider a report on the effectiveness of internal audit to support the Annual Governance Statement, where required to do so by the Accounts and Audit Regulations
21. To support the development of effective communication with the head of internal audit.

External audit

22. To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.
23. To consider specific reports as agreed with the external auditor.
24. To comment on the scope and depth of external audit work and to ensure it gives value for money.
25. To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.

Financial reporting

26. To review the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the

attention of the council.

27. To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

Accountability arrangements

28. To report to those charged with governance on the committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks; financial reporting arrangements, and internal and external audit functions.

Business Assurance Service
Aylesbury Vale District Council
The Gateway, Gatehouse Road
Aylesbury, Bucks HP19 8FF
Tel: (01296) 585004
Email: performance@aylesburyvaledc.gov.uk

Good practice questions	Yes	Partly	No	Comments/Actions for Improvement
Audit committee purpose and governance				
1 Does the authority have a dedicated audit committee?	✓			
2 Does the audit committee report directly to full council?	✓			The Audit Committee presents an annual report to full Council.
3 Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA’s Position Statement*?	✓			The Terms of Reference were updated to reflect the CIPA statement and approved in March 2015
* The Purpose of Audit Committees (CIPFA Position Statement) extract:				
<i>Audit committees are a key component of an authority’s governance framework. Their function is to provide an independent and high level resource to support good governance and strong public financial management.</i>				
<i>The purpose of an audit committee is to provide to those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes.</i>				
4 Is the role and purpose of the audit committee understood and accepted across the authority?	✓			The Annual Report of the Committee, including the Committee’s Terms of Reference, is presented to full Council.

Good practice questions		Yes	Partly	No	Comments/Actions for Improvement
5	Does the audit committee provide support to the authority in meeting the requirements of good governance?	✓			The Committee approves the Council's Annual Governance Statement (AGS).
6	Are the arrangements to hold the committee to account for its performance operating satisfactorily?	✓			The Annual Report of the Committee is presented to full Council. No issues have been raised by the Council or the external auditors regarding the performance of the committee
Functions of the committee					
7	Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement? good governance assurance framework internal audit external audit financial reporting risk management value for money or best value counter-fraud and corruption.	✓			The ToR is based on CIPFAs model

Good practice questions		Yes	Partly	No	Comments/Actions for Improvement
8	Is an annual evaluation undertaken to assess whether the committee is fulfilling its terms of reference and that adequate consideration has been given to all core areas?	✓			The Committee's Annual Report compares the work carried out by the Committee during the year with its Terms of Reference.
9	Has the audit committee considered the wider areas identified in CIPFA's Position Statement and whether it would be appropriate for the committee to undertake them?	✓			This was considered as part of the review in 2015 and the other suggested areas are already covered by other committees
10	Where coverage of core areas has been found to be limited, are plans in place to address this?	✓			There were no areas where cover was found to be limited
11	Has the committee maintained its non-advisory role by not taking on any decision-making powers that are not in line with its core purpose?	✓			The Committee's decision making powers are all in line with its core purpose. E.g. approval of Financial Statements, approval of AGS.
Membership and support					
12	Has an effective audit committee structure and composition of the committee been selected? This should include: separation from the executive an appropriate mix of knowledge and skills among the membership a size of committee that is not unwieldy where independent members are used, that they have been appointed using an appropriate process.	✓			The Committee is separate from the executive and is of a size that is not unwieldy. No independent members are used. Re: appropriate mix of knowledge and skills among the membership, see 15 below.

Good practice questions	Yes	Partly	No	Comments/Actions for Improvement
13 Does the chair of the committee have appropriate knowledge and skills?	✓			The new chair of the audit committee meets the requirements if the job description of the role of the Chairman which includes their responsibilities, of which considering their own learning needs is one. The CIPFA core requirements are satisfactorily met.
14 Are arrangements in place to support the committee with briefings and training?	✓			Training sessions are held throughout the year on various topics prior to meetings. See 15 below.
15 Has the membership of the committee been assessed against the core knowledge and skills framework and found to be satisfactory?		✓		<p>There are no concerns about the competency of the audit committee members but a structured assessment against the CIPFA 2013 framework has not yet been done.</p> <p>ACTION: Assess membership against the core knowledge and skills framework. If gaps are identified, address this through the audit committee training programme.</p>

Good practice questions		Yes	Partly	No	Comments/Actions for Improvement
16	Does the committee have good working relations with key people and organisations, including external audit, internal audit and the chief financial officer?	✓			External Audit attend all Committee meetings. Internal Audit and the Chief Financial Officer attend all Committee meetings and meet separately with the Chair.
17	Is adequate secretariat and administrative support to the committee provided?	✓			Democratic Services provide secretariat and administrative support to the Committee.
Effectiveness of the committee					
18	Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work?	✓			The Annual Report of the Committee is presented to full Council, which gives the opportunity for feedback on performance. External Audit attend all meetings and have not raised any issues regarding the performance of the committee
19	Has the committee evaluated whether and how it is adding value to the organisation?	✓			The Annual Report of the Committee is presented to full Council. This self assessment also evaluates whether the Committee is adding value.
20	Does the committee have an action plan to improve any areas of weakness?	✓			This self assessment has identified areas for improvement these will followed up

Good practice questions		Yes	Partly	No	Comments/Actions for Improvement
Assessment key					
5 Clear evidence is available from a number of sources that the committee is actively supporting improvements across all aspects of this area. The improvements made are clearly identifiable.					
4 Clear evidence from some sources that the committee is actively and effectively supporting improvement across some aspects of this area.					
3 The committee has had mixed experience in supporting improvement in this area. There is some evidence that demonstrates their impact but there are also significant gaps.					
2 There is some evidence that the committee has supported improvements, but the impact of this support is limited.					
1 No evidence can be found that the audit committee has supported improvements in this area.					
Areas where the audit committee can add value by supporting improvement	Examples of how the audit committee can add value and provide evidence of effectiveness	Self-evaluation, examples, areas of strength and weakness		Overall assessment: Improvement 5 – 1 See key above	Comments/Actions for Improvement
Promoting the principles of good governance and their application to decision making.	<ul style="list-style-type: none"> ▪ Providing robust review of the AGS and the assurances underpinning it. ▪ Working with key members/governors to improve their understanding of the AGS and their contribution to it. ▪ Supporting reviews/audits of governance arrangements. ▪ Participating in self-assessments of governance 	<ul style="list-style-type: none"> ▪ AGS and supporting evidence is provided to the Committee and training session held for Members. Draft AGS is brought to the Committee in March ahead of the final version in July. 		4	ACTION: Consider how the Committee can work with other Members to improve their understanding of the Corporate Governance and the Annual Governance Statement and their contribution to it. This could include raising awareness through Cabinet and Scrutiny, for example.

Areas where the audit committee can add value by supporting improvement	Examples of how the audit committee can add value and provide evidence of effectiveness	Self-evaluation, examples, areas of strength and weakness	Overall assessment: Improvement 5 – 1 See key above	Comments/Actions for Improvement
	<p>arrangements.</p> <ul style="list-style-type: none"> ▪ Working with partner audit committees to review governance arrangements in partnerships. 	<ul style="list-style-type: none"> ▪ Governance arrangements with respect to partnerships are considered as part of the AGS review and approval process. 		
<p>Contributing to the development of an effective control environment.</p>	<ul style="list-style-type: none"> ▪ Monitoring the implementation of recommendations from auditors. ▪ Encouraging ownership of the internal control framework by appropriate managers. ▪ Raising significant concerns over controls with appropriate senior managers. 	<ul style="list-style-type: none"> ▪ The Committee monitors implementation of specific External Audit actions and also those within the AGS Action Plan. ▪ The Committee receives summary information on the internal audit recommendations outstanding. 	<p>4</p>	

Areas where the audit committee can add value by supporting improvement	Examples of how the audit committee can add value and provide evidence of effectiveness	Self-evaluation, examples, areas of strength and weakness	Overall assessment: Improvement 5 – 1 See key above	Comments/Actions for Improvement
Supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risks.	<ul style="list-style-type: none"> ▪ Reviewing risk management arrangements and their effectiveness, e.g. risk management benchmarking. ▪ Monitoring improvements. ▪ Holding risk owners to account for major/strategic risks. 	<ul style="list-style-type: none"> ▪ Senior managers are called in to attend the Committee in respect of any significant overdue areas. ▪ Committee received an annual risk management improvement plan and progress is reported through the Assurance Progress report. ▪ Strategic risks are now reported six monthly to the committee 	3	<p>ACTION: Due to resource changes in the Business Assurance Team, risk management reporting has not been as regular during 2015/16. The strategic & Corporate risks will be presented to July 2016 committee and thereafter regular update reports.</p>
Advising on the adequacy of the assurance framework	<ul style="list-style-type: none"> ▪ Specifying its assurance needs, identifying gaps or overlaps in 	<ul style="list-style-type: none"> ▪ The Committee has reviewed and commented on the 2016/17 Annual Internal Audit Strategy & Plan, which sets out the sources of assurance (lines of defence) and the integration with 	4	<p>ACTION: The committee will request reports from other sources of assurance (2nd line of defence) where issues have been raised through the AGS or other Assurance Reviews</p>

Areas where the audit committee can add value by supporting improvement	Examples of how the audit committee can add value and provide evidence of effectiveness	Self-evaluation, examples, areas of strength and weakness	Overall assessment: Improvement 5 – 1 See key above	Comments/Actions for Improvement
and considering whether assurance is deployed efficiently and effectively.	assurance. <ul style="list-style-type: none"> ▪ Seeking to streamline assurance gathering and reporting. ▪ Reviewing the effectiveness of assurance providers, e.g. internal audit, risk management, external audit. 	risk management. Some measures of the effectiveness of assurance providers are provided to Committee.		ACTION: The committee will consider any proposed changes to assurance delivery models arising from the Commercial AVDC transformation programme.
Supporting the quality of the internal audit activity, particularly by underpinning its organisational independence.	<ul style="list-style-type: none"> ▪ Reviewing the audit charter and functional reporting arrangements. ▪ Assessing the effectiveness of internal audit arrangements and supporting improvements. 	<ul style="list-style-type: none"> ▪ The Committee reviews the audit charter and functional reporting arrangements. ▪ Internal Audit produces interim reports and an annual report, featuring their performance indicators. 	4	

Areas where the audit committee can add value by supporting improvement	Examples of how the audit committee can add value and provide evidence of effectiveness	Self-evaluation, examples, areas of strength and weakness	Overall assessment: Improvement 5 – 1 See key above	Comments/Actions for Improvement
Aiding the achievement of the authority’s goals and objectives through helping to ensure appropriate governance, risk, control and assurance arrangements.	<ul style="list-style-type: none"> ▪ Reviewing major projects and programmes to ensure that governance and assurance arrangements are in place. ▪ Reviewing the effectiveness of performance management arrangements. 	<ul style="list-style-type: none"> ▪ Major projects group attended by Business Assurance Manager and reviews for part of work plan which is reported to committee ▪ Performance Management arrangements are not reviewed by the Committee as this is covered by scrutiny committees. 	3	<p>ACTION: Consider Commercial AVDC transformation programme and the results of Commercial ADVC projects and obtain periodic updates from the Commercial AVDC Programme Board for ongoing consideration of risk and assurance.</p>
Supporting the development of robust arrangements for ensuring value for money.	<ul style="list-style-type: none"> ▪ Ensuring that assurance on value for money arrangements is included in the assurances received by the audit committee. ▪ Considering how performance in value for money is evaluated 	<ul style="list-style-type: none"> ▪ The Committee considers the external audit opinion on value for money. ▪ The AGS contains a review of the effectiveness of, as a key element of the Council’s governance 	4	

Areas where the audit committee can add value by supporting improvement	Examples of how the audit committee can add value and provide evidence of effectiveness	Self-evaluation, examples, areas of strength and weakness	Overall assessment: Improvement 5 – 1 See key above	Comments/Actions for Improvement
<p>Helping the authority to implement the values of good governance, including effective arrangements for countering fraud and corruption risks.</p>	<p>as part of the AGS.</p> <ul style="list-style-type: none"> ▪ Reviewing arrangements against the standards set out in CIPFA’s <i>Managing the Risk of Fraud</i> (Red Book 2). ▪ Reviewing fraud risks and the effectiveness of the organisation’s strategy to address those risks. ▪ Assessing the effectiveness of ethical governance arrangements for both staff and governors. 	<p>arrangements and thus the AGS contains a review of its effectiveness.</p> <ul style="list-style-type: none"> ▪ Chair’s response to External Auditors on management processes in place to prevent and detect fraud and to ensure compliance with law and regulation is brought to Committee and provides detailed information on the Council’s anti-fraud and corruption arrangements and how the Council identifies and responds to fraud. • The Committee received the Fraud Benchmarking report in November 2015 and will continue to receive updates on 	<p>4</p>	

Areas where the audit committee can add value by supporting improvement	Examples of how the audit committee can add value and provide evidence of effectiveness	Self-evaluation, examples, areas of strength and weakness	Overall assessment: Improvement 5 – 1 See key above	Comments/Actions for Improvement
<p>Promoting effective public reporting to the authority’s stakeholders and local community and measures to improve transparency and accountability.</p>	<ul style="list-style-type: none"> ▪ Improving how the authority discharges its responsibilities for public reporting; for example, better targeting at the audience, plain English. ▪ Reviewing whether decision making through partnership organisations remains transparent and publicly accessible and encouraging greater transparency. 	<p>the identified actions to improve Anti Fraud and Corruption arrangements</p> <ul style="list-style-type: none"> • Committee received report on the work of the Compliance Team (post transfer of fraud investigation to DWP SFIS) ▪ The Committee reviews and approves a number of public facing documents e.g. Financial Statements, AGS, Annual Report and these documents are continually reviewed against best practice and improvements made to improve transparency and accountability. 	<p>4</p>	

APPENDIX C

Audit Committee Members – Knowledge and Skills Framework

CORE AREAS OF KNOWLEDGE

Knowledge area	Details of core knowledge required	How the audit committee member is able to apply the knowledge
Organisational knowledge	<p>An overview of the governance structures of the authority and decision-making processes.</p> <p>Knowledge of the organisational objectives and major functions of the authority.</p>	<p>This knowledge will be core to most activities of the audit committee including review of the Annual Governance Statement, internal and external audit reports and risk registers.</p>
Audit committee role and functions	<p>An understanding of the audit committee’s role and place within the governance structures. Familiarity with the committee’s terms of reference and accountability arrangements.</p> <p>Knowledge of the purpose and role of the audit committee.</p>	<p>This knowledge will enable the audit committee to prioritise its work in order to ensure it discharges its responsibilities under its terms of reference and to avoid overlapping the work of others.</p>
Governance	<p>Knowledge of the six principles of the CIPFA/SOLACE Good Governance Framework and the requirements of the Annual Governance Statement (AGS).</p> <p>Knowledge of the local code of governance.</p>	<p>The committee will plan the assurances it is to receive in order to adequately support the AGS.</p> <p>The committee will review the AGS and consider how the authority is meeting the principles of good governance.</p>

Knowledge area	Details of core knowledge required	How the audit committee member is able to apply the knowledge
Internal audit	<p>An awareness of the key principles of the <i>Public Sector Internal Audit Standards</i> and the <i>Local Government Application Note</i>.</p> <p>Knowledge of the arrangements for delivery of the internal audit service in the authority and how the role of the head of internal audit is fulfilled.</p>	<p>The audit committee has oversight of the internal audit function and will monitor its adherence to professional internal audit standards.</p> <p>The audit committee will review the assurances from internal audit work and will review the risk-based audit plan. The committee will also receive the annual report, including an opinion and information on conformance with professional standards.</p> <p>In relying on the work of internal audit, the committee will need to be confident that professional standards are being followed.</p>
Financial management and accounting	<p>Awareness of the financial statements that a local authority must produce and the principles it must follow to produce them.</p> <p>Understanding of good financial management principles.</p> <p>Knowledge of how the organisation meets the requirements of the role of the chief financial officer, as required by the <i>CIPFA Statement on the Role of the Chief Financial Officer in Local Government</i>.</p>	<p>Reviewing the financial statements prior to publication, asking questions.</p> <p>Receiving the external audit report and opinion on the financial audit.</p> <p>Reviewing both external and internal audit recommendations relating to financial management and controls.</p> <p>The audit committee should consider the role of the CFO and how this is met when reviewing the AGS.</p>
External audit	<p>Knowledge of the role and functions of the external auditor and who currently undertakes this role.</p> <p>Knowledge of the key reports and assurances that external audit will provide.</p> <p>Knowledge about arrangements for the appointment of auditors and quality monitoring undertaken.</p>	<p>The audit committee should meet with the external auditor regularly and receive their reports and opinions.</p> <p>Monitoring external audit recommendations and maximising benefit from audit process.</p> <p>The audit committee should monitor the relationship between the external auditor and the authority and support the delivery of an effective service.</p>

Knowledge area	Details of core knowledge required	How the audit committee member is able to apply the knowledge
Risk management	<p>Understanding of the principles of risk management, including linkage to good governance and decision making.</p> <p>Knowledge of the risk management policy and strategy of the organisation.</p> <p>Understanding of risk governance arrangements, including the role of members and of the audit committee.</p>	<p>In reviewing the AGS, the committee will consider the robustness of the authority's risk management arrangements and should also have awareness of the major risks the authority faces.</p> <p>Keeping up to date with the risk profile is necessary to support the review of a number of audit committee agenda items, including the risk-based internal audit plan, external audit plans, and the explanatory foreword of the accounts. Typically, risk registers will be used to inform the committee.</p> <p>The committee should also review reports and action plans to develop the application of risk management practice.</p>
Counter-fraud	<p>An understanding of the main areas of fraud risk the organisation is exposed to.</p> <p>Knowledge of the principles of good fraud risk management practice (Red Book 2).</p> <p>Knowledge of the organisation's arrangements for tackling fraud.</p>	<p>Knowledge of fraud risks and good fraud risk management practice will be helpful when the committee reviews the organisation's fraud strategy and receives reports on the effectiveness of that strategy.</p> <p>An assessment of arrangements should support the AGS and knowledge of good fraud risk management practice will support the audit committee member in reviewing that assessment.</p>
Values of good governance	<p>Knowledge of the Seven Principles of Public Life.</p> <p>Knowledge of the authority's key arrangements to uphold ethical standards for both members and staff.</p> <p>Knowledge of the whistleblowing arrangements in the authority.</p>	<p>The audit committee member will draw on this knowledge when reviewing governance issues and the AGS.</p> <p>Oversight of the effectiveness of whistleblowing will be considered as part of the AGS. The audit committee member should know to whom concerns should be reported.</p>

Knowledge area	Details of core knowledge required	How the audit committee member is able to apply the knowledge
Treasury management (only if it is within the terms of reference of the committee to provide scrutiny)	<p><i>Effective Scrutiny of Treasury Management</i>⁴³ is an assessment tool for reviewing the arrangements for undertaking scrutiny of treasury management. The key knowledge areas identified are:</p> <ul style="list-style-type: none"> ■ regulatory requirements ■ treasury risks ■ the organisation’s treasury management strategy ■ the organisation’s policies and procedures in relation to treasury management. 	Core knowledge on treasury management is essential for the committee undertaking the role of scrutiny.

43. CIPFA Better Governance Forum/Treasury Management Network, 2011.

SPECIALIST KNOWLEDGE THAT ADDS VALUE TO THE AUDIT COMMITTEE

This section may be of particular benefit when recruiting independent members.

Knowledge area	Details of supplementary knowledge	How the audit committee member is able to add value to the committee
Accountancy	Professional qualification in accountancy.	<p>More able to engage with the review of the accounts and financial management issues coming before the committee.</p> <p>Having an understanding of the professional requirements and standards that the finance function must meet will provide helpful context for discussion of risks and resource issues.</p> <p>More able to engage with the external auditors and understand the results of audit work.</p>
Internal audit	Professional qualification in internal audit.	<p>This would offer in-depth knowledge of professional standards of internal audit and good practice in internal auditing.</p> <p>The committee would be more able to provide oversight of internal audit and review the output of audit reports.</p>
Risk management	<p>Risk management qualification.</p> <p>Practical experience of applying risk management.</p> <p>Knowledge of risks and opportunities associated with major areas of activity.</p>	<p>Enhanced knowledge of risk management will inform the committee's oversight of the development of risk management practice.</p> <p>Enhanced knowledge of risks and opportunities will be helpful when reviewing risk registers.</p>
Governance and legal	Legal qualification and knowledge of specific areas of interest to the committee, for example constitutional arrangements, data protection or contract law.	Legal knowledge may add value when the committee considers areas of legal risk or governance issues.

Knowledge area	Details of supplementary knowledge	How the audit committee member is able to add value to the committee
Service knowledge relevant to the functions of the organisation	Direct experience of managing or working in a service area similar to that operated by the authority. Previous Scrutiny Committee experience.	Knowledge of relevant legislation, risks and challenges associated with major service areas will help the audit committee to understand the operational context.
Programme and project management	Project management qualifications or practical knowledge of project management principles.	Expert knowledge in this area will be helpful when considering project risk management or internal audit reviews.
IT systems and IT governance	Knowledge gained from management or development work in IT.	Knowledge in this area will be helpful when considering IT governance arrangements or audit reviews of risks and controls.

CORE SKILLS

Skills	Key elements	How the audit committee member is able to apply the skill
Strategic thinking and understanding of materiality	Able to focus on material issues and overall position, rather than being side-tracked by detail.	When reviewing audit reports, findings will include areas of higher risk or materiality to the organisation, but may also contain more minor errors or control failures. The audit committee member will need pitch its review at an appropriate level to avoid spending too much time on detail.
Questioning and constructive challenge	Able to frame questions that draw out relevant facts and explanations. Challenging performance and seeking explanations while avoiding hostility or grandstanding.	The audit committee will review reports and recommendations to address weaknesses in internal control. The audit committee member will seek to understand the reasons for weaknesses and ensure a solution is found.

Skills	Key elements	How the audit committee member is able to apply the skill
Focus on improvement	Ensuring there is a clear plan of action and allocation of responsibility.	The outcome of the audit committee will be to secure improvements to the governance, risk management or control of the organisation, including clearly defined actions and responsibilities. Where errors or control failures have occurred, then the audit committee should seek assurances that appropriate action has been taken.
Able to balance practicality against theory	Able to understand the practical implications of recommendations to understand how they might work in practice.	The audit committee should seek assurances that planned actions are practical and realistic.
Clear communication skills and focus on the needs of users	Support the use of plain English in communications, avoiding jargon, acronyms, etc.	The audit committee will seek to ensure that external documents such as the Annual Governance Statement and the explanatory foreword to the accounts are well written for a non-expert audience.
Objectivity	Evaluate information on the basis of evidence presented and avoiding bias or subjectivity.	The audit committee will receive assurance reports and review risk registers. There may be differences of opinion about the significance of risk and the appropriate control responses and the committee member will need to weigh up differing views.
Meeting management skills	Chair the meetings effectively: summarise issues raised, ensure all participants are able to contribute, focus on the outcome and actions from the meeting.	These skills are essential for the audit committee chair to help ensure that meetings stay on track and address the items on the agenda. The skills are desirable for all other members.

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EXTERNAL AUDIT PROGRESS REPORT

1 Purpose

- 1.1 To receive the external auditors Ernst and Young Audit Plan for 2015-16, attached as an appendix.

2 Recommendations/for decision

- 2.1 The Audit Committee is asked to consider the Audit Plan from the external auditors and confirm that the work is aligned with the committee's expectations.

3 Supporting information

- 3.1 The Audit Plan summarises the audit approach and scope for the 2015/16 audit in accordance with the requirements of the Audit Commission Act 1998, Code of Audit Practice, Standing Guidance, auditing standards and other professional requirements.

4 Reasons for Recommendation

- 4.1 The Audit Plan 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 Business Assurance Services Manager (interim)
Tel: 01296 585789

Background Documents None

Aylesbury Vale District Council

Audit Committee Progress Report

July 2016



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In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued ‘Statement of responsibilities of auditors and audited bodies 2015-16’. It is available from the Chief Executive of each audited body and via the PSAA website (www.psaa.co.uk)

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

The ‘Terms of Appointment from 1 April 2015’ issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

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

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

2015/16 audit

2015/16 Planning

Since our last progress report we have presented our 2015/16 Audit Plan to the Audit Committee. We will continue to keep the plan under review and will inform you of any changes to our risk assessments and planned work.

Meetings and progress to date

As at the date of the Audit Committee we will have been on site for our final accounts testing for three weeks. We will communicate any identified issues verbally if required before our formal Audit Results Report being presented at the September Committee.

We continue to have regular meetings with key officers as part of our ongoing audit process.

Future meetings include:

- Fortnightly meetings with key finance staff during the opinion audit visit to discuss significant risks around the accounts, and updates on our work; and
- 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.

We also held meetings with the Housing Benefit team and selected samples for testing for our initial work which was completed in mid-June.

Our interim reviews have not identified any issues we wish to bring to your attention.

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.

Timetable

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

Audit phase	EY Timetable	Deliverable	Reported	Status
High level planning	Ongoing	Audit Fee Letter	July 2015	Completed
Risk assessment and setting of scope of audit	Dec 2015 - January 2016	Audit Plan	March 2016	Completed
Testing of routine processes and controls	Feb - March 2016	Progress Report	July 2016	
Year-end audit	June - September 2016	Audit results report to those charged with governance; Audit report (including our opinion on the financial statements and a conclusion on your arrangements for securing economy, efficiency and effectiveness in your use of resources); Whole of Government Accounts Submission to NAO based on their group audit instructions; and Audit Completion certificate.	September 2016	Work has started during July 2016.

EY | Assurance | Tax | Transactions | Advisory

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Ernst & Young LLP, 1 More London Place, London, SE1 2AF.

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INTERNAL AUDIT ANNUAL REPORT 2015 -16

1 Purpose

- 1.1 The Head of Internal Audit (Business Assurance Services Manager) is required to provide a written annual report to those charged with governance, timed to support the Annual Governance Statement. This report should be presented to Members and considered separately from the Annual Governance Statement and formal accounts.
- 1.2 The report summaries the work of Internal Audit for the period 1 April 2015 to 31 March 2016, identifying the areas upon which the audit opinion is based.

2 Recommendations/for decision

- | | |
|-----|---|
| 2.1 | The Committee is requested to note the contents of the Internal Audit Annual Report for the financial year 2015-16. |
|-----|---|

3 Supporting information

- 3.1 The Audit Committee's terms of reference include dealing with internal and external audit issues. This report allows formal recognition of the Annual Internal Audit report by a committee of the Council.
- 3.2 The Council is required to issue a statement of accounts each year. Included in the accounts is a statutory Annual Governance Statement to be signed by the Leader and Chief Executive. This statement gives assurance that matters relating to the Council's operations are being properly managed and controlled.
- 3.3 The Annual Governance Statement draws upon the management and internal control framework of the Council, especially the work of internal audit and the Council's risk management framework. In particular the independent report of the Council's Business Assurance Services Manager is a significant factor in determining the position to be reported.
- 3.4 The attached report includes the Business Assurance Services Manager's opinion on the adequacy and effectiveness of the Council's systems of governance, risk management and control.
- 3.5 In forming this opinion the Business Assurance Manager can confirm that internal audit activity throughout 2015-16 has been independent from the rest of the organisation and has not been subject to interference in the level or scope of the audit work completed.

4 Options considered

- 4.1 None - The Business Assurance Services Manager's report is a statutory requirement.

5 Resource implications

- 5.1 None

Contact Officer	Kate Mulhearn 01296 585724
Background Documents	None



Internal Audit Annual Report

APRIL 2015 – MARCH 2016

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1. Introduction

Internal Audit is a statutory requirement for local authorities under the Accounts & Audit Regulations (2015), which states that a local authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.

The Public Sector Internal Audit Standards require the Head of Internal Audit (Business Assurance Services Manager) to deliver an annual internal audit opinion and report that can be used by the organisation to inform its Annual Governance Statement. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control (i.e. the Council's system of internal control). The annual report must incorporate:

- the opinion;
- a summary of the work that supports the opinion; and
- a statement on conformance with the Public Sector Internal Audit Standards.

This is achieved through the completion of a risk-based plan of work, agreed with management and approved by the Audit Committee, which is designed to provide a reasonable level of assurance. The opinion does not imply that Internal Audit has reviewed all risks relating to the organisation.

Aylesbury Vale District Council's (AVDC) internal audit is provided by the Business Assurance Service. As part of the Commercial AVDC transformation programme in October 2015 the Business Assurance Manager was seconded to a new role to lead the Vale Commerce venture. This has initially been agreed for a twelve month period. As an interim solution, in November 2015 the Council made arrangements to bring in expertise from PwC, on a part-time secondment basis to fulfil the role of Head of Internal Audit. This includes oversight of delivery of the internal audit plan for the period November 2015 to March 2016 and the provision of the annual internal audit opinion, based on the results of the work performed over the year.

2. Head of Internal Audit Opinion

In giving this opinion, it should be noted that assurance can never be absolute. The work of internal audit can only provide reasonable assurance that there are no major weaknesses in the processes and controls reviewed.

In assessing the level of assurance to be given, I have based my opinion on:

- the results of assurance reviews and consultancy/advisory work undertaken during the year;
- the results of follow-up action taken in respect of assurance reviews, including those from previous years;
- whether or not any limitations have been placed on the scope of internal audit;
- the extent of resources available to deliver the internal audit work;
- the proportion of the Council's assurance needs that have been covered within the period; and
- the quality and performance of the internal audit service and the extent of compliance with the Standards.

I am satisfied that sufficient assurance work has been carried out to allow me to form an opinion on the adequacy and effectiveness of Aylesbury Vale District Council's systems of governance, risk management and control.

My opinion is as follows:

Generally satisfactory with some improvements required to specific systems and processes

Governance, risk management and control in relation to business critical areas is generally satisfactory. However, there are some weaknesses in the framework of governance, risk management and control which potentially put the achievement of the Council's objectives at risk.

Improvements are required in those areas to enhance the adequacy and effectiveness of governance, risk management and control.

Kate Mulhearn
Business Assurance Services Manager (Interim)
July 2016

For many of the reviews performed during the year we were able to provide substantial or reasonable assurance over the design and operating effectiveness of the controls in place.

The Council implemented a new financial system during the year. Our internal audit work on Accounts Payable, Accounts Receivable and General Ledger, highlighted a number of weaknesses relating to the design and operating effectiveness of financial controls and processes in the new system. Some of the issues identified were relevant to the overall financial control environment.

Please see further detail and the key factors that contributed to my opinion in Section 3.

3. Summary of Internal Audit Activity

Our annual internal audit plan was designed to address the Council's key risks and strategic priorities. During the year any new areas of risk or changes to the plan were reported to the Audit Committee as part of the Progress Report.

At the end of each internal audit review the assurance officer issues a formal "assurance opinion" on the areas examined. There are four standard levels:

- Substantial assurance (highest)
- Reasonable
- Limited
- No Assurance (lowest)

A full definition of the four levels of opinion is attached at Appendix 1.

Overview

A total of 13 assurance reviews were completed in 2015/16 of which 2 were given "substantial" assurance, 8 were given "reasonable" assurance and 3 were given "limited" assurance. This resulted in the identification of 6 high, 22 medium and 9 low priority actions to improve weaknesses in the design and operating effectiveness of controls.

In the previous financial year 9 assurance reviews were completed resulting in 6 high, 24 medium and 12 low priority recommendations for improvement. Due to the different mix and focus of reviews the overall results cannot directly be compared from year to year.

A summary of the reviews undertaken and the opinion given is shown below.

Review Area	Assurance Rating	Recommendations		
		High	Medium	Low
Data Transparency	Limited	1	-	-
Depot Fuel Management	Substantial	-	-	2
S106 Allocations	Reasonable	-	2	-
Enterprise Car Pool	Reasonable	-	-	-
Oculus Income	Reasonable	-	1	-
Fraud Identification – post SFIS	N/A - advisory	-	-	-
Procurement Arrangements	N/A - advisory	-	-	-
Taxi Licensing	Substantial	-	1	-
Housing Allocations	Reasonable	-	1	2
Counter fraud strategy assessment and action plan	N/A - advisory	-	-	-
Core Financial - Payroll	Reasonable	-	2	-
Core Financial - Accounts payable & Accounts Receivable	Limited	2	6	-
Core Financial - General Ledger & Budget Management	Limited	2	2	-
Housing Benefits	Reasonable (DRAFT)	-	2	1
Collection Fund - Council Tax and Business Rates	Reasonable	1	2	1
Data Protection – use of personal devices	Reasonable	-	3	3
Total number of findings 15/16		6	22	9

Significant control weaknesses

A number of weaknesses were identified that should be reported in the Annual Governance Statement. These relate to the limited assurance reports issued for core financial systems.

Accounts Payable, Accounts Receivable and General Ledger

- 4 high priority and 8 medium priority recommendations were identified resulting in limited assurance over the adequacy and performance of the controls relating to Accounts Payable, Accounts Receivable and General Ledger.
- In 2015 the Council implemented a new Finance System, Technology One (T1). The objective was to improve automated work-flow and establish a system which was

widely used by budget managers across the Authority. The system went live in June 2015.

- Internal audit work highlighted a number of issues relating to the design of financial controls and processes in these areas and the way they were operating within the financial system. Some of the issues identified were relevant to the overall financial control environment. Weaknesses were also identified in the reconciliation processes between the financial and other systems, such as those for council tax and business rates, which is reflected in the high priority recommendation for Collection Fund.
- Since completing our internal audit work, prompt action has been taken by management to address the issues. Work has commenced to review the appropriateness of the financial policies and procedures, the design of controls within the finance system and the end-to-end management processes. Progress is being monitored by the Financial Review Programme Board.

Other internal audit work

Risk Management

The risk management arrangements form a key part of the Council's overall internal control framework. Internal audit has not provided any specific assurance over this process during the year but the team has facilitated the regular review of the corporate risks and the annual service risk assurance process.

A revised risk management strategy was presented to Audit Committee in September 2015 and reflected changes in the Council's approach to risk and its changing risk appetite.

The annual service risk assurance process was facilitated by internal audit in March 2016. This process seeks to identify from service managers which policy areas are higher risk to their service by the nature of their activities and what assurance were they giving in terms of responsibilities, training and monitoring.

Data protection

The team has conducted one investigation into a data breach during the year.

Follow up work / outstanding recommendations

Data Transparency

A limited assurance report was issued for data transparency. Work was performed at the start of the year to assess compliance with the Transparency Code. It was found that the code was not being complied with in 5 of the 10 areas, resulting in a limited assurance report. During the course of the year follow up work was conducted and we confirmed that the required information has been updated and published as required. Regular review is needed to ensure ongoing compliance.

Outstanding recommendations

All agreed actions arising from audit reports are kept under review by Internal Audit and regular reports on overdue actions are provided to the Audit Committee. There are no significant issues to report regarding the follow up any audit recommendations.

4. Review of Effectiveness

The Council's internal audit function is currently undergoing a review as part of the wider Commercial AVDC transformation programme. The outcome of the review will confirm the new structure and how the services will be delivered. This includes an assessment of internal, external and partner based provision of the function, opportunities to improve

automation of processes, and deliver a short, medium and long term business plan for the function going forward.

In the mean time the function will continue to be delivered within the existing Business Assurance Service, which is a combination of interim staff and contracted work mixed with the existing permanent officers in the team. This situation will remain until the “Business Governance” review has concluded and the new approach agreed.

Compliance with Public Sector Internal Auditing Standards (PSIAS)

A self-assessment against the requirements of the PSIAS was conducted in 2013 and the gap analysis and action plan was last updated in July 2015. During 2016, the requirements of PSIAS have been considered and there are no areas of concern to indicate that the current arrangements are not fully compliant with the Standards.

Compliance with PSIAS will be considered as part of the review of service provision going forward.

Appendix 1 – Assurance Definitions

<p>Substantial Assurance</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. The risk of the activity not achieving its objectives or outcomes is low. As a guide there are a few low risk / priority actions arising from the review.</p>
<p>Reasonable Assurance</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. 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. As a guide there are mostly low risks and a few medium risk/priority actions arising from the review.</p>
<p>Limited Assurance</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. 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. As a guide there are mostly medium and a few high risk / priority actions arising from the review.</p>
<p>No Assurance</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. As a guide there are a large number of medium and high risks / priority actions arising from the review.</p>

Audit Committee
25 July 2016

ANNUAL GOVERNANCE STATEMENT 2015-16

1 Purpose

- 1.1 The purpose of this report is to update the committee with the final draft version of the Annual Governance Statement (AGS) for 2015-16 prior to its inclusion in the Statement of Accounts. The AGS is attached as Appendix A.
- 1.2 The Annual Governance Statement has been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting 2015/16.
- 1.3 The preparation and publication of the Annual Governance Statement (AGS) is a statutory requirement of the Accounts and Audit Regulations 2011. The Council is required to “conduct a review at least once in a year of the effectiveness of its system of internal control” and to prepare a statement on internal control “in accordance with proper practices”.

2 Recommendations for decision

2.1 The Audit Committee is requested to:

- a) Review the Annual Governance Statement 2015/16 (AGS)
- b) Consider the robustness of the Council’s governance arrangements
- c) Approve the AGS prior to its inclusion in the Statement of Accounts

3. Supporting information

- 3.1 A draft version of the Annual Governance Statement was reported to this Committee in March 2016. At that meeting members of the committee had the opportunity to discuss and comment on the statement.
- 3.2 The final draft version of the Annual Governance Statement is now presented to the Committee for approval.
- 3.3 Once it has been approved by the Audit Committee, the statutory Annual Governance Statement will be signed by the Leader of the Council and the Chief Executive at the same time they sign the Annual Statement of Accounts,
- 3.4 The assurance gathering process is based on the management and internal control framework of the Council.

4. Options considered

- 4.1 None – this is a statutory requirement.

5. Reasons for Recommendation

- 5.1 To comply with legislation

6. Resource implications

None

Contact Officer

Kate Mulhearn, Business Assurance Service Manager,
01296 585724

Background Documents



ANNUAL GOVERNANCE STATEMENT

APRIL 2015 – MARCH 2016

Annual Governance Statement - April 2015 to March 2016

1. Scope of Responsibility

Aylesbury Vale District Council (AVDC) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Aylesbury Vale District Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Aylesbury Vale District Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

Aylesbury Vale District Council's arrangements for ensuring good corporate governance are embedded in its constitution, policies and procedures. It has not approved and adopted a separate single code of corporate governance. However the principles to which the Council operates are intended to be consistent with those contained in the CIPFA / SOLACE Framework *Delivering Good Governance in Local Government*. Copies of the Council's principal policies and codes of practice can be consulted on its website (www.aylesburyvaledc.gov.uk). A list of the more significant documents is attached at Appendix A.

This statement explains how Aylesbury Vale District Council has complied with the principles of corporate governance and also meets the requirements of regulations 4(2) and 4(3) of the Accounts and Audit Regulations, which requires all relevant bodies to prepare an annual governance statement in accordance with proper practices in relation to internal control.

2. The Purpose of the Governance Framework

The governance framework comprises the systems, processes, culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risk to the achievement of Aylesbury Vale District Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

3. The Governance Framework

The governance framework has been in place at Aylesbury Vale District Council for the year ended 31 March 2016 and up to the date of approval of the Annual Governance Report and Statement of Accounts.

3.1. Identifying, communicating and reviewing the Council's vision

Aylesbury Vale District Council's statement of its long-term vision for the Vale:

"To secure the economic, social and environmental wellbeing of the people and businesses in the area."

To enable the Council to realise this vision, the focus is on working:

- To enable essential infrastructure for growth and sustainability of the area be it physical or social
- To ensure fair and speedy access to essential services and their referral to partners
- To provide a healthy and dynamic institution for making effective decisions about the area, to which everyone can contribute
- To stimulate, innovate and enable economic growth of the area, its regeneration and the attraction of inward investment
- To provide or commission services and products that customers and businesses have agreed add value to their lives

The Council has an ambitious agenda to meet the financial pressures facing the public sector and is committed to supporting the local economy and transforming the district through its Commercial AVDC programme. Key Plans include:

- Medium Term Financial Plan 2015/16-2019/20
- Commercial AVDC Business Transformation Programme
- Capital Programme
- Housing and Homeless Strategy 2014-2017
- Vale of Aylesbury Local Plan (under development)

3.2. Ensuring effective management of change and transformation

The approach adopted to achieve organisational change is through the Commercial AVDC programme. This will see each service fundamentally reviewed in terms of what is delivered, to whom, by who, at what cost and what the recipient should be expected to pay for it.

The work being undertaken within the Commercial AVDC programme is being overseen and directed by the Cabinet member for Business Transformation and is being subjected to scrutiny by Finance and Services Scrutiny Committee. To ensure greater accountability, a separate Programme Board has been established and meets regularly.

3.3. Measuring the quality of services for users and value for money

Projected budgetary pressure resulting from the Government's public sector efficiency agenda have made reduction of the Council's cost base through either efficiency, cuts or by increasing its income, the top strategic priority. The extent of the reduction in available funding is predicted to be such that this will fundamentally reshape the size and structure of the organisation. The Council is currently undertaking a review of Business Intelligence and Performance Management systems to ensure they are aligned to the changing organisational structure and priorities.

The Council has a sound understanding of its costs and performance and the factors influencing these. Cost and performance information is used in financial and service planning to make policy and service provision decisions and to identify efficiency savings.

The Council regularly reviews costs to assess whether they are commensurate with the range, level and quality of services provided. It actively seeks and evaluates new ways of delivering services to achieve efficiencies and works with partners and other service providers to compare and evaluate processes, costs and outcomes.

Managers and budget holders are able to access financial reports through the finance system. Summary reports are prepared for Corporate Board and Members. These show current expenditure, forecast predicted outturn for the year and highlight any areas where unexpected variances are apparent.

To promote best practice and value for money in procurement, the Council has entered into a joint arrangement with Improvement and Efficiency Social Enterprise' (iESE). iESE is a sector wide organisation with considerable cross cutting experience and knowledge of various procurement approaches. The performance of this arrangement is being kept under review by the Finance and Services Scrutiny Committee.

3.4. Roles and Responsibilities of Members and Officers

The Council's Constitution sets out the roles of and relationships between the full Council, the Cabinet and Scrutiny and other Committees in the policy and decision making process and sets out their legal requirements. It also sets out a record of what responsibility each Council body or individual has for particular types of decisions or for decisions relating to particular areas or functions. The Constitution requires that all decisions taken by or on behalf of the Council will be made in accordance with the principles set out in the Constitution. The Leader is responsible for determining the scheme of delegation for executive functions which is included in the Constitution.

The Cabinet structure and the membership of the committees was reviewed following the May 2015 elections having regard to the political balance rules and some changes were made. The effect of which was to consolidate some of the portfolios resulting in a reduction of Cabinet Members from eight to seven. The Leader intends to keep the individual workloads under review, but at present is satisfied with the current arrangements.

To encourage participation and accountability one hour is set aside for questions from members at every ordinary meeting of the full Council. There is also provision for public participation at meetings and a facility for the public to make statements relevant to a matter on the agenda at Council, Cabinet and other committees. Full Council meetings and Strategic Development Management Committee are now webcast.

The Constitution sets out how the public can access the decision making process. Cabinet publishes a plan 28 days before each meeting setting out key decisions to be taken at the meeting. Notice is also given of the intention to hold a meeting or part of a meeting in private to enable confidential or exempt information to be discussed.

Minutes and papers for Council, Cabinet and Committee meetings which are open to the public are freely available on the Council's web site. The only papers not available will be those that are exempt under the Council's procedures rules as set out in the Constitution.

The Transition Board which comprises the Corporate Team and senior managers ensures that the senior officers work as a team to enable the Council to best serve the people who live and work in the Vale. All managers are involved in Manager Group meetings which receive information on corporate issues and projects. The series of "Let's Get Talking" sessions continued in 2015/16 where Directors and Cabinet members meet with staff

across the Council to discuss current issues and give staff the opportunity to ask questions.

3.5. The Standards of Behaviour for Members and Staff

Member behaviours are governed by a code of conduct which is set out in the Constitution. The code covers disclosable pecuniary interests as required by the Localism Act 2011 and also retains the requirements to disclose personal and prejudicial interests and those to register gifts and hospitality received in a member's official capacity together with interests in outside bodies, charities and pressure groups. The Code of Conduct was adopted by full Council in July 2012.

All members of the Council have completed a register of their pecuniary and personal interests. Copies of guidance produced by the Department for Communities and Local Government on the revised code have been provided to every member and they have also received information from the Monitoring Officer highlighting the key aspects.

The Constitution also includes protocols covering member/officer relations, member involvement in commercial transactions and a members planning code of good practice.

There is a three stage procedure for dealing with complaints that Members have broken the code of conduct. A code of conduct for employees was approved in 2013 in conjunction with trade unions and employee representatives. This covers all aspects of conduct at work from how to treat colleagues to any conflicts of interest and dealing with matters such as accepting gifts and hospitality.

3.6 Financial Regulations and Schemes of Delegation

The Financial Regulations and Procedures, including the scheme of delegation, provide the framework for managing the authority's financial affairs. They apply to every member and officer of the authority and anyone acting on its behalf. They are linked to the other regulatory governance documents forming part of the Council's Constitution, for example, Contracts Procedure Rules.

The Council's Financial Regulations and detailed Financial Procedures were reviewed and updated during February/March 2016 to ensure alignment with best practice and to reflect the authority's commercial approach to financial management. They set out clear roles and responsibilities for members, the Section 151 Officer and senior managers within a modern financial control environment. The Contract Procedure Rules have also been revised during the year. The revised Financial Regulations will be taken to Cabinet for approval in July 2016.

Compliance with financial procedures is assessed as part of internal audits.

3.7 Role of the Chief Financial Officer

The Council largely mirrors the recommendations made by CIPFA with regards to the role of the Chief Financial Officer and his or her position and status within the organisation. For this purpose the Chief Financial Officer is the Director with responsibility for Finance (Section 151 Officer).

The Director with responsibility for Finance has a key position within the organisation and sits as a member of the Transition Board, this being the main officer decision making body of the organisation responsible for developing, implementing and delivering the strategic objectives of the organisation.

All material financial decisions must be approved by the Director with responsibility for Finance or his deputy and the decision making structure of the organisation is designed to ensure that this happens through the report approval framework. Processes, systems, internal controls and risks are maintained and frequently reviewed in order to ensure that good financial management exists within the organisation and that value for money is achieved.

The Director with responsibility for Finance is professionally qualified and skilled and is provided with the necessary resources to provide a finance function that is fit for purpose and suitably equipped to meet organisational and stakeholder needs.

3.8 Role of the Audit Committee, Scrutiny Committees and Standards Committee

The Audit Committee is a key component of the Council's governance framework providing independent assurance to the members of the adequacy of the Council's governance, risk management and internal control frameworks. The Committee receives regular internal and external audit reports and is effective in contributing to improving the internal control environment of the Council. The Audit Committee terms of reference comply with CIPFA's guide.

The Audit Committee's Annual Report, including the annual assessment of the effectiveness of the committee, will be discussed at their meeting in July 2016. It will be circulated to all members, who will have the opportunity to raise questions at full Council. It will also be published on the Council's website.

An annual report on the work of the Scrutiny Committees is presented to Council each year and for 2016 will be considered by full Council on 18 May 2016. The annual report will summarise the issues considered by the Scrutiny Committees during the course of 2015/16 and will continue to provide opportunities for members of the public and the wider Council membership to suggest possible topics for review.

The Standards Committee comprises seven district councillors plus two councillors from town or parish councils and three independent persons who are not entitled to vote. The two parish/town council representatives have been nominated by the Aylesbury Vale Association of Local Councils and the three independent persons have been appointed following public advertisement and interview.

The Annual Report of the Standards Committee for 2015/16 will be submitted to the full Council on 18 May 2016. This sets out the work of the Committee over the year, including information on the Committee's Role and Terms of Reference, an overview of its activities during the year and a report on the monitoring of complaints and compliance with the Code of Conduct. The Annual Report is published on the Council's website.

3.9 Compliance with Relevant Laws and Regulations, Internal Policies and Procedures

Ensuring compliance with established policies, procedures, laws and regulations involves a range of measures which include:

- Awareness, understanding and training carried out by internal officers and external experts
- The drawing up and circulation of guidance and advice on key procedures, policies and practices

- Proactive monitoring of compliance by relevant key officers including the Section 151 Officer (Director with responsibility for Finance) and the Monitoring Officer

Compliance with new or revised policies is monitored by the relevant key officers and is incorporated in the Service Risk Assurance Process.

Business Assurance Services (internal audit) develops a risk based annual audit plan which includes consideration of compliance across all areas of AVDC. Reports are produced for management, recommendations for improvements agreed and implementation monitored through to completion. Internal and external audit updates and reviews are reported to the Audit Committee.

Under Section 5 of the Local Government and Housing Act 1989 the Monitoring Officer is required to report to the Council where, in his/her opinion, a proposal, decision or omission by the Council, its Members or Officers is, or is likely to be, unlawful and also to report on any investigation by the Local Government Ombudsman. It has not been necessary for the Monitoring Officer to issue a formal report for the year 2015/16.

The Section 151 officer also has a legal responsibility to issue formal reports if they have particular concerns about the financial arrangements or situation of the Council. No such formal reports have been issued during the 2015/16 financial year.

3.10 Risk Management Arrangements

The Council has in place a process for identifying, assessing, managing and reviewing the key areas of risk and uncertainty that could impact on the achievement of the Council's objectives and service priorities. Strategic risks for the Council have been identified and monitoring arrangements in place through quarterly review with the Transition Board.

A Service Risk Assurance process in place for all services and risk registers are in place for major projects.

As a result of the Commercial AVDC programme and the substantial changes facing the Council the risk management arrangements are being reviewed to ensure they are appropriate going forward.

3.11 Whistle-blowing and Complaints Procedures

The Whistleblowing Policy and reporting procedures are available on the Council's website. This forms part of the Anti Fraud and Corruption Policy Strategy. There have been no whistle-blowing reports in 2015/16. There has been no use of the Regulation of Investigatory Powers Act during 2015/16.

There is a Customer Comment, Compliments and Complaints Policy which includes a public document explaining the process. There are also detailed procedures for staff who are dealing with a complaint. All staff are required to complete the Customer Comment, Compliments and Complaints e-learning module.

In 2014/15 the Council maintained the British Standards Institute Complaints Standard. However it was decided not to continue with this certification in 2015/16 due to the cost. The process for complaints, however, remains the same as when the council had the certification.

The Standards Committee considers any complaints made against councillors relating to breaches of the code of conduct. Details of how to make a complaint and the committee's procedure for dealing with member complaints are available on the Council's website and hard copies of a complaints leaflet have been distributed to information points throughout the District. There were no complaints against councillors which lead to a full investigation in 2015/16.

3.12 Anti Fraud and Corruption

Business Assurance Service and the Director responsible for Finance are responsible for developing and maintaining the Council's anti-fraud and corruption strategies.

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. During the year Business Assurance Services performed a fraud benchmarking assessment of the current state of the Council's fraud governance structures and processes against the CIPFA code.

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 areas where performance should be improved before a good standard of performance can be evidenced. Having considered all principles set out in the CIPFA code and the gaps, a high level action plan has been developed to strengthen the Council's position in managing the risk of fraud. Progress on implementation of actions, which include a review of the Council's Anti Fraud and Corruption Policy in 2016/17, is reported to the Audit Committee.

3.13 Member and Officer Development Needs

An all-party Member Development Steering Group (MDSG) is in place to oversee, monitor and help progress delivery of learning and development for elected Members to meet individual and corporate needs, and to achieve value for money. The MDSG has continued its work, with some changes in membership, following the 2015 District Council elections. A Member Induction Programme was successfully delivered to newly elected Councillors following the 2015 elections. This included training on the Code of Conduct and ethical standards.

The MDSG undertook surveys of Members in July-August 2015 asking them to identify their future development and support needs. The survey results have been used to put together a Member Development Programme (MDP) which covers a range of issues including scrutiny skills, casework/advocacy, the local Member role in planning applications and enforcement, public speaking, effectively communicating with the media, housing matters and safeguarding.

AVDC has a comprehensive training and development programme. Details of the programme are available to all staff and Members on the Intranet. This takes into account both the organisation development needs as well as individual needs. The eLearning hub is now well established with a wide range of learning and development opportunities, alongside more traditional classroom programmes. We continue to work collaboratively with other public sector organisations across Buckinghamshire to deliver management and leadership training. This has the benefits of staff being able to receive training in a timely manner and also learn from other organisations.

As part of the Commercial AVDC programme the Council is developing a new behavioural framework for officers and will be reviewing the processes for annual performance review in 2016/17.

The Council operates a joint coaching scheme with Buckinghamshire County Council (BCC). Staff can self nominate or be referred to the scheme by their managers; they are then able to choose a coach from BCC or AVDC. This has been well used over the last 12 months.

The apprenticeship programme has been further developed offering training opportunities to young people. Nine teams have employed apprentices during 2015/16.

3.14 Communication and Consultation with the Public and Other Stakeholders

The Council recognises and welcomes the importance of consulting effectively with local people and other stakeholders who have an interest in life in the district.

The Council uses a wide range of channels to both consult and communicate with the community and other stakeholders. Consultation methods range from quantitative self-completion questionnaires to focus groups depending on the target audience and the objectives of each consultation project. Regular communication channels include the residents' magazine delivered to all households, a proactive media relations programme (radio, TV, newspapers), parish and community noticeboards, poster sites and targeted literature. Social media including text messaging, Twitter, Facebook and web casting are being used proactively.

AVDC launched its new website in August 2015. The website is clear, easy to use and available on any device at any time. The website was developed in consultation with residents, customers and council services to ensure the site provides what is needed in this advancing digital environment.

3.15 Information Governance Arrangements

Information governance is overseen by the Information Governance Group (IGG) which is chaired by the Director with responsibility for Finance who fulfils the role of Senior Information Risk Owner (SIRO). This group comprises of managers from key departments who are empowered to take decisions on information management. The IGG's key responsibility is to ensure that the Information Management Strategy is maintained and that actions are taken to implement the strategy and kept it up to date.

3.16 Governance Arrangements for Partnerships

Article 1 of the constitution commits the Council to providing community leadership in partnership with local people and businesses and effective and transparent decision-making, and to improving the delivery of services in consultation with the community. The Council has identified its significant partnerships and there are appropriate governance arrangements in place.

The significant partnerships are:

- Local Enterprise Partnerships - South East Midlands LEP (SEMLEP) and Buckinghamshire Thames Valley LEP (BTVLEP). AVDC is in overlapping LEP arrangement as they both have a natural geographical fit with the Vale and reflect the common "travel to work areas" and shared workforce, housing, skills and infrastructure issues. AVDC has had a seat on both of the LEP

Boards, which is helpful in being in a strong position to influence and ensure there is LEP impact in the Vale and its economic growth, benefitting AVDC's communities.

- Buckinghamshire Advantage (50% share) is the delivery arm of the Buckinghamshire Thames Valley Local Enterprise Partnership's (BTVLEP). It also develops a number of separate capital projects and infrastructure investment. It is currently working closely with Aylesbury Vale District Council and the Buckinghamshire County Council, on the Aylesbury Woodlands scheme. Woodlands is an extensive site to the east of Aylesbury, and includes commercial premises, leisure facilities, road infrastructure and housing. An outline planning application for the scheme was submitted in March 2016.
- Shared Procurement Partnership with Improvement and Efficiency Social Enterprise' (iESE). A special purpose vehicle established to deliver savings through improved procurement.
- Aylesbury Vale Estates (AVE) (50% share). AVE is a limited liability partnership between AVDC and Akeman LLP, a private sector organisation with considerable experience of estates management and property development. The main aims are to improve AVDC's commercial estate and support the local economy, whilst maintaining a future income for the Council.
- Aylesbury Vale Broadband (95% share). Its aim is to develop a future proof fibre network to deliver superfast broadband in hard to reach, rural areas of Aylesbury Vale.
- Vale Commerce (100% share) is a limited liability company wholly owned by Aylesbury Vale District Council which aims to:
 - generate a substantial income stream for the Council
 - support improvement in the local economy
 - help foster an enterprise management perspective within the Council
 - showcase the Council's determination to become more self-sufficient

Vale Commerce will market and deliver services under two distinct customer brands; Limecart for consumers and Incgen for businesses.

- Novae Consulting (100% share) delivering the Council's commercial consultancy work.

During the spring of 2016, a guide to working with our companies was approved by Cabinet. This clearly sets out the working arrangements between the Council and the companies in which it owns or holds shares, including for example, processes for company set up, how directors should be appointed and how Council staff should work with the companies.

4. Review of Effectiveness

Aylesbury Vale District Council has responsibility for conducting, at least annually, a review of effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers

within the authority who have responsibility for the development and maintenance of the governance environment, the Business Assurance Manager's (internal audit) annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

The governance framework described above facilitates the identification of any areas of the Council's activities where there are significant weaknesses in the financial controls, governance arrangements or the management of risk. The annual review of effectiveness has considered the following areas:

- the authority
- the executive
- the audit committee / finance and scrutiny committees
- the standards committee
- Internal audit
- Chief Financial Officer
- other explicit review/assurance mechanisms

4.1 Internal Audit

The Council's internal audit (known as Business Assurance Service) operates under regulation 6 of the Accounts and Audit Regulations and in accordance with the CIPFA Public Sector Internal Audit Standards.

The Head of Internal Audit (Business Assurance Services Manager) is required to deliver an annual internal audit opinion and report that can be used by the organisation to inform its Annual Governance Statement. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control (i.e. the Council's system of internal control).

This is achieved through the completion of a risk-based plan of work, agreed with management and approved by the Audit Committee, which is designed to provide a reasonable level of assurance. The opinion does not imply that Internal Audit has reviewed all risks relating to the organisation.

Where recommendations for the improvement of controls or systems are made at the end of an internal audit review, these are agreed with the responsible managers together with details of the required action and an expected date for implementation. Any concerns regarding overdue actions are reported to the Audit Committee as part of the regular progress reports.

Based on the results of the work undertaken during the year, the Head of Internal Audit's overall opinion is that governance, risk management and control in relation to business critical areas is generally satisfactory. However, there are some weaknesses in the framework of governance, risk management and control which potentially put the achievement of the Council's objectives at risk. Improvements are required in those areas to enhance the adequacy and effectiveness of governance, risk management and control.

The weaknesses identified relate to design and operation of financial controls following the implementation of a new financial system during the year. Action is being taken to address the weaknesses and improve the Council's financial control environment.

5. Significant Governance Issues and Action Plan

During 2015 the Council implemented a new finance system. The objective was to improve automated work-flow and establish a system which was widely used by budget managers across the Authority. The system went live in June 2015.

Internal audit work highlighted a number of weaknesses relating to the design of financial controls and processes and the way they were operating within the new financial system. Some of the issues identified were relevant to the overall financial control environment. Weaknesses were also identified in the reconciliation processes between the corporate finance and other systems, such as the revenues and benefits system.

A detailed plan has been developed to address the weaknesses identified and prompt action has been taken by management. Progress is being monitored by the Financial Review Programme Board and is reported to the Audit Committee.

6. Approval of the Annual Governance Statement

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by Audit Committee and plan to address weaknesses and ensure continuous improvement of the systems in place.

Signed:.....

Leader

Signed:.....

Chief Executive

On behalf of Aylesbury Vale District Council

Internal Audit Progress Report – July 2016

1 Purpose

- 1.1 To receive the Internal Audit Progress Report of activity undertaken since March 2016.

2 Recommendations

- 2.1 The committee is recommended to note the progress report.
- 2.2 The committee is recommended to note the “Update on Financial Systems and Controls Action Plan” at Appendix 3.

3 Supporting Information

- 3.1 This report provides an update on the progress made against the 2016/17 Assurance Plan. Appendix A includes information on:
- Summary of internal audit reviews completed and in progress
 - Overdue recommendations and follow up work
 - Revised internal audit classification definitions for the financial year 2016/17
 - Overview of Commercial AVDC and impact on the internal audit resources
- 3.2 Attached to the Progress Report at Appendix 3 is an update on the status of the financial systems action plan reported to the March meeting.
- 3.3 The Committee requested that all internal audit reports are presented in full. Those issued since the previous meeting are included in Appendix 4.

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



Internal Audit Progress Report

July 2016





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1. Activity and progress

The annual internal audit plan was approved by audit committee in March 2016. A summary of the planned work is included in Appendix 1. We will continue to monitor progress against the plan during the year and advise the Audit Committee for any changes.

Final reports issued since the previous Committee meeting

Name of review	Conclusion*	Date of final report	No of recommendations made*			
			 Critical	 High	 Medium	 Low
<i>2015/16 Reviews:</i>						
Council Tax and Business Rates	Reasonable	May 16	-	1	2	1
General Ledger and Budgetary Control	Limited	May 16	-	2	2	-
Housing Benefits	<i>Reasonable</i>	<i>Issued in draft 12/7</i>	-	-	2	1
Data Protection – Mobile Devices	Reasonable	June 16	-	-	3	3
<i>2016/17 Reviews:</i>						
Vale Lottery	Low risk	July 16	-	-	-	1

* The basis for classifying internal audit findings and reports has been updated for 2016/17. See details in Appendix 1.

The findings from these reviews are set out in our detailed reports (Appendix 4) and summarised below:

Council Tax and Business Rates

Overall we found the controls and processes to be operating effectively to provide reasonable assurance over billing and recovery. However, there are a number of areas where action is needed to improve the integrity of financial information, control and monitoring processes. The following weaknesses were identified:

- **Reconciliation of iWorld and T1 (H)** – the reconciliation between iWorld (revenue) and T1 (cash) has not been performed regularly during the year. At the time of review the reconciliations are several months behind for both Council Tax and Business Rates. Suspense accounts held in T1 and iWorld contain significant balances that should be posted to the relevant council tax or business rate accounts.

At the time of preparing this report the reconciliations have been brought up to date for both Council Tax and Business Rates to the end of March 2016. Work is ongoing to review the overall process to enable reconciliations to be completed timely and accurately under the Commercial AVDC Finance Review.

Refunds and write offs (M) - The processes for council tax and business rates refunds and write offs should be clearly documented and communicated, including responsibilities for review and authorisation. Approval limits should be set in line with corporate policy, and controls established to ensure that these are adhered to. It is recognised that this is part of a wider process to review the Council's policies and procedures for debt recovery. This should be addressed as part of the *Commercial AVDC Review*.

- **Management information (M)** - A suite of performance metrics should be agreed to enable effective monitoring of revenue collection and recovery and flag early signs that annual budgets may be at risk. This should include target annual and monthly profiled collection rates for both council tax and business rates.
- **Valuation Office Agency reconciliation (L)** - For both domestic and commercial properties a weekly reconciliation to the Valuation Office Agency (VOA) schedules is performed but there is no process to monitor properties with a temporary or no valuation status. A process should be developed to enable both council tax and business rates teams to actively monitor the properties that have a "temporary" or "no valuation" status.

General Ledger and Budgetary Control

This review raised 2 high priority and 1 medium priority recommendations over the management and control of the general ledger and one medium recommendation for budgetary control.

- **Reconciliation of key financial systems to the general ledger (H)** - The Council has several key financial systems that feed into the T1 General Ledger, including iWorld (Payroll) and iTrent (Housing Benefits, Council Tax and Business Rates). During the year to March 2016 there has been inconsistent, incomplete or no reconciliation of these financial systems to the General Ledger.

At the time of preparing this report, a piece of work is underway to map the interrelationships between the General Ledger and all other financial systems and roles and responsibilities for reconciliations within the finance team and service areas will be clarified. Standard procedures will be documented and implemented.

- **Suspense accounts (H)** – During 2015/16 the review and clearance of suspense accounts has been done sporadically, which has resulted in large amounts sitting on the suspense accounts from one period to the next.

The procedures and responsibilities for clearing suspense accounts are to be agreed and documented. Suspense accounts will be cleared daily and month-end procedures will include review of the accounts to ensure balances are not sitting from one period to the next.

At the time of preparing this report, work is ongoing to clear the backlog of old items in suspense relating to the implementation of T1.

- **Journal processing (M)** – Currently there is no way of differentiating between what is regarded as a recurring accounting journal and adhoc journals and there are no routine monitoring controls to review journals.

Procedures will be established for the use of different journal types that differentiate between recurring and non-recurring journals and virements. Journals between sub-ledgers are an area of risk as they could be used to manipulate the accounts or conceal fraudulent transactions. In order to balance resource input with risk, greater focus will be placed on journal transfers into/out of the sub ledgers. For these consideration will be given to de-minimis values and appropriate authority levels to approve prior to posting.

- **Budget manager training (M)** – There is a need for training for Budget Managers to bring consistency across the authority and clarity around roles and responsibilities. We note that plans are already being developed to address this as part of the Commercial AVDC Financial Systems and Processes Review.

Housing Benefits (draft report)

At the time of preparing this update, the Housing Benefits report has been issued to management in draft. A summary of findings are provided below and it is anticipated that by the time of the meeting the report will be finalised.

Overall we found the controls and processes over housing benefits to be operating effectively to provide reasonable assurance over the accuracy and efficiency of claims handling. There are a number of areas where action is needed to improve the integrity of financial information and performance monitoring processes. There is also a need to consider the Council's level of overpayment and the approach to recovery.

Our key findings are summarised as follows:

- **Reconciliation of payments between iWorld and Technology One (M)** - There is a form of reconciliation in place whereby the Housing Benefits team update a manual spreadsheet with the totals of each weekly payment run once the payments have been dispersed by BACS. This spreadsheet is then forwarded to a Finance Officer who checks the finance system to ensure that the ledger is updated with the correct figure. Because this reconciliation is performed only from a manual spreadsheet rather than iWorld itself, the integrity of the reconciliation process is diminished and there is a risk of inaccurate financial information
- **Housing benefit overpayment recovery (M)** – Housing benefit overpayment has risen significantly in the last 2 years and currently stands at £6.3million (as at end June 2016). This increase is consistent with the national picture and can in part be attributed to the introduction of better and quicker real time data matching.

Whilst recovery action is taking place, either through reduced ongoing payments or separate debt recovery, the current levels of recovery are not keeping up with new debt that is identified. The Council's strategy for managing this type of debt should be reviewed. If there is potential money which is recoverable that is not chased the Council could miss out on income, but there is likely to be additional resource incurred in attempting to recover outstanding debts so the return on investment must be considered.

- **Quality checks - monitoring performance (L)** – The processes for quality checking housing benefit claims are set out in the “Revenues and Benefits Service – Checking Strategy”. This includes a target level of 5% check of the overall claims processed. We identified areas where measures could be improved to enable better monitoring of performance against the strategy including monitoring the total level of checks and setting targets for the accuracy of processing.

Data Protection – Mobile Devices

This review was performed by external data security specialist. The focus was on assessing the risks associated with the use of personal mobile devices to access Council information and applications together with a detailed review of mobile device policy and management practices.

The Council can take reasonable assurance as to the risks surrounding data loss and security incidence as a result of mobile working. Basic precautions have been taken across all key areas to ensure that the risks of data loss is mitigated. However, the Council’s controls are heavily dependent upon the end users’ compliance with existing policies and taking basic precautions when conducting council business on either a ‘corporate’ or personal mobile device.

AVDC’s information security risks associated with mobile devices are mostly centred around access to online services and information on personal devices outside of AVDC’s control. A degree of trust is placed in personal devices and the way staff use them; such as allowing users to access emails on personal devices without a PIN or password, and allowing information to be printed at home. AVDC does issue mobile devices to staff, but in many respects an equal level of trust is placed in personal devices and AVDC issued devices. Recommendations were raised concerning:

- Remote access to email
- Saving email attachments
- Use of data classification and transmission of sensitive information by email
- Hardware asset audits
- Regular training updates
- Review and update of policies

An overriding recommendation is to develop and maintain awareness of the importance of information security, and the precautions that users are expected to maintain when mobile working.

Vale Lottery

The review focussed on four areas identified as being key to ensuring that the lottery is being operated effectively and in compliance with the Gambling Act:

- Governance and Legislation
- Financial Transparency
- Day to Day Operation
- Performance Management

Overall, we found the processes and controls operating over the Vale Lottery to be adequate to ensure that it is operating effectively, with transparency and in compliance with the Gambling Act. At this time, the volume and value of transactions is still relatively small. If the

lottery were to grow considerably, the adequacy of existing arrangements will need to be reviewed again and consideration given to level of resource available to manage the day to day operations.

We raised one low risk recommendation around ensuring the ongoing management of risk by creating a central risk register where risks can be routinely reviewed and updated.

Internal audit plan work in progress

As at the date of preparing this report, the following reviews are in progress:

<i>Name of review</i>	<i>Update on progress</i>
Debt Recovery	Work has commenced to identify the level of debt for each revenue stream, the ageing profile and establish the existing recovery processes. Following this initial exercise the scope of the review will be developed.
Information Governance Effectiveness	This review will assess the Council's information governance effectiveness using a benchmark approach centred on 23 'killer questions' across 5 key domains; Culture, Management, People, Process and Technology. Work will be performed by external specialists following on from the Mobile Devices review.
Contracts	Internal audit has contributed to the Commercial AVDC Procurement and Contracts Review by performing data analytics of T1 contract/supplier spend and risk assessing the contract portfolio.

2. Overdue recommendations and follow up work

We actively track and monitor the recommendations that we have raised from our Internal Audit Reviews to ensure that the control weaknesses identified have been satisfactorily addressed. We only report to the Audit Committee when more than 3 months has passed since the original agreed target date.

Financial systems – Accounts Payable & Accounts Receivable

At the March 2016 meeting we presented the Accounts Payable and Receivable report which highlighted a number of issues relating to the financial controls and processes and the way these are operating within the T1 financial system. Whilst the scope of this review was restricted to accounts payable and receivable, some of the issues identified were relevant to the overall financial control environment.

Since then Management have taken prompt action to address the issues identified. In some areas progress is ongoing and is being monitored by the Commercial AVDC Financial Systems & Processes Review Board. The action plan and status update is attached as Appendix 3.

Overdue recommendations

Housing Allocations (January 2016) – Medium priority recommendation to be completed by 31 March 2016

The Bucks Homes Choice Partnership Policy was adopted in May 2014 and is the common mechanism for allocating housing in Bucks. The Policy states that “the Partnership will monitor the outcomes of lettings through Bucks Home Choice to assess whether it is meeting its aims”. It goes on to say that the reviews will be carried out annually. Since its adoption the Partnership has not yet carried out a formal review.

Management update - A brief review of the Allocation scheme’s objectives was completed recently and will be finalised and published before the end of the month. The work was amalgamated with requirements to publish annual lettings data and was therefore held up briefly. The revised target date is the end of July 2016.

Taxi Licensing (October 2015) – Medium priority recommendation to be completed by 31 March 2016

There is no policy on document retention governing the licensing application process so there is a risk that personal data is being held for longer than appropriate. Management agreed to adopt a document retention policy that incorporates the whole licensing function.

Management update – The action is in progress. We are currently working with Arcus Global on the set-up of a new document management storage solution for EH&L into which the data retention principles will be built prior to data migration from our existing system to the new Salesforce system. The data retention policy is currently in draft. The data will be migrated into the new system sometime between July and September with full implementation complete by the end of December 2016.

3. *Internal audit classification definitions*

To enhance the transparency of our internal audit work and our reporting methodology we have revised the basis for classifying internal audit findings and overall reports. Each individual finding is allocated a “risk rating”. The overall report classification is determined by allocating points to each of the individual findings included in the report, providing an overall level of risk. This enables the risk profile to be compared across areas under review and progress to be monitored from year to year.

The definitions of the individual finding risk ratings and overall reporting classification are set out in Appendix 1. These will apply for all reviews in 2016/17.

4. Commercial AVDC and internal audit

As members will be aware, the Council is progressing through a fundamental restructure and business transformation programme - Commercial AVDC. The Business Assurance team, which includes Internal Audit is involved in a number of the “Business Reviews” and the annual internal audit plan has been focused to assist these across the Council.

The Business Assurance team is also involved in its own Business Review, considering how best to deliver these functions, set against the financial pressures that the Council faces, whilst at the same time also being aware that as we diversify and change our business models there may well be a changing type, style and need for these functions going forward.

The review that the Business Assurance team falls under is known as “Business Governance” and covers the areas below. It is being overseen by the Business Strategy & Governance Sector Lead, Andy Barton:

- Audit & Risk
- Insurance
- Information Governance & Security
- Health & Safety
- Emergency Plan
- Business Resilience and Disaster Recovery

The outcome of the review will confirm the new structure, how the services will be delivered, this includes an assessment of internal, external and partner based provision of the functions, opportunities to improve automation of processes, and deliver a business plan for the functions going forward.

In the mean time the functions will continue to be delivered as they are currently. For the internal audit and risk elements, this is a combination of interim staff and contracted work mixed with the existing resources in the team. This situation will remain until the Business Governance review has concluded and the new approach agreed.

The Business Governance review has already commenced and is intended to complete in the autumn/early winter. Updates on the review will be included as standing item in this report until they have been delivered to ensure members are updated with progress.

Appendix 1: Internal audit opinion and classification definitions

Individual reviews - Basis of classifications

Report classifications

The overall report classification is determined by allocating points to each of the individual findings included in the report.

Findings rating	Points
Critical	40 points per finding
High	10 points per finding
Medium	3 points per finding
Low	1 point per finding

Report classification		Points
●	Critical risk	40 points and over
●	High risk	16– 39 points
●	Medium risk	7– 15 points
●	Low risk	6 points or less

Individual findings are considered against a number of criteria and given a risk rating based on the following:

Finding rating	Assessment rationale
Critical	<p>A finding that could have a:</p> <ul style="list-style-type: none"> • Critical impact on operational performance; or • Critical monetary or financial statement impact [quantify if possible = materiality]; or • Critical breach in laws and regulations that could result in material fines or consequences; or • Critical impact on the reputation or brand of the organisation which could threaten its future viability.
High	<p>A finding that could have a:</p> <ul style="list-style-type: none"> • Significant impact on operational performance; or • Significant monetary or financial statement impact [quantify if possible]; or • Significant breach in laws and regulations resulting in significant fines and consequences; or • Significant impact on the reputation or brand of the organisation.
Medium	<p>A finding that could have a:</p> <ul style="list-style-type: none"> • Moderate impact on operational performance; or • Moderate monetary or financial statement impact [quantify if possible]; or • Moderate breach in laws and regulations resulting in fines and consequences; or • Moderate impact on the reputation or brand of the organisation.
Low	<p>A finding that could have a:</p> <ul style="list-style-type: none"> • Minor impact on the organisation's operational performance; or • Minor monetary or financial statement impact [quantify if possible]; or • Minor breach in laws and regulations with limited consequences; or • Minor impact on the reputation of the organisation.
Advisory	<p>A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.</p>

Annual opinion types

At the end of the year, the Head of Internal Audit provides an annual assurance opinion based on the work performed, which is used to inform the Council's Annual Governance Statement. The table below sets out the four types of opinion along with an indication of the types of findings that may determine the opinion given. The Head of Internal Audit will apply his/her judgement when determining the appropriate opinion so the guide given below is indicative rather than definitive.

Type of opinion	Indication of when this type of opinion may be given
Satisfactory	<ul style="list-style-type: none"> A limited number of medium risk rated weaknesses may have been identified, but generally only low risk rated weaknesses have been found in individual assignments; and None of the individual assignment reports have an overall report classification of either high or critical risk.
Generally satisfactory with some improvements required	<ul style="list-style-type: none"> Medium risk rated weaknesses identified in individual assignments that are <i>not significant in aggregate</i> to the system of internal control; and/or High risk rated weaknesses identified in individual assignments that are <i>isolated</i> to specific systems or processes; and None of the individual assignment reports have an overall classification of critical risk.
Major improvement required	<ul style="list-style-type: none"> Medium risk rated weaknesses identified in individual assignments that are <i>significant in aggregate but discrete parts</i> of the system of internal control remain unaffected; and/or High risk rated weaknesses identified in individual assignments that are <i>significant in aggregate but discrete parts</i> of the system of internal control remain unaffected; and/or Critical risk rated weaknesses identified in individual assignments that are <i>not pervasive</i> to the system of internal control; and A <i>minority</i> of the individual assignment reports may have an overall report classification of either high or critical risk.
Unsatisfactory	<ul style="list-style-type: none"> High risk rated weaknesses identified in individual assignments that <i>in aggregate are pervasive</i> to the system of internal control; and/or Critical risk rated weaknesses identified in individual assignments that are <i>pervasive</i> to the system of internal control; and/or <i>More than a minority</i> of the individual assignment reports have an overall report classification of either high or critical risk.
Disclaimer opinion	<ul style="list-style-type: none"> An opinion cannot be issued because insufficient internal audit work has been completed. This may be due to either: <ul style="list-style-type: none"> Restrictions in the audit programme agreed with the Audit Committee, which meant that our planned work would not allow us to gather sufficient evidence to conclude on the adequacy and effectiveness of governance, risk management and control; or We were unable to complete enough reviews and gather sufficient information to conclude on the adequacy and effectiveness of arrangements for governance, risk management and control.

Appendix 2: Internal audit plan and progress tracker

The 2016/17 Annual Internal Audit Plan was approved by members of the Audit Committee in March 2016.

Review	Description	Status/Comment	Risk Rating
Finance <ul style="list-style-type: none"> • General Ledger • Debtors • Creditors • Payroll • Treasury • Fixed Assets 	Ongoing input to Commercial AVDC Finance Review project (Q1&Q2) and assurance over implementation and effectiveness of processes (Q3 &Q4)		
HR - Recruitment	Review recruitment processes and controls		
Electoral & Democratic Services	Deferred from 15/16. Roll out of ModGov – review processes post implementation		
Contract Management – Supplier Resilience	Deferred from 15/16. Assurance that key suppliers/contracts have adequate business continuity plans in place. Consider outcomes of Commercial AVDC review.		
Budget Management			
Information Governance	Information governance effectiveness review.	Scope of work agreed	
Health & Safety	Compliance with OHSAS18001; review of H&S Management System		
Safeguarding	Review pre Sec 11 audit. Also consider vulnerable adults.	Sec 11 plan of work has been released from BCC. Scope of audit review to be agreed.	
Debt Recovery	Council wide review of debt management and recovery processes, including council tax, business rates, HB overpayments and other income streams.	Work commenced July 2016	
My Account	Review security of payments, information and interfaces with other systems		
Good Governance Framework for Local Government	Review compliance with new CIPFA code and implications for AGS 16/17	CIPFA framework has been published. Review will commence in Q2.	
Risk Management	Continuous assurance over risk management process	Corporate risk register reviewed in July 2016 and reported to Audit Committee.	
Enterprise zones	Processes governing management of E Z partnerships		
Housing benefits			

Collection fund			
Estates – Service Charges	Basis for and calculation of service charges, collection processes		
Business Reviews	Internal audit has supported Commercial AVDC reviews: <ul style="list-style-type: none"> • Procurement & Contract Management • Business Intelligence • Financial Systems and Processes 		
Vale Lottery	The review focussed on four areas identified as being key to ensuring that the lottery is being operated effectively and in compliance with the Gambling Act.	Complete	Low

Appendix 3: Accounts payable & accounts receivable - Management response and action plan

Update on progress - 7 July 2016

AVDC Internal Audit Report: Accounts Payable & Accounts Receivable – Action Plan

Please note that the references (eg 3.1) reference to The Detailed Findings and Action Plan (section 3) of the Internal Audit Report

3.1 Financial Regulations & Procedures – control design

Issue (ref to detailed findings section in report)	Diagnosis & proposed action	Commentary	Lead & date (names in brackets are the officers nominated to carry out action)	Status at 30 June 2016 (not validated by internal audit)
3.1 Financial Regulations (and FPRs)	<p>As noted the Finance Regulations and Finance Procedure Rules do need to be brought up to date to reflect the implementation of Technology One.</p> <p>Work on updating the FPRs (identifying where changes need to made) has been done and updating for changes will be completed during April.</p>	<p>Following the update the revised FPRs will be presented to Corporate Board and Members for approval.</p> <p>Assuming that approval is given Sector Leads will be briefed on the changes and reminded of their responsibilities and will cascade these to their managers.</p> <p>The updated FPRs will be posted to the intranet and a link to them will be sent to all staff with Authorisation rights on Technology One.</p> <p>The context for the FPRs will be included in training/awareness activities related to the upgrade of the Technology One system later in 2016.</p>	<p>Andrew Small (Tony Skeggs)</p> <p>30 April 2016</p>	<p>Finance Regulations and Procedures have been updated and will be presented to Council in July 2016.</p> <p>They will then be incorporated in to the Managers training currently being prepared and be published on Connect..</p>
Procedure documents	<p>The “how to guide” for Technology One will be revised and made more user friendly and comprehensive – at the moment there is no guidance on reporting</p> <p>As well as the guidance on using the system, process documents</p>	<p>Decision on timing of this to be related to the likely release/implementation date of the CI Anywhere version of Technology One – which will require new guidance on how to use the system.</p> <p>The procedure / process documents will include contextual information so that</p>	<p>See commentary. Technology One are providing an update on release dates on 7 March 2016</p> <p>Guidance notes : Tony Skeggs</p>	<p>User friendly guidance notes / TechOne tips have been prepared and are available on Connect.</p> <p>Contextual information will be prepared as part of the Managers</p>

Issue (ref to detailed findings section in report)	Diagnosis & proposed action	Commentary	Lead & date (names in brackets are the officers nominated to carry out action)	Status at 30 June 2016 (not validated by internal audit)
	are being updated	users can understand why the process is important.	(Sharon Russell-Surtees) By 30 June 2016	training.
Technology One controls and reporting	<p>The Technology One system has powerful and flexible reporting capability. However due to time and resource constraints these have not been fully explored or implemented.</p> <p>A note of reporting requirements is being compiled and will be reviewed and prioritised (an initial list is attached at Annex C)</p> <p>If there are changes to controls these will be tested</p>	<p>In discussions with Technology One it is clear that they are keen to work with AVDC to enable improved reporting both for budget management and controls</p> <p>It is likely that most, if not all, reporting requirements in the short term should be fulfilled either using AVDC's own expertise (Rosanna) supported by Technology One – within existing contractual support arrangements. This is definitely the “vibe” from Kerr McColl but will be confirmed when the reporting requirements are better defined.</p> <p>Consideration required of whether the existing Technology One management dashboards are being used effectively, whether these could be enhanced, the impact of CI Anywhere.</p>	<p>Tony Skeggs (Rosanna Iannone)</p> <p>Ongoing but initial reporting requirements to be agreed by 15 March 2016.</p> <p>Tony Skeggs Review by 31 May in consultation with managers. Timescale for changes to be agreed following review.</p>	<p>Reporting requirements were identified and reports produced.</p> <p>Dashboard information has yet to be determined with Sector Leads. Consultation is due to take place during July and August.</p>

3.2 Financial Delegation (ability to authorise transactions (control design))

Issue (ref to detailed findings section in report)	Diagnosis & proposed action	Commentary	Lead & date	Status at 30 June 2016 (not validated by internal audit)
<p>3.2 Financial Delegation (ability to authorise transactions)</p>	<p>The scheme of delegation and the Chart of Accounts needs to be updated to reflect the revised organisational structure of the Council. This is underway and is being supported by Technology One – in terms of providing information on the capabilities of the system</p> <p>Authorisation limits for Sector Leads managerial level to be agreed by Andrew Small (mid March).</p> <p>Review Authorisation pools as part of this roll out – ie who can authorise at each level for each cost centre</p>	<p>The 2016/17 budgets are being disaggregated from the previous structure and aligned to the Sector based structure.</p>	<p>Andrew Small (Tony Skeggs) Technology One will be on site 11 March.</p> <p>The revised Chart of Accounts will be in place by end of March 2016</p> <p>Review and update Authorisation pools by end of June 2016 (will need to be done with Sector Leads and budget managers)</p>	<p>The revised Chart of Accounts was reflected in Technology One at the end of March.</p> <p>Review of the authorisation pools has been ongoing since April. Managers have access to a report that shows the users in each pool.</p>
	<p>Authorisation rights. At the moment all requests for change are reviewed by the Finance Manager who also makes the changes.</p> <p>The current process is largely based on email requests. A revised process based on an authorised form is being designed.</p> <p>The Technology One system supports setting time limits for</p>	<p>The functionality within Technology One for authorisation rights and time frames is in place but not uniformly well used at the moment.</p>	<p>Tony Skeggs</p> <p>Process and form by 30 April 2016</p> <p>“How to...” note by 31 March 2016</p>	<p>A New User / Amend User request form has been developed and is available on Connect.</p> <p>How to use the absences function</p>

Issue (ref to detailed findings section in report)	Diagnosis & proposed action	Commentary	Lead & date	Status at 30 June 2016 (not validated by internal audit)
	<p>changes to authorisations both to cover for planned absences and for interim temporary staff.</p> <p>A short note on how to use this functionality will be added to intranet and a link to it sent to all authorisers</p>			<p>is covered in the User Guide on Connect.</p> <p>It will also form part of the training being developed.</p>
Periodic Review of Changes	<p>Because of the use of authorisation pools on the Technology One system there is the potential to create a large number of authorisers for particular budgets.</p> <p>It is proposed that on a quarterly basis, as part of regular budget management meetings that the list of authorisers and their limits be reviewed and any changes agreed</p>	<p>Ahead of the quarterly reviews it is proposed that as part of the Scheme of Delegation review authorisation rights for all cost centres / budget be reviewed.</p> <p>Create standard report of authorisation pools for managers.</p>	<p>Tony Skeggs</p> <p>Ongoing reviews on quarterly basis starting July 2016</p>	<p>No change, scheduled to start in July 2016.</p>

3.3 Changes to Supplier data – control design

Issue (ref to detailed findings section in report)	Diagnosis & proposed action	Commentary	Lead & date	Status at 30 June 2016 (not validated by internal audit)
3.3 Changes to Supplier Data	<p>The existing process is not formalised in writing. It is proposed to adopt the process shown at Annex B.</p> <p>The Technology One solution does not include workflow or authorisation for supplier master data changes. This may be part of a future release.</p> <p>The system does already include reporting to identify any changes and production of the report each week/month can be automated. Tony Skeggs / Christina Ball are able to produce this report (look to filter and automate).</p>	As well as adopting the new process it is proposed that a retrospective report be produced on all bank account changes since Technology One went live and that checks be made to ensure that the changes are supported by evidence.	Sarah Rodda (Christina Ball) & Tony Skeggs By 14 March 2016	A Bank Changes report has been written and is automatically produced before the supplier payment run, currently twice a week. This is reviewed by the Finance Manager.

3.4 New User Training – control design

Issue (ref to detailed findings section in report)	Diagnosis & proposed action	Commentary	Lead & date	Status at 30 June 2016 (not validated by internal audit)
New user training	<p>Training for current users will be revisited as part of the implementation of the CI Anywhere version of the Technology One software. This needs to pick up on the findings from the survey of users as to preferred learning styles.</p> <p>In the short term it is proposed that if staff need access to Technology One they will need to have face to face training from the Finance team.</p> <p>In the medium term an online e-learning course should be developed so that new members of staff can undertake training and an online assessment prior to receiving their log in details.</p>		<p>Tony Skeggs</p> <p>Requirement for training for new users in place from 1 July 2016 (time to prepare materials and notify managers)</p> <p>Online elearning and assessment by end 2016 – using CI Anywhere.</p>	<p>An E-Learning training course is being developed for all users and will form part of the new user induction package.</p> <p>Currently, new users are directed to the user guides and TechOne tips as well as receiving face to face training.</p>

3.5 Procure to Pay Monitoring – control design

Issue (ref to detailed findings section in report)	Diagnosis & proposed action	Commentary	Lead & date	Status at 30 June 2016 (not validated by internal audit)
<p>3.5 Procure to Pay Monitoring</p>	<p>The Technology One system has powerful reporting capability and both standard and user derived reports can be produced.</p> <p>A list of useful reports is being compiled including:</p> <ul style="list-style-type: none"> • Invoices dated before orders • Invoices paid over XX days after invoice date (received?) - where xx is user defined • Supplier creations dated after invoice date <p>An initial draft list is attached at Annex C.</p> <p>This list will be discussed with Technology One and then the reports created and used on a monthly basis</p> <p>It is proposed to make some minor changes to the AVDC order form so that it is clear that a PO must be quoted required on invoices and that invoices must be sent to AP. These changes will be notified to all requisitioners.</p>	<p>Creation of the reports on the process is useful but only the start of the improvement.</p> <p>The reporting should be used to work with managers to identify where there is poor practice and to address through training/guidance and, where appropriate performance management.</p> <p>It is suggested that the Council institute a policy of returning non compliant invoices to suppliers – having given notice both internally and to suppliers. Directing invoices to single point will make it simpler to manage compliance and performance. It is also a building block to further automation of the process.</p>	<p>Sarah Rodda (Christina Ball) & Tony Skeggs</p> <p>Initial reports defined by 14 March and available by 30 April 2016.</p> <p>Order form changes agreed and implemented by 31 March 2016.</p> <p>No PO no Pay policy formulated by 31 March 2016 and implemented during April and May with reporting from June</p>	<p>All the reports listed in the box to the left have been written and are run on a monthly basis. The information is reviewed and action taken. The number of cases is being recorded and will be reported to the Review Board.</p> <p>The PO template has been amended to make it clear to suppliers that a PO must be quoted and that the invoice should be sent direct to Finance.</p> <p>The “No PO No Pay” policy was introduced from the 1st May and all suppliers were emailed explaining the new policy.</p>

3.6 Monitoring of Financial Commitments – control design

Issue (ref to detailed findings section in report)	Diagnosis & proposed action	Commentary	Lead & date	Status at 30 June 2016 (not validated by internal audit)
3.6 Monitoring of financial commitments	<p>The current standard budget monitoring reports do not include commitments. Commitments are available separately but it is not clear that managers know how to use this information.</p> <p>An issue with commitments on reports at the moment is that it is not possible to see only in year commitments against a budget. This is a result of multi year contracts being entered without yearly milestones – an oversight/ training issue.</p> <p>It is suggested that the Finance Team inc Procurement work with budget holders to review multi year contracts and ensure that they are set up correctly.</p> <p>Technology One will work with AVDC to create a budget monitoring report that includes in year commitments. The Finance Team will then work with managers to ensure that these reports are available, used and understood.</p> <p>As part of regular budget monitoring (monthly or quarterly) reviews the Finance Team and Budget Managers will review a list of open Purchase Requisitions and where these are no longer required they will be deleted.</p> <p>Open orders with no or very low outstanding value will also be reviewed quarterly to check whether they should be closed.</p>	<p>More generally a project has been instigated to ensure that the business has the right information at the right time to enable and inform business decisions and the production of these reports will significantly assist this project.</p>	<p>Tony Skeggs (Sarah Deyes re contracts updating) (Sharon Russell-Surtees for reports)</p> <p>Review of multi year contracts and amend on Technology One. Start April, complete by end June 2016.</p> <p>Commitment report available and launched to Budget Managers with guidance by 31 May 2016.</p> <p>Quarterly review of requisitions and</p>	<p>The issue of reflecting contract commitments over the life of the contract within TechOne is still to be resolved. Finance have been working with TechOne to determine the best solution.</p> <p>There is now a solution that needs to be tested before work can begin amending the contracts.</p> <p>The task should be completed by the 30th September.</p> <p>This will start from July.</p>

Issue (ref to detailed findings section in report)	Diagnosis & proposed action	Commentary	Lead & date	Status at 30 June 2016 (not validated by internal audit)
			open orders will start as part of year end in April 2016 and then quarterly from end of June 2016.	
Purchase orders & remittances & debtor invoices not reaching suppliers	<p>This has been raised with Technology One and they have an internal case for this. A resolution has been chased (29 February) and will be followed up.</p> <p>There is not an obvious technical solution for AVDC to follow to ensure that orders are being distributed.</p> <p>As a short term solution it is suggested that an email be sent to all requisitioners and staff raising debtor invoices advising that whilst this problem is largely resolved and Technology One are working to complete resolution there re still some issues. In the interim, it is be advisable to check with suppliers that they have received orders and that where they have not to resend using a local email and to flag failures with Finance” (need to agreed how/ who/ use Hornbill) so that Technology One can be advised.</p>	Christina	<p>Technology One. (Kerr McColl) and . John Barter to follow up by 14 March and weekly until resolved.</p> <p>John to email staff by 31 March – if issue remains unresolved.</p>	This has been resolved.

3.7 Accounts Payable performance monitoring – control design

Issue (ref to detailed findings section in report)	Diagnosis & proposed action	Commentary	Lead & date	Status at 30 June 2016 (not validated by internal audit)
<p>3.7 Accounts Payable Performance monitoring</p>	<p>Some simple reporting from the Technology One system can be used to start gathering information on performance.</p> <p>The following is proposed as a first report: Invoices paid over 30 days from invoice date (a list showing supplier, invoice date and payment date and elapsed days). This would give an indication as to how well the Council is meeting the Prompt Payment Code. Once set up the report could be run with different date parameters eg 10 day and 30 day.</p> <p>Where invoices are paid beyond 30 days the AP team should seek to understand where the delay occurred. Eg invoice without PO quoted, goods receipting not done, invoice mi-addressed.</p> <p>Follow up discussions should be held with sector leads where there are teams or individuals that consistently cause delay.</p> <p>The AP team should also begin to record the numbers of invoices received that are non compliant with the P2P process. This should include invoices that do not include a supplier entered PO number. Doing so will assist in identifying areas for training/advice.</p> <p>If a No PO no Pay policy is introduced the AP</p>	<p>AVDC’s payment team does not capture invoice received date at the moment so 30 days is used as a proxy to give some time for post and internal processes.</p> <p>By identifying and working with teams (and perhaps suppliers) that are not following the agreed process compliance should improve. This should then reduce the volume and frequency of supplier contact – supporting the ambition to move finance colleagues away from transactional support.</p> <p>Suppliers are all set with immediate payment terms currently. There is not a backlog of invoices in the AP team. However without reporting it is not clear whether invoices are being paid “too early” within terms or late. Going forward the Council should consider setting up suppliers with appropriate payment terms eg 28 days or 7/8 days (for SME or local suppliers).</p> <p>If the Council actually pays most invoices very quickly moving to pay to longer terms may need to be transitioned over a period</p> <p>The controlled use of Purchase Cards can also support prompt payment and reduce effort in the end to end P2P process (subject to discussion).</p>		<p>The report showing payment over 30 days has been produced. It will be reviewed on a monthly basis and cases over 30 days will be investigated and, if a recurring problem, reported to Sector Leads.</p> <p>From the 1st May monitoring of invoices without a PO or having a hand written PO was started. Any invoices that did not have a pre printed PO number were referred back to the originating section.</p> <p>The monitoring has stopped</p>

Issue (ref to detailed findings section in report)	Diagnosis & proposed action	Commentary	Lead & date	Status at 30 June 2016 (not validated by internal audit)
	team may also need to initially record invoices returned to suppliers and why.	Lloyds virtual card		now as nearly all invoices have a pre-printed PO number.

3.8 Accounts Receivable billing and recovery process – control design

Issue (ref to detailed findings section in report)	Diagnosis & proposed action	Commentary	Lead & date	Status at 30 June 2016 (not validated by internal audit)
3.8 Accounts receivable and billing	<p>Responsibility for these processes has not changed with the implementation of Technology One but the mechanics of the process have moved online.</p> <p>The responsibility for identifying and raising debts is devolved to budget managers.</p> <p>The role of the Finance Team (Accounts Receivable) is to check that the invoice is appropriate before it is sent to the debtor. Debt recovery is carried out by the AR team.</p> <p>Guidance on invoice raising and approval on Technology One is included in the existing User Guide. But the Guide does not include guidance on accessing management information on debts outstanding. This will be documented.</p> <p>Reports on all o/s debt for their service area are available from Technology One to managers but aged debt reports are only available for all debt. The Finance Team are working to produce the aged debt reports at service level.</p> <p>Aged debtor reports will be reviewed as part of the monthly or quarterly budget monitoring meetings that the Finance Team have with budget managers. This will be more important as part of the commercialisation of the Council.</p>	<p>The direction of travel for the Council is to seek prepayment for chargeable services so the volume of invoices may be reducing as prepayment can often be carried out online.</p> <p>There will however be areas in which it is necessary to raise invoices as part of a debt recovery process eg housing benefit overpayments.</p>	<p>Sarah Rodda (Christina Ball) & Tony Skeggs</p> <p>Guidance & procedure note on reporting by 31 May 2016.</p> <p>Aged debt reporting by service requirement will be raised with Technology One by 11 March (T1 on site) if not resolved before then.</p> <p>Debt will be included in budget monitoring discussions from April 2016 onwards</p>	<p>Guidance notes have been prepared and are available on Connect.</p> <p>An aged debt by service has been developed and is available to TechOne users.</p> <p>The aged debt reports will be reviewed at the monthly / quarterly budget meetings from July.</p>

Appendix 4: Internal audit reports

The Committee requested to see all internal audit reports in full. Those completed since the last meeting are attached below.

1. Council Tax and Business Rates
2. General Ledger and Budgetary Control
3. Data Protection – Mobile Devices
4. Vale Lottery



Business Assurance Services
Assurance Report

2015 / 16

Council Tax & Business Rates

Assurance Opinion

REASONABLE

MAY 2016

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Distribution List

For action	Janet Forsdike
	Gary Wright
For information	Sarah Rodda – Sector Lead , Business Delivery Support & Enablement
	Jeff Membery – Sector Lead, Customer Fulfilment
	Andrew Small – Director, Section 151 Officer

Assurance Officer – Doug Gray

Business Assurance Manager – Kate Mulhearn

1. Executive summary

Report classification*	Total number of findings			
	High	Medium	Low	
REASONABLE				
	Control design	-	1	-
	Operating effectiveness	1	1	1
	Total	1	2	1

*We only report by exception, which means that we only raise a finding / recommendation when we identify a potential weakness in the design or operating effectiveness of control that could put the objectives of the service at risk. The definition of finding ratings is set out in Appendix 1.

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Summary of findings:

We considered the controls and processes for council tax and business rates (NNDR). Overall we found the controls and processes to be operating effectively to provide reasonable assurance over billing and recovery. However, there are a number of areas where action is needed to improve the integrity of financial information, control and monitoring processes. The following weaknesses were identified:

Reconciliation of iWorld and T1 (High) – the reconciliation between iWorld (revenue) and T1 (cash) has not been performed regularly during the year. At the time of review the reconciliations are several months behind for both Council Tax and Business Rates. Suspense accounts held in T1 and iWorld contain significant balances that should be posted to the relevant council tax or business rate accounts.

Roles and responsibilities for reconciliations within the revenues team and central finance team should be clarified, this should include suitable cover to reduce reliance on one key individual. Daily reconciliation of cash (T1) and council tax and business rates balances (iWorld) should be performed. The reconciliation should be reviewed (at least monthly) by a senior officer.

Refunds and write offs (Medium) - The processes for council tax and business rates refunds and write offs should be clearly documented and communicated, including responsibilities for review and authorisation. Approval limits should be set in line with corporate policy, and controls

established to ensure that these are adhered to. This issue has been raised in previous years internal audit reports and it is recognised that this is part of a wider process to review at a Corporate level the policies and procedures for debt write-off. This should be addressed as part of the *Commercial AVDC Finance Process and Systems Review* project.

Management information (Medium) - A suite of performance metrics should be agreed to enable effective monitoring of revenue collection and recovery and flag early signs that annual budgets may be at risk. This should include target annual and monthly profiled collection rates for both council tax and business rates. Monthly performance should be monitored against target rates and reviewed by the responsible director and appear on the corporate board agenda.

Valuation Office Agency reconciliation (Low) - For both domestic and commercial properties a weekly reconciliation to the Valuation Office Agency (VOA) schedules is performed but there is no process to monitor properties with a temporary or no valuation status (approx. 100 domestic properties each of the month). A process should be developed to enable both council tax and business rates teams to actively monitor the properties that have a “temporary” or “no valuation” status.

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Management comments

Empty box for management comments.

2. Background and Scope

Background

This review of the Council Tax and Business Rates forms part of the 2015/16 Audit Plan of work that was agreed by Members and Management.

Until January 2016, the end to end processes were managed within the Revenues and Benefits Department. Following the Council's reorganisation, the customer facing side of council tax (billing and exceptions/discounts) is within the Customer Fulfilment sector and responsibility for recovery is in the Business Delivery Support sector. Processes relating to Business Rates are all in the Business Delivery Support sector.

The database of properties is maintained on the iWorld (Northgate) software.

The audit objective was to provide management with assurance that the fundamental controls around these processes have operated effectively during the year.

Scope

The planned scope and methodology for this review is set out in Appendix 2.

The review covered the controls that were operating during 2015/16.

3. Detailed findings and action plan

1. Reconciliation between iWorld and Technology One (cash) (Operating Effectiveness)

Finding (Council Tax and Business Rates)

The reconciliation of council tax and business rates in iWorld (revenue) and the Technology One (T1) financial system (cash) is a key control that ensures the integrity of the iWorld database and the customer balances it holds.

During 2015/16 the reconciliation process hasn't been carried out consistently and whilst this review was being undertaken the reconciliations are several months behind for both Council Tax and Business Rates. Good practice would be to reconcile these balances on a daily basis, with review at a senior level performed at least monthly.

In the absence of completed reconciliations, we performed sample testing of 40 'bank transfer and pay-point transactions', tracing them through from the bank statements to the customer accounts (iWorld). We did not find any instances of inaccurate credits or delay in those payments reaching the destination accounts in iWorld. This provides some level of confidence that the records are being updated correctly.

There are suspense accounts held in T1 and also iWorld that contain significant amounts of revenue that should be posted to the relevant council tax or business rate accounts. As at the end of 2015/16 there is approximately £50k in payments that are unallocated in the T1 suspense account and a further £60k on the iWorld account. We understand that there are some issues with the interface between T1 and iWorld, which Finance and the service are trying to resolve.

Reconciliation and suspense clearance is the responsibility of a single officer in the revenues team with no cover during times of absence; this is a contributory factor to lack of timely suspense clearance and reconciliation during 2015/16.

Risk

Lack of accuracy and completeness of the financial information relating to council tax and business rates revenues and liabilities.

Information held on customer balances for council tax and business rates may be inaccurate.

The lack of regular reconciliation throughout the year creates significant resource burden at year end.

<i>Action plan</i>		
<i>Finding rating</i>	<i>Agreed action</i>	<i>Responsible person / title</i>
High	<ol style="list-style-type: none"> 1. Roles and responsibilities for reconciliations within the revenues team and central finance team should be clarified, this should include suitable cover to reduce reliance on one key individual. 2. Standard procedures should be documented and implemented. 3. Daily reconciliation of cash (T1) and council tax and business rates balances (iWorld) should be performed. The reconciliation should be reviewed (at least monthly) by a senior officer. 4. Suspense accounts should be reviewed and cleared daily as routine. 5. Finance and the service area will need to work together to map the processes and flow of information between the T1 and iWorld systems to ensure the interfaces are operating accurately. There may be opportunity to improve efficiency by using more automated reconciliation checks. 	<p>Gary Wright / Janet Forsdike (Revenues) Tony Skeggs (Finance)</p> <hr/> <p><u>Target date</u></p> <p>Actions 1-4. End of July 2016.</p> <p>Action 5. Links to the GL Audit Report dated May 16.</p> <p><u>Outstanding Reconciliations</u> To bring the reconciliations up to date – 15/16 - by end of May 2016. For April / May 2016 – by the end of June 2016.</p>
	<p><i>Note - This finding and related actions have also been raised in the internal audit report for General Ledger.</i></p>	

2. Refunds and write offs (Control Design)

Finding (Council Tax and Business Rates)

We reviewed the processes that govern the way in which council tax and business rate refunds and write-offs are authorised, validated and actioned. These processes are not documented and there is no corporate policy on writing off debts.

The volumes and value of refunds and write offs during the year to January 2016 are as follows:

	Refunds		Write offs			
	Volume	Value	Volume	Value	No. > £1k	Value >£1k
Council Tax	4500	£900k	2073	£309k	44	£60k
Business Rates	620	£4.6m	69	£206k	34	£193k

For write offs, the established processes within the revenues team require a different person to request and authorise the write off in iWorld but the system control does not enforce authority levels so anyone can authorise, including non management.

This issue was also raised in the 2014/15 internal audit report.

Risk

Refunds and write offs may be issued inappropriately.

<i>Action plan</i>		
<i>Finding rating</i>	<i>Agreed action</i>	<i>Responsible person / title</i>
Medium	<ol style="list-style-type: none"> 1. The processes for council tax and business rates refunds should be clearly documented and communicated, including responsibilities for review and authorisation 2. The process for council tax and business rate write off should be formally documented and communicated. Approval limits should be set inline with corporate policy and controls established to ensure that these are adhered to. 3. Corporate Board / Transition Board, as a matter of routine should be made aware of the levels of current and historic debt being written off by Revenues. 	Janet Forsdike / Gary Wright (Revenues) Tony Skeggs (Finance)
		<i>Target date</i>
		Action 1 - 3 – end of September 2016
	<p><i>Note: As part of the Commercial AVDC restructure all debt recovery has been placed in the "recovery team". The policies and procedures for debt write-off should be developed and applied consistently across all debt types.</i></p>	

3. Management information: Monitoring collection rates (Operating effectiveness)

Finding (Council Tax and Business Rates)

Monthly reports are prepared for council tax collection, showing current and prior month collection rates, these are reviewed at director level.

For business rates, collection performance is reviewed within the team but monthly performance information is not reported

Over the last few years, the Council has achieved collection rates for both council tax (2015: 98.3%) and business rates (2015: 99.5%) slightly above the national average. See Appendix 3 for 2014 and 2015 statistics (2016 results will not be published until June 2016).

We reviewed council tax collection rates for the final quarter of 2016:

Dec 2015 - 85.79%

Feb 2016 - 96.81%

2016 outturn – 98.2%

These monthly rates are lower than the prior year annual average. The Recovery Manager informed us that the outturn position was slightly down on previous year.

There is no target collection rate against which to compare actual performance.

Risk

If collections levels were to decline this could have a significant impact on AVDC's resources to deliver services.

Reasons for performance variances may not be fully understood and addressed.

<i>Action plan</i>		
<i>Finding rating</i>	<i>Agreed action</i>	<i>Responsible person / title</i>
Medium	<ol style="list-style-type: none"> 1. A suite of performance metrics should be agreed to enable effective monitoring of revenue collection and recovery and flag early signs that annual budgets may be at risk. This should include target annual and monthly profiled collection rates for both council tax and business rates. 2. Monthly performance should be monitored against target rates and reviewed by the responsible director and appear on the corporate board agenda. 	Gary Wright / Janet Forsdike <hr/> <i>Target date</i> Actions 1 & 2 – From June 2016.

4. Valuation Office Agency Reconciliation (Operating Effectiveness)

Finding (Council Tax and Business Rates)

For both domestic and commercial properties there is evidence of routine weekly reconciliation to the Valuation Office Agency (VOA) schedules. This process is key control that ensures the accuracy of the database, the number of properties and their associated valuations (total rateable values).

The reconciliations only include those properties that have a valuation but not those with a temporary or no valuation status (approx. 100 domestic properties with temporary status in each of the months we sampled). The VOA has 90 days in which to resolve these cases and bring them into a proper valuation but this is not actively tracked by the council tax and business rates teams.

Risk

Council tax and business rates may be billed incorrectly, or properties omitted if they do not agree to VOA data.

Action plan

Binding rating	Agreed action	Responsible person / title
Low	1. A process should be developed to enable both council tax and business rates teams to actively monitor the properties that have a “temporary” or “no valuation” status.	Janet Forsdike / Gary Wright
	2. Any properties that are not valued in the usual timeframe should be formally notified to the VOA.	Target date Action 1&2 – Process in place by end of July 2016

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Appendix 1. Finding ratings and overall assurance opinion

Findings and Recommendations are prioritised as follows:

High	An issue which requires urgent management decision and action without which there is a substantial risk to the achievement of key business/system objectives, to the reputation of the organisation, or to the regularity and propriety of public funds.
Medium	An issue which requires prompt attention, as failure to do so could lead to a more serious risk exposure
Low	Improvements that will enhance the existing control framework and/or represent best practice.

Assurance opinion definition:

Substantial Assurance	<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. 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>
Reasonable Assurance	<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. 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>
Limited Assurance	<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. 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>
No Assurance	<p>Our critical review or assessment on the activity identified significant concerns on service delivery arrangements, management of risks, and operation of controls and / or performance. The controls to manage the risks are not being operated or are not present. Therefore the risk of the activity not achieving its objectives is high.</p> <p>As a guide there are a large number of medium and high risks / priority actions arising from the review.</p>

Appendix 2. Terms of Reference

Control Objectives

This review will consider the adequacy and effectiveness of the following controls.

- **Policies / Procedures** – are up-to-date, comprehensive and have been communicated to officers that operate the processes.
- **Council Tax Setting / Business Rate Multipliers** – for 15/16 the database of domestic and non-domestic properties have been applied with the correct bandings / multipliers respectively.
- **The accuracy of the Property database and Valuations** – is reconciled to the Valuation Office records and are billed accordingly for the year.
- **New & Empty Properties / Business** – are identified and inspected at an early stage to ensure the status of accounts are accurate and revenue is being realised at the earliest opportunity.
- **Discounts, Exemptions, Reductions and Reliefs** – are only applied to accounts when it is appropriate and in accordance with regulation and local policy. These are subject to periodic reviews.
- **Reconciliation** – between the finance (T1) and Northgate systems are routinely performed and reviewed. The reconciliations ensure that monies are being applied to personal accounts in an accurate and timely way.
- **Arrears** – are promptly identified and recovery processes instigated in a timely way.
- **Credit balances** – are identified and where appropriate refunded in a timely way.
- **Write-Offs** – of arrears are necessary and authorised in accordance with Financial Procedures, before being actioned.
- **Management Information** – is routinely produced on collection rates and potential variances to expected revenue.

Methodology

- Obtain an understanding of the processes that have been operating throughout 2015/16 through discussions with key staff, review of systems documentation and testing of the processes;
- Identify the key risks relating to Council Tax and Business Rates;
- Evaluate the design of the controls in place to address the key risks and test the operating effectiveness of the key controls;
- Where appropriate, will use data analytics software (IDEA) to analyse data from the Northgate system that is appropriate to the relevant control objective.

Appendix 3. Council Tax and National Non Domestic Rates 2014 and 2015

	Council Tax					
	2013-14			2014-15		
	Estimate of amount collectable in the year* £000s	Amount collected by 31 March 2014 £000s	Amount collected by 31 March 2014 as a % of amount collectable %	Estimate of amount collectable in the year* £000s	Amount collected by 31 March 2015 £000s	Amount collected by 31 March 2015 as a % of net collectable debit %
Aylesbury Vale	99,321	97,957	98.6	102,797	101,081	98.3
Shire District	11,035,730	10,803,389	97.9	11,352,031	11,116,705	97.9
All England	24,119,824	23,386,014	97.0	24,793,215	24,052,365	97.0

	Non-domestic rates					
	2013-14			2014-15		
	Estimate of amount collectable in the year* £000s	Amount collected by 31 March 2014 £000s	Amount collected by 31 March 2014 as a % of net collectable debit %	Estimate of amount collectable in the year* £000s	Amount collected by 31 March 2015 £000s	Amount collected by 31 March 2015 as a % of net collectable debit %
Aylesbury Vale	47,844	47,557	99.4	50,150	49,899	99.5
Shire District	7,453,490	7,326,292	98.3	7,583,172	7,459,915	98.4
All England	23,138,719	22,660,690	97.9	23,510,378	23,066,362	98.1

From: Department for Communities and Local Government Published: 1 July 2015



Business Assurance Services

Internal Audit Report

2015 / 16

General Ledger & Budget Control

Assurance Opinion

LIMITED

May 2016

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Assurance Officer - Doug Gray

Business Assurance Manager – Kate Mulhearn

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Distribution List

For action	Tony Skeggs
	Gary Wright
	Janet Forsdike
For information	Andrew Small - Director
	Andy Barton - Sector Lead
	Sarah Rodda - Sector Lead
	Audit Committee
	Commercial AVDC Finance Review Board

1. Executive summary

Report classification*	Total number of findings			
	High	Medium	Low	
LIMITED				
	Control design	1	1	-
	Operating effectiveness	1	1	-
	Total	2	2	-

*We only report by exception, which means that we only raise a finding / recommendation when we identify a potential weakness in the design or operating effectiveness of control that could put the objectives of the service at risk. The definition of finding ratings is set out in Appendix 1.

Summary of findings:

General Ledger

This review has raised 2 high priority and 1 medium priority recommendations over the management and control of the General Ledger.

Reconciliation of key financial systems to the general ledger (High) - The Council has several key financial systems that feed into the General Ledger, including iWorld (Payroll) and iTrent (Housing Benefits, Council Tax and Business Rates). During the year to March 2016 there has been inconsistent, incomplete or no reconciliation of these financial systems to the General Ledger.

The interrelationships between the General Ledger and all other financial systems will be mapped and roles and responsibilities for reconciliations within the finance team and service areas will be clarified. Standard procedures will be documented and implemented.

Suspense accounts (High) – During 2015/16 the review and clearance of suspense accounts has been done sporadically, which has resulted in large amounts sitting on the suspense accounts from one period to the next.

The procedures and responsibilities for clearing suspense accounts are to be agreed and documented. Suspense accounts will be cleared daily and month-

end procedures will include review of the accounts to ensure balances are not sitting from one period to the next. Work is needed to clear the backlog of old items in suspense relating to the implementation of T1.

Journal processing (Medium) – Currently there is no way of differentiating between what is regarded as a recurring accounting journal and adhoc journals and there are no routine monitoring controls to review journals.

Procedures will be established for the use of different journal types that differentiate between recurring and non-recurring journals and virements. Journals between sub-ledgers are an area of risk as they could be used to manipulate the accounts or conceal fraudulent transactions. In order to balance resource input with risk, greater focus will be placed on journal transfers into/out of the sub ledgers. For these consideration will be given to de-minimis values and appropriate authority levels to approve prior to posting.

Procedures will be agreed and documented for the approval and review of journals to ensure they are valid.

Budget Monitoring

We raised one medium priority recommendation concerning the need for training for Budget Managers to bring consistency across the authority and clarify ground roles and responsibilities. We note that plans are already being developed to address this as part of the Commercial AVDC Financial Systems and Processes Review.

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2. *Background and Scope*

Background

The objective of this review is to provide assurance that the General Ledger and Budget Management controls have been operating effectively throughout 2015/16.

At the time of starting our work, the Commercial AVDC Financial Systems and Processes Review is also underway. Where our findings and agreed actions are covered by the project this has been highlighted.

The Council introduced the new finance system at the beginning of June 2015. This resulted in changes in terms of the front end; what budget managers see and the back end maintenance of the ledgers.

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Scope

The planned scope and methodology for this review is set out in Appendix 2.

3. Detailed findings and action plan

1. Reconciliation of the key financial systems to the general ledger (control design)

Finding

The General Ledger is part of the Technology One (T1) finance system. The Council also operates a number of other financial systems including iTrent (Payroll) and iWorld (Housing Benefits, Business Rates and Council Tax). The performance of a monthly financial reconciliation between the General Ledger and the supporting financial systems is a key control that ensures the integrity of the financial systems and the accuracy and completeness of the data that flows between them.

During the year to March 2016 there has been inconsistent, incomplete or no reconciliation of these financial systems to the General Ledger. At the end of April 2016 the status of reconciliations to the general ledger is as follows:

- Payroll has not been reconciled (see Payroll report)
- Council Tax income is reconciled to September 2015 (see Collection Fund report)
- Business Rates to February 2015 (see Collection Fund report)
- Housing Benefits – issues with overpayment and rent allowance reconciliations (see Housing Benefits report)

The reconciliation process is not overseen by the Finance Team. It is only at year-end that the delays have been identified resulting in potential issues with the closure of the Council's accounts.

The lack of up-to-date reconciliations over the Council's key financial systems has been reported in the internal audit reports that relate to Payroll, Housing Benefits and Collection Funds respectively. However, since the General Ledger is the primary source of information for the annual accounts, the Finance Team should maintain oversight of the overall integrity of the financial data reported.

Risk

Lack of accuracy and completeness of the data in the General Ledger and supporting key financial systems.
Information held on customer balances for housing benefits, council tax and business rates may be inaccurate.
The lack of regular reconciliation throughout the year creates significant resource burden at year end to clear reconciling items.

<i>Action plan</i>		
<i>Finding rating</i>	<i>Agreed action</i>	<i>Responsible person / title</i>
High	<ol style="list-style-type: none"> 1. Map the interrelationships between the General Ledger in T1 and the other financial systems and processes, with a view to establishing where reconciliation is necessary. 2. Roles and responsibilities for reconciliations within the finance team and service areas will be clarified. 3. Standard procedures for reconciliations will be documented and implemented. Monthly reconciliation will be performed. 4. The Finance Team will oversee the reconciliation processes that are operating over these key systems and processes that impact on the integrity of the GL. 	<p>Tony Skeggs – General Ledger Gary Wright - CT, NNDR, Payroll Janet Forsdike – Housing Benefits</p> <hr/> <p><i>Target date</i></p> <p>Action 1 - 30 June 2016 Action 2 - 30 June 2016 Actions 3 & 4 – details and timing to be confirmed once processes and responsibilities are established.</p>
	<p><i>These actions have been included in the Commercial ADVC Financial Systems and Process action plan.</i></p>	

2. Suspense account management (operating effectiveness)

Finding

A suspense account is an account in the general ledger that temporarily stores any transactions for which there is uncertainty about the account in which they should be recorded. These transactions should be investigated and cleared frequently.

There are four suspense accounts in T1. At the end of March 2016 the total balance on suspense is £750k, made up as follows:

Description	Outstanding Balance £(Cr) (Mar16)*
CTAX Suspense	85,467.40
Bank Suspense	323,006.54
General Suspense	1,877.83
Error Suspense	301,900.92

During 2015/16 the review and clearance of suspense accounts has been done sporadically which has resulted in large amounts sitting on the suspense accounts from one period to the next. For example, £300k has been in the "Error Suspense" account since Period 3 (June 2015). We understand that much of this suspense balance relates to a backlog from June to September 2015 post implementation of T1.

Regular clearing of suspense accounts is a key financial control to ensure integrity of financial information.

** At the time of finalising this report in May 2016, work has begun to address the backlog of items in suspense. CTAX Suspense is £67k and Bank Suspense is £163k. Both General Suspense and Error Suspense have been cleared to nil. Within the Bank Suspense there are 203 items of which 138 are dated before 31 December 2015 and account for £65k with the rest (£98k) hitting the account from the 1st January.*

Risks

Financial information may be inaccurate or incomplete.

Potential inefficiencies and damage to customer relationships by chasing balances that have been paid and not correctly identified.

<i>Action plan</i>		
<i>Finding rating</i>	<i>Agreed action</i>	<i>Responsible person / title</i>
High	<p>1. Backlog – The backlog of old items sitting in suspense will be cleared. Resource needs to be identified to focus on this task.</p> <p>The underlying reasons for suspended items that have occurred in 2015/16 will be identified and addressed to reduce the incidence of uncertainty about transaction destinations going forward and improve the integrity of the T1 general ledger.</p> <p>2. Ongoing - Procedures and responsibilities for clearing suspense accounts should be agreed and documented.</p> <p>Suspense accounts should be cleared daily and month-end procedures should include review of the accounts by the Finance Manager to ensure balances are not sitting from one period to the next.</p> <p><i>These actions have been included in the Commercial ADVC Financial Systems and Process action plan.</i></p>	<p>Tony Skeggs</p> <hr/> <p><i>Target date</i></p> <p>Action 1 – 31 August 2016 Action 2 – 31 May 2016</p>

3. Journals and virement (control design)

Finding

Within T1 the term “journal” is used to refer to both a single manual transaction between one general ledger account and another or it could relate to bulk uploading a bank file that affects numerous accounts. ‘Virement’ is the act of moving budget allocation between cost centres within the general ledger. Both are routine and necessary accounting functions in maintaining the general ledger and formulation of the financial accounts.

Virements are processed as a ‘journal’ type of transaction within T1 and they are not separately identifiable, we understand relatively few have been posted during 2015/16. All journals are posted by officers in the Finance Team. The volume and total value of journals posted during 2015/16 is shown below under each ‘journal type’.

TYPE	Total Number of Records Posted (Dr & Cr)	Total Value
Bank Journal	295	153,087,854.00
General Journal	769	104,617,708.00
Open Period Journal	673	66,689,879.00
Prior Period	420	3,344,041.00

From the list of 2000+ journals we selected 20 at random to identify the purpose for the journal and assess whether there was any supporting documentation held on Technology One. We found that only 3/20 had a file attached in support of the transaction but all 20 had some narrative against the transaction describing the reason for the journal. All 20 could be regarded as routine accounting journals.

At the time of review, 4 types of journal (see above) had been used. There are 13 currently available in T1. The nature of transactions that relate to each journal type isn’t defined and they do not appear to be consistently applied. For example, we identified the same type of journal (to adjust payroll income) posted by different officers who used different T1 “journal types”.

Currently there is no way of differentiating between what is regarded as a recurring accounting journal and adhoc journals. Recurring accounting journals are those which would be created and processed by the Finance Team as part of the day to day management and operation of the general ledger. Non-recurring

journals are those that are necessary to rectify errors or make other adhoc adjustments. Where these occur between sub ledger ledgers (e.g. debtors ledger, payroll ledger) and the GL, there is an increased risk as they could be used to manipulate the accounts or conceal fraudulent transactions.

The T1 audit trail shows that there is segregation of duties between the person raising and posting the journal, but there is no monitoring control to review journals after they have been posted.

Risk

Invalid, erroneous or fraudulent journal entries resulting in financial irregularities or misstatements.

Action plan

<i>Finding rating</i>	<i>Agreed action</i>	<i>Responsible person / title</i>
Medium	<ol style="list-style-type: none"> 1. Establish a clear protocol for the use of different journal types that differentiates between recurring and non-recurring (ad hoc) journals and virements. All journals are supported with evidence for the reason for the journal, and who requested it. Journals are reviewed and approved prior to being posted. Consideration will be given to the use of standard "journal request" forms. 2. In order to balance resource input with risk, greater focus will be placed on journal transfers into/out of the sub ledgers. For these consideration will be given to de-minimis values and appropriate authority levels to approve prior to posting. 3. A quarterly review of all journals will be performed to check for validity, large or unusual items and whether there are recurring requests. Consider automation of recurring entries to reduce the number of manual journals. Identify any structural issues with budgets, spend or income which can be addressed at source. 4. Agreed procedures will be documented and shared with appropriate staff. <p><i>These actions have been included in the Commercial ADVC Financial Systems and Process action plan.</i></p>	<p>Tony Skeggs</p> <hr/> <p><i>Target date</i></p> <p>30 September 2016</p>

4. Budget monitoring (operating effectiveness)

Finding

Service Area Budgets

We conducted a survey with budget managers from a range of service areas from across the council. The survey asked questions that focussed on their experiences of using the 'Technology One' software as a tool to aid the effective management of their budgets.

Overall the responses identified that there are inconsistencies with the way in which Budget Manager's monitor their budgets, including the frequency of monitoring. This was in part due to a lack of familiarity with how the new finance system operates and some managers expressed a lack of confidence in the output from the software. There is also still reliance on finance officers to provide a level of support which is at odds with why the system was introduced – to allow Budget Managers to manage their budgets more autonomously.

The Finance Team have meetings with Budget Managers across the Council, but these meetings are not formally recorded. The outcomes from those meetings are not recorded in a standard manner; for example an agreement to change a forecast maybe followed up by an email or a note from the officer.

Portfolio Level Budget Reporting

The Finance Team produces quarterly financial reports known as the 'Quarterly Financial Digest'. This report is primarily aimed at the Portfolio Holders (Members). The Digest provides an overview of the Council's budget position split by portfolio and service area and highlights significant variances on individual service budgets and provides high level explanations against those.

Our testing reviewed the significant variances that are highlighted in the September and December 2015 Digest. As at the date of this report (April 2016) the outturn position for the final quarter of 2015/16 has not yet been produced and won't be until the accounts have been closed (around June 2016). We saw evidence to show that the Council is managing the impact of different events on the budgets and reporting changes. The predictions made on budgets when significant variances have occurred were found to be accurate and budgets were re-forecasted.

Risk

Unbudgeted expenditure may go unnoticed in the absence of regular review and challenge. Savings targets may not be achieved.

<i>Action plan</i>		
<i>Finding rating</i>	<i>Agreed action</i>	<i>Responsible person / title</i>
Medium	<p>Training will be developed and provided for Budget Managers so that responsibilities are clearly understood.</p> <p>Any changes to budgets or reforecasts will be clearly documented and approved at appropriate levels in accordance with the scheme of delegation.</p> <p>Recognising that the Council is undergoing a major transformation in order to become more commercial, it is important that responsibility and accountability for budget management sits at an appropriate level within the organisation. Whilst Budget Managers may be responsible, there is some risk that without structured accountability mechanisms (e.g. linking to performance reporting), budget management may not be given appropriate priority. The restructure provides a good opportunity to consider the level of review and involvement from the central financial team required in order to support budget managers and ensure robust and accountable budget management procedures going forward.</p> <p><i>Note – these actions are included in the Commercial AVDC financial systems and process review.</i></p>	<p>Andrew Small, Andy Barton, Tony Skeggs</p> <hr/> <p><i>Target date</i></p> <p>30 September 2016</p>

Appendix 1. Finding ratings and overall assurance opinion

Findings and Recommendations are prioritised as follows:

High	An issue which requires urgent management decision and action without which there is a substantial risk to the achievement of key business/system objectives, to the reputation of the organisation, or to the regularity and propriety of public funds.
Medium	An issue which requires prompt attention, as failure to do so could lead to a more serious risk exposure
Low	Improvements that will enhance the existing control framework and/or represent best practice.

Assurance opinion definition:

Substantial Assurance	<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. 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>
Reasonable Assurance	<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. 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>
Limited Assurance	<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. 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>
No Assurance	<p>Our critical review or assessment on the activity identified significant concerns on service delivery arrangements, management of risks, and operation of controls and / or performance. The controls to manage the risks are not being operated or are not present. Therefore the risk of the activity not achieving its objectives is high.</p> <p>As a guide there are a large number of medium and high risks / priority actions arising from the review.</p>

Appendix 2. Terms of Reference

This review will consider the adequacy and effectiveness of the following controls.

General Ledger

- **Financial Procedures** – These are documented and maintained to support the effective processing within the general ledger system. Roles and responsibilities are clearly defined and have been communicated.
- **Access & Security** – All data in the finance system is secure and access is controlled and restricted to authorised officers. The access rights (profiles) of users are reviewed frequently to reflect changes in responsibility, starters and leavers.
- **Chart of Accounts** - Effective controls have been established to confirm the completeness and accuracy of the general ledger coding structure.
- **Data to the system** – There are validation controls that ensure data to the general ledger is complete and accurate, including interfaces with feeder systems.
- **Suspense Accounts** – There are effective controls for the timely review and update of suspense accounts.
- **Journals & Virement** - Journal entries and budget adjustments are valid and are supported by evidence as justification for the adjustment. Adjustments are appropriately authorised and in accordance with financial procedures.
- **Bank Reconciliation** – There is monthly reconciliation between the finance system and the bank accounts that is documented. The process is subject to review and validation by a senior officer.

Budgetary Control

- **Budget Managers** – The finance system adequately reflects the responsibilities for budget management across the Council. These are regularly reviewed and appropriately updated.
- **Budget Monitoring** - Sufficient, timely and reliable information is available to budget managers. There is evidence that Budget managers check their budgets.
- **Variance analysis** – There are corporate parameters for ‘flagging’ up where expenditure is likely to exceed budget or if income is falling below expected levels. These variances are investigated, explained and acted on.
- **Corporate Reporting** – There is routine reporting throughout the year to Senior Management / Members of actual and forecasted budget performance.

Methodology

Our audit approach is as follows:

- Obtain an understanding of the processes that have been operating throughout 2015/16 through discussions with key staff, review of systems documentation and testing of the processes.
- Identify the key risks relating to General Ledger and Budget Control within AVDC.
- Evaluate the design of the controls in place to address the key risks and test, where appropriate, the operating effectiveness of the key controls.

Business Assurance Services

Internal Audit Report

2015 / 16

Mobile Devices

Assurance Opinion

Reasonable Assurance

June 2016

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	Alan Evans – Head of Business Transformation
3	
	Sarah Rodda – Business Support & Enablement Lead
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	Andy Barton – Business Strategy & Governance Lead
	For information
18	Andrew Small – Section 151 Officer
19	Audit Committee

	Business Assurance Manager – Kate Mulhearn
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1. Executive summary

Report classification*	Total number of findings			
	Priority	High	Medium	Low
Control design	-	3	2	
Operating effectiveness	-	-	1	
Total	-	3	3	

*We only report by exception, which means that we only raise a finding / recommendation when we identify a potential weakness in the design or operating effectiveness of control that could put the objectives of the service at risk. The definition of finding ratings is set out in Appendix 1.

Summary of findings:

Remote working and Bring Your Own Device (BYOD) are growing trends in the business world today, as employees have greater access to computing power in their own homes than ever before. This brings benefits in allowing for greater flexibility as to when and where people work, however there are numerous associated information security risks.

AVDC has managed to effectively mitigate some of these risks; applications are accessed remotely via a secure portal rather than on local machines. This means that information is stored centrally rather than on many devices which may undergo loss or theft. As such, AVDC's information security risks associated with mobile devices are mostly centred around access to online services and information on personal devices outside of AVDC's control. A degree of trust is placed in personal devices and the way staff use them; such as allowing users to access emails on personal devices without a PIN or password, and allowing information to be printed at home. AVDC does issue mobile devices to staff, but in many respects an equal level of trust is placed in personal devices and AVDC issued devices.

Overall, we have determined that the Council can take reasonable assurance as to the risks surrounding data loss and security incidence as a result of mobile working. Basic precautions have been taken across all key areas to ensure that the risks of data loss is mitigated. However, overall the Council's controls are heavily dependent upon the end users' compliance with existing policies and taking basic precautions when conducting council business on either a 'corporate' or personal mobile device. Therefore, an overriding recommendation is to develop and maintain awareness of the importance of information security, and the precautions that users are expected to maintain when mobile working.

2. Background and scope

Background

Since Aylesbury Vale District Council (AVDC) adopted the “Cloud Strategy” an increasing number of officers and members are using personal mobile devices (Smartphones and Tablets) as business tools to access the Council’s networks. The business benefits of using Smartphones and Tablet computers to access information and applications include higher levels of efficiency and flexibility through improved access to business information and business applications from any location. This flexibility brings new challenges to AVDC in how it ensures personal information is kept secure when the systems are being accessed remotely. This review will focus on assessing the risks associated with the use of personal mobile devices to access Council information and applications together with a detailed review of mobile device policy and management practices.

Scope

This review is focused on the use of mobile devices to access Aylesbury Vale District Council’s information and applications only. A detailed review of remote access methods and associated security will not be undertaken, however we will touch on some aspects of this given that remote access is a core element of AVDC’s IT infrastructure.

Work Performed

Review of security policies

AVDC’s information security policies offer a broad level of coverage over the risks presented by mobile devices. The Information Security policy contains a section specifically referencing mobile devices, which mandates the use of a virtual private network (VPN) when accessing information classified as Restricted. The policies also mandate that laptops and tablet devices be encrypted.

A Mobile Device acceptable use policy (AUP) also exists which governs the use of both personal and council-issued devices. The AUP covers procurement, monitoring of corporate devices, allowances for personal usage, and some provisions for issuing devices to groups of people where appropriate. However, it should be noted that the policies seen don’t show evidence of review within the last year, with the most up-to-date having been approved in September 2014.

Access to systems from mobile devices

Access to systems from mobile devices is similar to access from AVDC's thin clients within the office. Applications are not stored locally, so all access to systems is conducted remotely. AVDC has shown a risk-based approach to accessing systems using a mobile device or a personal computer. Lower risk systems such as email, calendar, contacts, desk booking, telephony and self-service payroll systems all require a password to access via Citrix.

Some mobile devices come equipped with functionality to remember usernames and passwords, in order to enhance the user experience. Herein, there lies a risk surrounding unauthorised users obtaining control of a device and accessing secure content by exploiting stored passwords within the device. This risk can be mitigated by the use of device passwords, however these can only be system enforced on corporate devices; for personal devices the council is reliant on the users' decision to protect their device with a password to prevent unauthorised access.

The use of two factor authentication can effectively mitigate this risk, and this is adopted across applications which contain sensitive data such as; iTrent, iWorld, Eclipse, EAS, and Locator. Access to these systems is limited to corporate tablets only (outside of standard desktop and laptop use). Two factor authentication is handled through a system called RAG and can take the form of a mobile app, a physical token or a text messaging service.

A risk does remain across the use of email; whilst policies are in place for the transmission of sensitive data via email, it is believed that these are not stringently followed. Some sensitive documents maybe transmitted without password protection, or details may be included within the body text. Weaknesses surrounding the access of emails on personal devices without effective password protection would result in sensitive data being accessible by unauthorised users in the event of device loss.

Technology One (*Tech One*), is the new finance system which was implemented in 2015. Currently, this software, whilst hosted in Citrix, does not require two factor authentication. We understand that the use of two factor authentication was something which was considered as part of the Information Governance Group (IGG) during the implementation. It was determined that sufficient protection to the system was already afforded via Citrix hosting and the compensating controls which already exist to mitigate risk of misappropriate of Council assets via the system.

Malware

The risk of a malware infection via mobile devices adversely affecting AVDC's network is low. AVDC use thin clients when in the office, which access AVDC applications remotely rather than running anything on the local machine. The same approach is taken with regards to mobile devices. As such, risks associated with malware lie with users saving data to their local machines. Data which is saved locally may be acquired by malware, or allow a route for third parties to access this data. Laptops tend not to be issued, but any that do get issued are equipped with regularly updated McAfee anti-virus software. The same may not be said of users working from home on their own devices, which may not be protected in the same fashion.

Access and control of corporate devices

Access to corporate devices is requested by an employee's manager, who will provide details on how the device is to be used. Depending on the requirements, IT will issue an existing device or procure a new one. Once the device is issued, the user must read the Mobile Device AUP and confirm this within 5 working days, otherwise their device may be blocked. Once confirmation that the AUP has been read is received, a training record is updated and the user's Active Directory profile is updated to note that this has happened.

AVDC has two different Mobile Device Management (MDM) systems in place. The first is AirWatch, which manages AVDC's small iPad estate and allows for remote wiping of devices and for users to log in with their Active Directory credentials. The second is Intune, which is currently in the process of being deployed. Intune will manage AVDC's Windows devices and has similar functionality to AirWatch. AirWatch will eventually be phased out in favour of Intune.

Windows phones are currently managed by Exchange, which also allows for remote wipes and management of some security settings, but has limited usefulness as an MDM tool. For example, it can grant access to emails and calendars, but it can't push apps to mobile devices or ensure that they are encrypted. Intune will allow AVDC to more effectively manage Windows phones as well as the rest of the mobile device estate, including the use of an AVDC Windows app store to push apps directly to AVDC devices.

Page 144 Training

Training includes e-learning modules on IT, Data Protection and Information Governance. The IT e-learning undertaken as a part of a new employee's induction includes information covering off-site working; users are asked not to save data to local drives and to encrypt sensitive data before downloading or sending. Users are informed how to access systems remotely, and what they can access with and without a two-factor authentication token.

The Data Protection and Information Governance e-learns also include aspects on mobile working, specifically on guidelines for working outside of the office, e.g. the risks of taking information outside of the office and how to minimise the likelihood that these risks lead to an information security breach. In the event of a breach, users taking the training are told where to report security incidents.

Additionally, new users must agree to the IT Acceptable Use policy; this specifies that guidelines which apply to equipment in AVDC's office equally apply to mobile devices. The Mobile Device AUP also covers policy specific to this area. A record is kept of agreements against both policies, and a user's Active Directory profile is updated to reflect that they've read and agreed to the mobile device AUP. If the AUP were to change, users would be emailed to ask for reconfirmation that they have read the policy. Beyond initial training and agreement to AUPs, there isn't any periodic update training to ensure that this knowledge remains current.

Data Loss

In respect of tablet devices; all Windows 8 devices have Bitlocker encryption in place, which will lock a device after 4 incorrect password attempts. Windows 10 devices are also encrypted, and 4 incorrect password attempts will lead to the device being wiped.

All corporate mobile phones are Windows based and have similar controls in place which allow for 4 PIN attempts before wiping the phone. In combination with staff being trained to not save data locally, this goes some way towards mitigating the risk of breach of information stored on corporate devices. However, AVDC does not have the same level of control over personal devices, and is reliant on a user implementing similar controls themselves.

No specific data loss prevention software is in place to prevent sensitive data from leaving AVDC's control environment, such as when staff email data from work to their personal accounts.

3. Detailed findings and action plan

1. Remote access to email – control design

Finding		
<p>Access to email via mobile devices is via the OWA application, which is available on both corporate and personal devices. Passwords, are stored by the device to allow for ease of access for the user. This would potentially allow for unauthorised access in the event of device loss.</p> <p>There is functionality within OWA which would require users to enter password / pin on every use. This is disabled by default, and one user reported that this functionality is not operating correctly when it is enabled.</p>		
Risk		
<p>Email content can be accessed without the need of a password; in the event a user's device is lost, unauthorised access could be gained. This can be mitigated by the use of a device level password requirement, however this can only be enforced on corporate devices, and not personal devices.</p>		
Action plan		
Finding rating	Agreed action	Responsible person / date
Medium	<ol style="list-style-type: none"> 1) Communicate with Microsoft to investigate the possibility of enforcing password / passcode entry upon every access to OWA. 2) Wider assessment of risk and costs of various solutions to considered as part of IT Strategy and circulated to IGG. 3) Use existing forums to increase the awareness of users' personal mobile device security. Add to review of Governance Procedures Plan and table during next IGG meeting. Implementation of plan to be overseen by IGG. 	<ol style="list-style-type: none"> 1) Chris Daubermann – 15/07/16 2) Chris Daubermann / Vishal Saini – 29/09/16 3) Jackie Binning – 29/09/16

Risk
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2. Saving email attachments – control design

Finding

Some staff interviewed stated that they needed to download files from OWA to access them using a mobile device. This could be because either OWA couldn't open the file natively, or because the member of staff in question had been issued a WiFi only device and was visiting a site with no WiFi.

The implementation of Box to securely share files should greatly reduce the need for email attachments to share sensitive information, reducing the risk here. It should be noted however that although the mobile version of Box restricts access to downloading files, one interviewee demonstrated that accessing Box via web portal (which can still be accessed via phone) allows for downloads.

Risk

Downloading files to devices increases the risk that they can be accessed without the credentials required to use AVDC's systems. If attachments are saved, then they may be placed on personal devices, which are outside of AVDC's control environment, and could be lost or contain malicious applications.

Action plan

Finding rating	Agreed action	Responsible person / date
Medium	1) The level of existing control, including assessment of risk versus cost, should be fully understood and then presented to the Information Governance Group for consultation of appropriateness of policy	Chris Daubermann / Maryvonne Hassall – 29/09/16
	2) Security options with Box and/or other solutions should be explored and consideration given to this risk as the IT strategy for the next 36 months is developed.	John Barter / Maryvonne Hassall – 29/09/16

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3. Use of data classification and transmission of sensitive information by email – Control design

<i>Finding</i>		
<p>Whilst data classification polices are in existence, it has been reported that these are not always stringently followed. Policies for the transmission of sensitive data are in place, however there are no data loss prevention tools in place to enforce polices and prevent leakage.</p>		
<i>Risk</i>		
<p>Sensitive information could be compromised through email transmission. Coupled with the risk identified over access to emails from unsecured personal mobile devices, this represents a risk for data loss from mobile working.</p>		
<i>Action plan</i>		
<i>Finding rating</i>	<i>Agreed action</i>	<i>Responsible person / date</i>
Medium	<p>1) Increase awareness on the use of existing data classification framework, and provide guidance on the applicable security of that data in transmission. This could be through the use of a poster campaign, combined with development of data security focussed e-learn material.</p> <p>Add to review of Governance Procedures Plan and table during next IGG meeting. Implementation of plan to be overseen by IGG.</p>	Jackie Binning – 29/09/16

4. Hardware asset audits – control design

Finding

Audits of AVDC-issued mobile devices against the hardware inventory are not conducted.

AVDC has a hardware inventory which is manually updated when a device is issued or returned to IT. However, there have been instances where devices have been retained by staff and not returned, with the intent that the device is passed on to somebody else. The hardware inventory is checked when a leaver form is received to ensure that the leaver returns their device, but this is dependent on the leaver process working effectively and a form being provided in all instances. Additionally one interviewee expressed that they had seen AVDC devices in the office which were not asset tagged and didn't appear to have been managed by IT.

Performing an audit against the hardware inventory would allow AVDC to ascertain whether issued devices are still in use by their assigned owner, and additionally whether there are any devices which have been lost but not reported, or are being kept in storage when they should be returned to IT. Use of asset management software which is connected to the network may also allow for AVDC to identify when devices haven't been connected to the network in a particular period of time, and hence identify when devices have been lost or are otherwise going unused.

Risk

Where leavers with devices are not identified, there is a risk of non-return of corporate devices. With this comes a risk of continued access to systems via the device, and access to previously held sensitive data that may have been stored locally on the device.

Action plan

<i>Finding rating</i>	<i>Agreed action</i>	<i>Responsible person / date</i>
Low	<ol style="list-style-type: none"> 1) Improve communication channels between HR and IT; this will form part of the scope of the Integrated Service Desk 2) Consideration should be given to a “clean-sweep” exercise 	Chris Daubermann (support Julie Huszcza) 31/12/16

5. Regular training updates – control design

<i>Finding</i>		
<p>Whilst training is provided and mandated across all mobile users, regular updates to training are not enforced. Training can help to embed good working practices, users to keep their security obligations in the forefront of mind, and increase compliance with the existing policies.</p>		
<i>Risk</i>		
<p>A lack of awareness in relation to an employee's security obligations heightens the risk of an information security incident.</p>		
<i>Action plan</i>		
<i>Finding rating</i>	<i>Agreed action</i>	<i>Responsible person / date</i>
Low	<p>1) A formal training plan should be developed, complete with learning objectives which are specific to information security. Training plan, including deployment timelines should be reviewed and signed off through the IGG.</p> <p>Add to review of Governance Procedures Plan and table during next IGG meeting. Implementation of plan to be overseen by IGG.</p>	Jackie Binning – 29/09/16

6. Review and update of policies – operating effectiveness

Finding

All the policies we reviewed were last updated in September 2014 at the latest, and January 2013 at the earliest. Although the content of these policies is largely sound, some information may be out of date. For instance, the Protective Marking Scheme references the Government's former Protective Marking Scheme which was replaced in 2014 and diagrams reference policies that could not be found and appear to have been rolled into other documents at some point.

Risk

If information security policies are not up to date, they communicating incorrect information to staff. This is particularly relevant when considering mobile devices, as the nature and extent of devices owned by individuals has changed dramatically over the past decade and continues to evolve. Staff may be unaware of the correct procedures to follow.

Action plan

Finding rating	Agreed action	Responsible person / date
Low	<p>1) A programme of work to ensure policies are up to date and then reviewed at least annually should be developed and approved by IGG. As policies are updated they should be signed off and minted as reviewed for appropriateness by the IGG.</p> <p>Add to review of Governance Procedures Plan and table during next IGG meeting. Implementation of plan to be overseen by IGG.</p>	Jackie Binning – 29/09/16

Appendix 1. Finding ratings and overall assurance opinion

Findings and Recommendations are prioritised as follows:

High	An issue which requires urgent management decision and action without which there is a substantial risk to the achievement of key business/system objectives, to the reputation of the organisation, or to the regularity and propriety of public funds.
Medium	An issue which requires prompt attention, as failure to do so could lead to a more serious risk exposure
Low	Improvements that will enhance the existing control framework and/or represent best practice.

Assurance opinion definition:

Substantial Assurance	<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. 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>
Reasonable Assurance	<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. 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>
Limited Assurance	<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. 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>
No Assurance	<p>Our critical review or assessment on the activity identified significant concerns on service delivery arrangements, management of risks, and operation of controls and / or performance. The controls to manage the risks are not being operated or are not present. Therefore the risk of the activity not achieving its objectives is high.</p> <p>As a guide there are a large number of medium and high risks / priority actions arising from the review.</p>

Appendix 2. Terms of Reference

Mobile Devices

To: Alan Evans, Governance and Business Support (TBC) (Audit Sponsor)

Cc: Andy Barton, Governance Lead

From: Kate Mulhearn, Business Assurance Manager

Background

Since Aylesbury Vale District Council (AVDC) adopted the “Cloud Strategy” an increasing number of officers and members are using personal mobile devices (Smartphones and Tablets) as business tools to access the Council’s networks. The business benefits of using Smartphones and Tablet computers to access information and applications include higher levels of efficiency and flexibility through improved access to business information and business applications from any location.

This flexibility brings new challenges to AVDC in how it ensures personal information is kept secure when the systems are being accessed remotely. This review will focus on assessing the risks associated with the use of personal mobile devices to access Council information and applications together with a detailed review of mobile device policy and management practices.

Key Risks

There are a number of key risks associated with the use of mobile devices including:

- Poor controls over mobile devices resulting in loss of sensitive data, computer virus infection, or unauthorised access to company networks;
- Unauthorised individuals may use a mobile device owned by an employee to gain unauthorised access to sensitive company / organisation information;
- Non-compliance with regulatory requirements for organisations subject to specific privacy and security regulations (including the Data Protection Act);
- Infection of the Council’s network with computer viruses and malware resulting in service disruption, loss and theft of data;
- Loss of sensitive data (both personal and corporate); and
- Inappropriate use of mobile devices resulting in productivity and HR issues.

Control Objectives

- Establishing that documented policies and procedures are in place over the use and day to day management of mobile devices
- Officers have been trained and are aware of their responsibilities with respect to the use of mobile devices
- Ensuring that robust management practices are in place with respect to mobile devices
- Ensure that appropriate technical controls are in place to protect the Council's networks and data

Scope of Work

Areas requiring technical competency are marked with [Tech]

- Review the security policy in order to establish that it specifically covers the use of mobile devices and explicitly defines the controls and processes that must be followed;
- The extent and quality of training given to officers on the use of mobile devices;
- Understand what specific types of mobile devices are permitted to access the network (*High Level non technical*)
- Identify how mobile devices are controlled including:
 - The responsibilities for the management of mobile devices;
 - How permission to use mobile devices is granted;
- Determine how the threat of malware and computer virus infection from the use of personal mobile devices is mitigated (*High Level non technical*).
- Identify what applications and data individuals can use or access with mobile devices; and
- Establish what controls are in place to prevent data loss, control what data is stored on mobile devices and how unauthorised access to sensitive information on the corporate network from mobile devices is prevented [*Tech*].

Limitations of Scope

This review is focused on the use of mobile devices to access Aylesbury Vale District Council's information and applications only. A review of remote access methods and associated security will not be undertaken.

Audit Approach

Our audit approach is as follows:

- Obtain an understanding of policies, processes and controls relating to Mobile Devices through discussions with key personnel, review of systems documentation and walkthrough procedures;
- Review policies to establish their relevance to mobile working
- Interview personnel; understand the extent of knowledge of policies relating to mobile devices.

A report detailing any weaknesses identified together with recommendations for improvement will be presented to Management.

Audit Team

The review and draft report will be completed by external specialists from PwC under the direction of the Business Assurance Manager.

Matthew Handy	IT Security Audit Manager (PwC)
Adam Raine	IT Security Senior Associate (PwC)
Fieldwork	March 2016
Final report	April 2016

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 timetable



Internal Audit Report

2016 / 17

Vale Lottery

FINAL July 2016

Contents

1. Executive summary	2	This report has been prepared only for Aylesbury Vale District Council (the Council), in accordance with the agreed terms of reference. The findings should not be relied upon by any other organisation that may be considering setting up their own lottery arrangements. The Business Assurance Manager of AVDC should be consulted before any content is shared.
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Distribution List

For action	Caroline Wheller
	Andy Barton
For information	Andrew Small – Director

Assurance Officer – Doug Gray
Business Assurance Manager – Kate Mulhearn

1. Executive summary

Report classification*	Total number of findings		
	High	Medium	Low
Low risk (1 point)	Control design	-	1
	Operating effectiveness	-	-
	Total	-	1

*We only report by exception, which means that we only raise a finding / recommendation when we identify a potential weakness in the design or operating effectiveness of control that could put the objectives of the service at risk. The definition of finding ratings has been updated for 2016/17 and is set out in Appendix 1.

Summary of findings

The audit review focussed on 4 key areas of control, the summary findings of each are set out below. These areas were identified at the planning stage as being key to ensuring that the lottery is being operated effectively and in compliance with the Gambling Act, specifically the regulations around operating society lotteries.

At the time of this review the lottery has been running for approximately 7 months.

Governance / Legislation - The operating model chosen for Vale Lottery utilises the expertise of a company, Gatherwell Ltd, that specialise in operating society lotteries. Gatherwell have provided support throughout the relatively quick set-up, which was facilitated by the Council having instant access to their existing on-line platform. The platform creates transparency in the process and potentially a higher degree of confidence from players and community groups. Also the overheads are minimal and compliance with the Gambling Act is assured. During our review, we did not identify any aspect of the legislation around operating society lotteries that is not being met.

The arrangement with Gatherwell is formal and responsibilities are set out in a contract. Whilst the general operations are managed by Gatherwell the Council has consciously retained control over some aspects of the process, such as approving applications from good causes.

During the set-up, the Council established the risks to operating a lottery and this fed into the creation of the business case and helped the

decision making process. We have raised a recommendation around ensuring the ongoing management of risk by creating a central Risk Register where risks can be routinely reviewed and updated. We found that whilst the risks are being considered, managed and mitigated in an effective way, this isn't always evident because they are not documented.

Financial transparency / Daily operation of the lottery - The online platform also allows the Council to maintain control and oversight of the financial transactions and trends. The website allows interaction between the Council and Gatherwell and also with the community organisations and players. The operating model chosen returns 58% (risen to 60% from June 16 onwards) to good causes. See Appendix 3 for how the ticket sale income is split.

There is no restriction on any organisation applying to become part of the Vale Lottery as long as they can demonstrate that they benefit the local community. However, there are mandatory terms and conditions that the organisations must be able to demonstrate that they comply with before being allowed entry and we found that the vetting processes is applying this criteria before being accepted.

Performance management - As at the date of this review the Vale Lottery is on track to return £61,000, spread across the 118 selected community organisations, an average £517 each. A further £24,000 is predicted this year for distribution to other community based organisations. This 'better than expected take up' has meant that the Jackpot has been increased to £25,000 from £20,000, within the first year of the lottery's operation. AVDC has full access to the online portal where performance reports are obtained. This allows for complete transparency and control over the operation of the lottery. The Lottery is only 7 months into its first year of operation so formal reporting hasn't taken place but our expectation is that an annual review will take place towards the latter part of 2016/17.

Overall, we found the processes and controls operating over the Vale Lottery to be adequate to ensure that the Council is operating effectively, with transparency and in compliance with the Gambling Act. At this time, the volume and value of transactions is still relatively small. If the lottery were to grow considerably, the adequacy of existing arrangements will need to be reviewed again and consideration given to level of resource available to manage the day to day operations.

Management comments

2. Background and Scope

Background

This review of the 'Vale Lottery' forms part of the 2016/17 audit plan of work that was agreed by the Audit Committee.

The lottery started in 2015, with the objective of financially supporting local community projects, organisations and causes. Subsequently the Council had to become a licence holder under the Gambling Act 2005.

The objective of this review is to provide assurance that AVDC is operating the Vale Lottery effectively, with transparency and in compliance with the Act.

The Council appointed an external partner to operate the lottery function on its behalf. This type of company is referred to, by the Gambling Commission, as an 'External Lottery Manager' (ELM). The Council remains ultimately responsible for ensuring that the lottery is conducted in a lawful way and in the spirit of why it was set up.

Scope

The planned scope and methodology for this review is set out in Appendix 2.

The review has considered the set up processes that occurred in 2015/16 and assessed the ongoing processes and controls that have been operating in recent months during 2016/17.

3. Detailed findings and action plan

1. Risk Register

<i>Finding</i>		
<p>The Business Case / Justification report dated September 2015 included an assessment of the risks associated with operating a lottery, at that time.</p> <p>Ongoing risk management provides insight into the external influences that could damage the reputation of the lottery or could result in AVDC losing its operators license. The ongoing risks have not been captured in a 'Risk Register' and there is no evidence that all types of risk are being managed routinely.</p> <p>It should be noted that during the review we have not identified any risks that are not being mitigated in some way, but there is a reliance on the knowledge of the individuals operating the lottery and lack of documentation to support processes.</p> <p>The popularity of the Vale Lottery is increasing and as such the returns to community organisations will grow. Certain community organisations will potentially become reliant on that income stream so the importance of monitoring the risks only increase as a result.</p>		
<i>Risk/s</i>		
Failure to manage risk could have an instant and direct impact on the funds being distributed.		
<i>Action plan</i>		
<i>Finding rating</i>	<i>Agreed action</i>	<i>Responsible person / title</i>
Low	Create a Risk Register for the Vale Lottery.	Caroline Wheller, Andy Barton
	Routinely monitor those risks and ensure that there is sufficient controls and mitigation strategies in place.	<i>Target date</i>
		31 July 2016

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Appendix 1. Finding ratings and basis of classification

Report classifications

The overall report classification is determined by allocating points to each of the individual findings included in the report.

Findings rating	Points
Critical	40 points per finding
High	10 points per finding
Medium	3 points per finding
Low	1 point per finding

Overall report classification		Points
●	Critical risk	40 points and over
●	High risk	16– 39 points
●	Medium risk	7– 15 points
●	Low risk	6 points or less

Individual finding ratings

Finding rating	Assessment rationale
Critical	<p>A finding that could have a:</p> <ul style="list-style-type: none"> • Critical impact on operational performance; or • Critical monetary or financial statement impact [quantify if possible = materiality]; or • Critical breach in laws and regulations that could result in material fines or consequences; or • Critical impact on the reputation or brand of the organisation which could threaten its future viability.
High	<p>A finding that could have a:</p> <ul style="list-style-type: none"> • Significant impact on operational performance; or • Significant monetary or financial statement impact [quantify if possible]; or • Significant breach in laws and regulations resulting in significant fines and consequences; or • Significant impact on the reputation or brand of the organisation.
Medium	<p>A finding that could have a:</p> <ul style="list-style-type: none"> • Moderate impact on operational performance; or • Moderate monetary or financial statement impact [quantify if possible]; or • Moderate breach in laws and regulations resulting in fines and consequences; or • Moderate impact on the reputation or brand of the organisation.
Low	<p>A finding that could have a:</p> <ul style="list-style-type: none"> • Minor impact on the organisation's operational performance; or • Minor monetary or financial statement impact [quantify if possible]; or • Minor breach in laws and regulations with limited consequences; or • Minor impact on the reputation of the organisation.
Advisory	<p>A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.</p>

Appendix 2. Terms of Reference

Control Objectives

This review will assess the controls that are operating in the following areas.

- **Governance and Legislation** – Responsibilities and Accountabilities between AVDC ‘the Council’ and the ‘ELM’ are clearly stated and applied. The principles of the Gambling Act are fully complied with.
- **Financial Transparency** – All proceeds, expenditure and disbursements are accounted. Disbursements to community organisations are made in a timely and accurate way. There is due diligence over the approval of new community organisations that apply.
- **Day to Day Operation** - There are robust controls throughout the day to day processes that ensure the lottery is run consistently and in accordance with its stated aims. Processes are in place that prevent and detect fraud.
- **Performance Management** – Performance targets are set and actual performance is measured against those. Outturn performance is being routinely reported throughout the year to Corporate Board and Cabinet Members for Transformation and Communities.

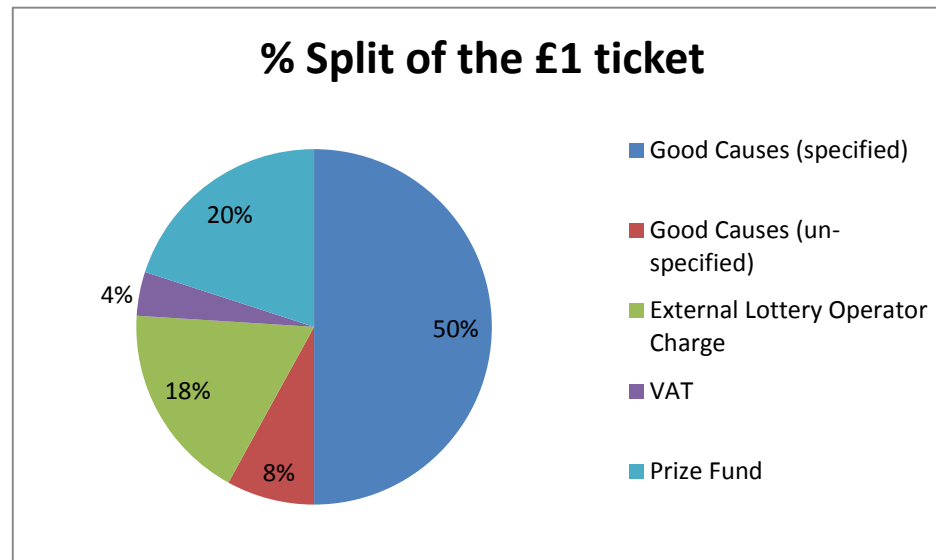
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Methodology

Our audit approach is as follows:

- Obtain an understanding of the processes that are currently operating through discussions with key staff, review of documentation and testing of the processes.
- Identify the key risks and establish that they are mitigated.
- Evaluate the design of the controls in place to address the key risks and test, where appropriate, the operating effectiveness of the key controls.

Appendix 3. Split of proceeds from ticket sales



CORPORATE RISK REGISTER

1 Purpose

- 1.1 To brief the committee on the updated Corporate Risk Register.

2 Recommendations/for decision

- 2.1 To review the Corporate Risk Register Appendix 2 and identify any issues for further consideration

3 Corporate Risk Register - Supporting information

- 3.1 The Audit Committee has a role to monitor the effectiveness of risk management and internal control across the Council. As part of discharging this role the committee is asked to review the Corporate Risk Register.
- 3.2 The Corporate Risk Register provides evidence of a risk aware and risk managed organisation. It reflects the risks that are on the current radar for Transition Board. Some of them are not dissimilar to those faced across other local authorities.
- 3.3 The risk register has been refreshed and updated taking into account the Commercial AVDC programme. The style of reporting has also been revised.
- 3.4 The Corporate risk register was discussed by Transition Board on the 6th July 2016. The risks and ratings were reviewed and further consideration given to how effectively the risks are being managed and where further action is required.
- 3.5 The risk register is reviewed on a two monthly basis by Transition Board and reported to the Audit Committee.

4 Reasons for Recommendation

- 4.1 To allow members of the Audit Committee to review the Corporate Risk Register.

5 Resource implications

- 5.1 None

Contact Officer Tamsin Ireland Business Intelligence and Assurance
Officer
Tel: 01296 585004

Background Documents None

Corporate Risk Register Update

The Corporate Risk Register (CRR) shows the key risks to the Council and the actions that are being taken to respond to these risks. The CRR is reviewed on a regular basis by Transition Board following detailed review and updating by the risk owners.

Responsibility for updating the CRR and ensuring actions are taken to mitigate risks is a corporate responsibility but operational responsibility for ensuring this happens rests with the Directors and the Business Assurance Manager.

The latest refresh takes into account the new Commercial AVDC Programme. Since the previous review in September 2015, four new risks have been added to the register, one has been removed and a number of other risks have been subsumed into other overarching risks resulting from the Commercial AVDC Programme.

New risks added:

New Risk (Ref)	Comment
Depot & workshop development project fails to deliver objectives (5).	Depot & workshop development is high strategic priority for the Council
Performance data and associated data collection systems are not sufficiently robust to provide accurate information to support effective decision making (12)	Business Intelligence review is underway, during times of change accurate performance data is critical.
Fraud, financial impropriety or improper business practices	Added to corporate risk register in accordance with CIPFA guidance.
Failure to manage and deliver as a qualifying authority the requirements of the SLA for HS2 (16).	Ongoing strategic priority.

Risks removed / consolidated:

Risk (Sept 2015)	Comment
New Homes Bonus	No longer considered corporate risk
Cloud based technology solutions do not meet complex service change requirements	Captured under Business Continuity (9)
New models of service delivery may not achieve savings	Captured within Commercial AVDC (1) and Commercialisation (2)
Ability to orchestrate our growth ambitions/plans	Captured within Commercial AVDC (1) and Commercialisation (2)
Infrastructure funding shortage	Captured within Commercial AVDC (1) and Commercialisation (2)
Change Management	Captured within the Commercial AVDC risk (1) & Organisational resilience (3)

There are 16 risks on the corporate risk register. The Residual risk rating is summarised as follows:

Low risk	Moderate risk	High Risk	Extreme risk
3	6	4	2

Risk Matrix

Impact	5	Catastrophic	5	10	15	20	25
	4	Major	4	8	12	16	20
	3	Moderate	3	6	9	12	15
	2	Minor	2	4	6	8	10
	1	Negligible	1	2	3	4	5
Score			Rare	Unlikely	Possible	Likely	Very Likely
			1	2	3	4	5
			Likelihood				

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	1-3	Low Risk	Acceptable risk; No further action or additional controls are required; Risk at this level should be monitored and reassessed at appropriate intervals
	4 - 6	Moderate Risk	A risk at this level may be acceptable; If not acceptable, existing controls should be monitored or adjusted; No further action or additional controls are required.
	8 - 12	High Risk	Not normally acceptable; Efforts should be made to reduce the risk, provided this is not disproportionate; Determine the need for improved control measures.
	15 - 25	Extreme Risk	Unacceptable; Immediate action must be taken to manage the risk; A number of control measures may be required.






Risk Ratings - Impact

Score	Descriptor	Compliance	Finance	Health and safety	Internal Control	Political	Reputational	Staffing & Culture
1	Negligible	No or minimal impact or breach of guidance/ statutory duty	Small loss risk of claim remote	Minor injury; Cuts, bruises, etc.; Unlikely to result in sick leave	Control is in place with strong evidence to support	Parties work positively together with occasional differences; Members & executive work co-operatively	Rumors; Potential for public concern	Short-term low staffing level that temporarily reduces service quality (<1 day)
2	Minor	Breach of statutory legislation; Reduced performance rating from external/internal inspector	Loss of 0.1-0.25 per cent of budget; Claim less than £20k	Moderate injuries; Likely to result in 1-3 days sick leave	Control in place with tentative evidence	Parties have minor differences of opinion on key policies; Members and executive have minor issues	Local media coverage short term reduction in public confidence; Elements of public expectation not met	Low staffing level that reduces the service quality
3	Moderate	Single breach in statutory duty; Challenging external or internal recommendations or improvement notice	Loss of 0.25-0.5 per cent of budget; Claims between £20k - £150k.	Major injuries; More than 3 days sick leave – notifiable to HSE	Control in place with no evidence to support	Members begin to be ineffective in role; Members and Executive at times do not work positively together	Local media coverage – long term reduction in public confidence	Late delivery of key objective/service due to the lack of staff; Low staff morale; Poor staff attendance for mandatory/key training
4	Major	Enforcement action; Multiple breaches of statutory duty; Improvement notices; Low performance ratings	Uncertain delivery of key objectives/loss of 0.5 – 1.0 percent of budget; Claims between £150k to £1m	Death; Single fatality	Partial control in place with no evidence	Members raise questions to officers over and above that amount tolerable; Strained relationships between Executive and Members	National media coverage with key directorates performing well below reasonable public expectation	Uncertain delivery of key objective/service due to lack of staff; Unsafe staffing level or competence; Loss of key staff; Very low staff morale; No staff attending training
5	Catastrophic	Multiple breaches in statutory duty; Prosecution; Complete system changes required; Zero performance against key priorities and targets	Non delivery of key objective/loss of >1 percent of budget; Failure to meet specification/slippage; Loss of major income contract	Multiple deaths; More than one Fatality	No control in place	Internal issues within parties which prevent collaborative working; Que from members shift resources away from corporate priorities	National media coverage, public confidence eroded; Member intervention/action	Non-delivery of key objective/service due to lack of staff; Ongoing unsafe staffing levels or competence; Loss of several key staff; Staff not attending training on ongoing basis

Risk Rating – Likelihood

	Likelihood	Likelihood Descriptors	Numerical likelihood
1	Rare	May occur only in exceptional circumstances	Less than 10%
2	Unlikely	Do not expect it to happen/recur but it is possible it may do so	Less than 25%
3	Possible	Might happen or recur occasionally	Less than 50%
4	Likely	Will probably happen/recur but it is not a persisting issue	50% or more
5	Very Likely	Will undoubtedly happen/recur, possibly frequently	75% or more

Capacity to Manage

Capacity to Manage	Alert	Description
Full		Full – all reasonable steps have been taken to mitigate the risk and are operating effectively. The cost / benefit considerations on implementing additional controls have been considered and no additional actions are proposed.
Substantial		Substantial – there are sound arrangements to manage the risk with some scope for improvement. Arrangements have had a demonstrable impact in reducing either the likelihood or consequence of the risk.
Moderate		Moderate – there are a number of areas for improvement in arrangements that would help to demonstrate effective and consistent management of the risk.
Limited		Limited – there are significant areas for improvement in arrangements that would help to demonstrate effective and consistent management of the risk.
None		None – there are a lack of clear arrangements in mitigation of the risk.

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ANNUAL FRAUD REPORT 2015/16

1 Purpose

- 1.1 To receive an update on the anti fraud and corruption work that has taken place over the last 12 months. This includes a progress update on the actions identified in the fraud risk benchmarking assessment which were reported in January 2016 and a full year report on the activity of the Compliance Team for 2015-16.

2 Recommendations/for decision

- | |
|---|
| <ol style="list-style-type: none">2.1 The committee is recommended to note the full year report of the Compliance Team and the updated fraud action plan.2.2 The committee is also asked to endorse, and promote the Council's fraud statement to other members. |
|---|

3 Supporting information

- 3.1 An assessment of the Council's governance structures and processes against the CIFPA "Code of practice on managing the risk of fraud and corruption" was presented to Audit Committee in January 2016.
- 3.2 At that time the Council was performing at 40% of the CIPFA standard. At their January 2016 meeting Audit Committee commented that the Council might want to consider setting a target of performing to 60-65% of the CIPFA code
- 3.3 The action plan presented in January 2016 has been updated and is attached as Appendix 1 to the Fraud Report.
- 3.4 An Anti-Fraud and Corruption Statement has been included on the first page of the attached Fraud Report and the committee is asked to endorse, and promote this statement to other members.
- 3.5 In March 2015 the Fraud Investigation Team transferred to the DWP Single Fraud Investigation Service as part of the governments aims to try to tackle welfare benefit fraud. Since then the Council has had no resource dedicated to fraud investigation.
- 3.6 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.
- 3.7 A report is attached as Appendix 3 of the Fraud Report which summarises the outcomes of the Compliance Team work for 2015-16. The total overpaid benefits identified through the work of the Compliance Team during the year 2015/2016 was £1.7million.

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) 01296 585724
Background Documents	None

Annual Fraud Report 2015/16

Managing the risk of fraud and corruption



July 2016

Managing the risk of fraud and corruption

1. Background

The vast majority of people in the UK do not commit fraud or avoid paying debts because they have a strong sense of moral obligation, justice and fairness, which is shared by those around them. In other words, there is a strong social norm against committing acts of fraud and avoiding paying debts.

It is accepted that fraud affects the UK across all sectors and causes significant harm. The Annual Fraud Indicator 2016, indicates that fraud could be costing the UK economy £193bn, with Public Sector fraud estimated at £37.5bn per year. The estimated loss to local and regional government totalled £7.3bn.

2. Anti-Fraud and Corruption Statement

The Council has a 'zero tolerance' approach to fraud, bribery and corruption and is committed to making sure that the opportunity for illegal acts are minimised.

The Council's employees and Members are expected to have the highest standards of conduct and to be vigilant in combating fraud and corruption in all its forms.

The main areas of fraud posing a risk to the Council are:

- Council Tax liability, Housing Benefit and Council Tax Reduction entitlement, and fraudulent claims for council tax exemptions and discounts.
- Finance & Procurement e.g. fraudulent supplier claims / changes to bank details
- Housing Register Fraud

3. AVDC Compliance Team

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.

The Compliance Team Annual Report can be found in Appendix 3.

4. CIPFA Assessment

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.

5. 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.

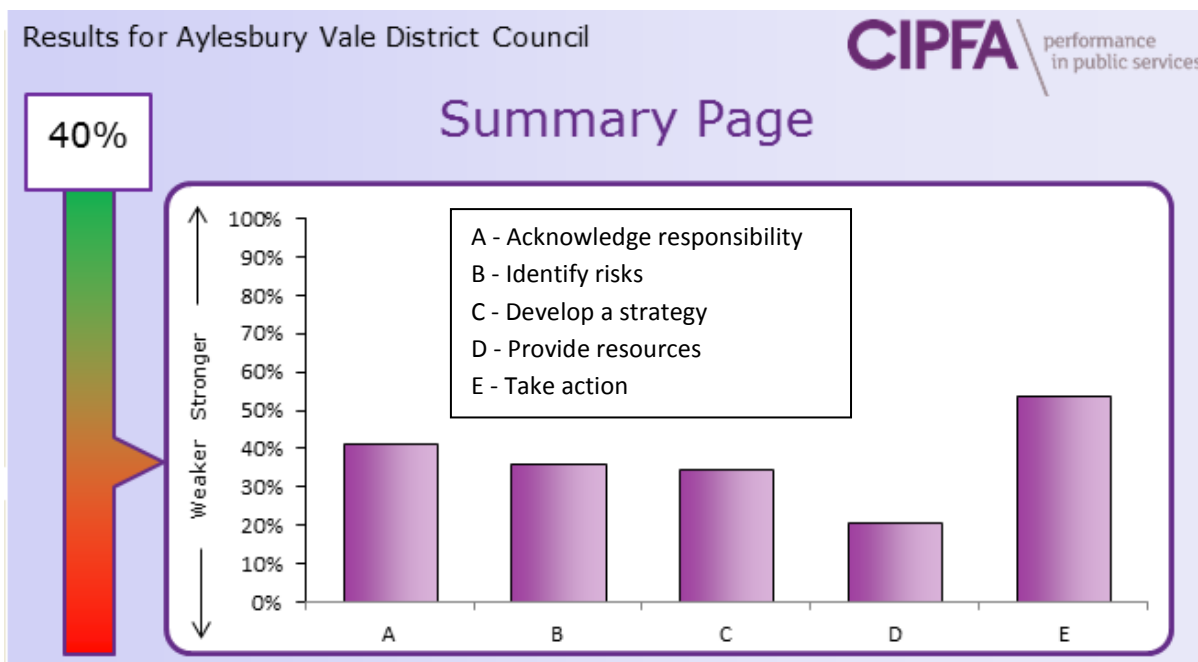
We have summarised the results of our assessment, which was performed in January 2016, in section 3 together with a suggested action plan. More detail under each of the 5 core principles is also provided in Appendix 2 of this report.

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

6. Summary results and action plan



At the time of the assessment in January 2016, the Council is performing at 40% of the CIPFA standard. 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 identified we have developed a high level set of actions that would strengthen the Council's position in managing the risk of fraud. This can be found in Appendix 1.

At their January 2016 meeting, the Audit Committee noted that the Council might want to consider setting a target of performing to 60-65% of the CIPFA code. The actions set out in Appendix 1 will help to achieve this goal.

7. 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 in Appendix 1, 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.

Appendix 1


Reference:	Issue & Proposed Action:	Responsibility:	Target Date:	Comments
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 risk and specific goals in relation to fraud resilience.	KM / TI	June 2016	High level statement included in Annual Fraud report with associated action plan. The Audit Committee is asked to promote the Councils anti fraud and corruption commitment among fellow members.
A2	Leadership team publically communicate to staff (and contractors) the importance of fraud awareness (e.g. By-lines)	TI /AS	Sept 2016	TI to develop a programme of communication in partnership with AS and Comms and Marketing. Anti fraud and corruption has been considered as part of the contracts T&Cs review. "Low Value" include a general statement on compliance with the Council's Policies and specific Anti Corruption clauses. "High Value" includes additional detail and also anti-bribery.
A3	Refer to CIPFA counter fraud principles in 2015/16 Annual Governance Statement.	KM	June 2016	AGS includes reference to CIPFA benchmarking and action plan
B1	Include Fraud as a corporate level risk to ensure that it stays front of mind in governance and decision making.	TI	June 2016	This has been included in the corporate risk register to go to Audit committee in July.

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 action plans).	Sector Review and Risk Management Process	January 2017	
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.	DG	March 2017	
C2	Produce a detailed Counter Fraud action plan, with action owners and regular monitoring.	TI/KM	June 2016	Action plan included in Annual Fraud report to be monitored on a 6 monthly basis and reported to Transition board and Audit Committee.
D1	Review counter-fraud resources based on the council's level of risk.	Sector Review	Jan 2017	
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.	AB / SR – Sector Review	Jan 2017	
D3	Produce a Fraud Investigation Protocol which should include process for evaluation of the effectiveness of investigations.	DG	March 2017	
E1	Develop a regular programme of training and awareness, including annual updates for all staff.	TI	August 2016	See A2 above.

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.	TI / KM	June 2016	
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Appendix 2

CIPFA Fraud Risk Assessment Results (January 2016)

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.	 41%
Specific Steps	
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.	
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.	
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.	
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.	
Summary of current position 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. 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.	
Actions: 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. 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.	

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

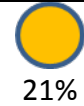
There is an Anti-Fraud and Corruption Strategy and a Whistleblowing Policy in place, though these are now due for review. Whilst the strategy doesn’t include partnership working to address fraud there is evidence that services do work with other organisations to prevent fraud. The Strategy includes clear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

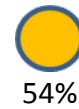
We have a number of policies that give investigators access to information as part of their investigation however these do not specifically refer to Fraud Investigations and this may not extend to outsourced services and partnering arrangements.

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.



54%

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.

Appendix 3

Aylesbury Vale District Council

Compliance Team

Annual Report 2015-16

Marie Morgan-Geary

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

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	8
HBMS	123
NFI	9
CRA matches	0
DWP	0
Royal Mail DNR	0
Anonymous Letter	9
Anonymous Telephone Call	8
Pro-active Work	0
Private Landlords	0
From Other LA Depts.	4
Intervention	1
Website	0
Other	26
Total	188

Type of Fraud	No of Cases
Working & Claiming	11
undeclared Income/benefits	37
undeclared capital/assets	100
LTAHAW	14
Others in Household	8
False Identity	0
Contrived Tenancy	0
Landlord Fraud	1
Non Residency	1
SPD	0
right to buy	18
Other	0
Total	190

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 has 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

Total Overpayment of Housing Benefit and Council Tax Reduction

The total overpaid benefits identified through the work of the Compliance Team during the year 2015/2016;

FERIS

Housing Benefit	-	£562,268.09
Council Tax Reduction/Benefit	-	£175,229.81
Cases Reviewed	-	1849

RTI

Housing Benefit	-	£720,711.59
Council Tax Reduction/Benefit	-	No data recorded
Cases Reviewed	-	892

HBMS

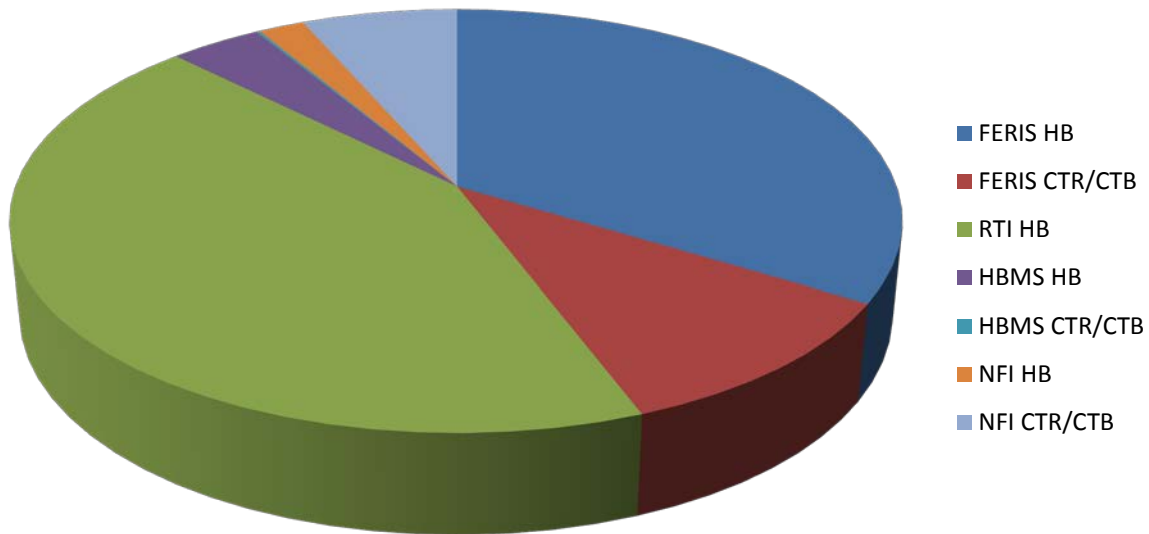
Housing Benefit	-	£64,725.18
Council Tax Reduction/Benefit	-	£2,611.35
Cases Reviewed	-	360

NFI

Housing Benefit	-	£32,498.38
Council Tax Reduction/Benefit	-	£109,565.67
Cases Reviewed	-	2408

Grand Total Overpayments £1,670,610.07

Areas where overpayments were identified



Penalties

There were eight penalties imposed totaling £560 and administration penalties totaling £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.

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.

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2015/16 DRAFT STATEMENT OF ACCOUNTS AND YEAR END POSITION

1 Purpose

- 1.1 This report sets out the current position in terms of the Statement of Accounts preparation and reports the outturn position in a management style for members' information.

2 Recommendations/for decision

- | | |
|-----|--|
| 2.1 | Members of the Committee are requested to note the current position in relation to the Statutory Accounts preparation and the outturn. |
|-----|--|

3 The Accounts Approval Process

- 3.1 The statutory code for the production and authorisation of the Accounts is set out within the Accounts and Audit Regulations.
- 3.2 The Regulations state that the members should only approve the Accounts in September when they have been made aware of the findings of the audit and, hence, can make an informed decision on their accuracy.
- 3.3 The Chief Financial Officer is required to certify the draft Accounts by the 30th June and arrange for them to be published on the Council's website by that date.
- 3.4 Whilst there is no requirement to do so, the guidance to the Accounts and Audit Regulations suggests it would be best practice to give members an early notification of the financial outcome of the previous year and to this end the draft Statement of Accounts is presented as part of this report.

4 2015/16 Year End Position

- 4.1 Whilst not forming part of the Statutory Accounts, the Quarterly Financial Digest sits behind the formal accounts and provides members with a more understandable guide to the financial events which took place in the year for the provision of the Council's services.
- 4.2 The year end position within the Statutory Accounts contains transactions which are required by the Accounting Regulations. These transactions are intended to provide the reader with a complete picture of the Authority's financial affairs during the course of the year, but not all of them impact upon the cost of services to the Council Tax payer.
- 4.3 For this reason it is difficult to reconcile the statutory accounts with the figures included within the Quarterly Financial Digest.
- 4.4 The Digest represents Management Information and is designed to explain in an understandable way the significant financial events which occurred during the year by comparing them with the expected or budgeted equivalent figures.
- 4.5 The Statutory Accounts only present actual expenditure and income, without reference to budgeted levels. Therefore, whilst the accounts present the definitive position on the Authority by way of its financial resources, it does not inform the reader as to whether this was the planned or expected position.

- 4.6 The main financial events of 2015/16 are explained in the Digest but the key issues are highlighted below.

Main Points Contained Within the Digest

- 4.7 The outturn position for the year shown in the Digest is a contribution to balances of £209,662. For 2015/16 there was no budgeted contribution to balances.
- 4.8 The actual contribution would have been greater but during 2015/16 the Council agreed to a special use of balances to fund the continuing costs associated with HS2 (£67,000) and the Web and E-Commerce projects (£441,000).
- 4.9 The early generation of savings in advance of 2016/17 and higher income associated with revised service provision have contributed to this underspend, although set against this is a shortfall in income from investment interest. The generation of savings has meant that the cost of a number of redundancies that have arisen during the year as part of section restructures could be met from the savings rather than through balances.
- 4.10 In practise the final outturn position is comprised of a number of ups and downs against individual services. The majority of the which were identified early in the year and reported in earlier issues of the Quarterly Digest and so the final outturn underspend is in line to that expected.
- 4.11 Some of the main factors that were reported throughout the year that have contributed to the outturn position were savings/extra income from Waterside Properties rent and service charges, Refuse and Recycling reduced vehicle fuel costs, and Car Parking charges and service charge costs. Factors that went the other way include consultancy / agency / pension costs associated with Legal Services, costs associated with Salix projects, costs associated with Commercial AVDC / loss of contract income within IT and back filling senior management posts within Contract Services.
- 4.12 The main service based factors are detailed in the Digest but the key areas are summarised in the table below.

	Actual Outturn £	Predicted Outturn £	
Top 5 Over Budget			
Legal Services	242,333	0	Agency staff costs, pension strain costs and increased consultancy fees.
Engine Rooms	218,000	0	Costs associated with Salix energy schemes.
Information Technology	205,241	60,000	Costs relating to Commercial AVDC plus loss of income from local authorities.
Environment & Health Admin	77,114	(30,000)	Pension strain costs.
Contract Services	66,613	59,000	Back filling of senior management posts..
Top 5 Under Budget			
Domestic Refuse	(435,127)	(300,000)	Salary and fuel savings plus increased sale of bins income.
Housing Benefits	(323,648)	0	Increased overpaid benefit income less increased rent allowance payments.
Industrial Estates and Town Centre Properties	(159,944)	(94,200)	Increased income at Waterside and additional costs for Exchange Street North.
Car Park Management	(222,062)	(233,000)	Increased service charge and P&D income.
Leisure Administration	(107,248)	(103,800)	Salary savings.

- 4.13 The table below shows the balances position at the year end after taking into account the outturn position. The balance position is higher than the agreed prudent level that should be held, therefore, a report on its use will be presented to Finance and Services Scrutiny Committee.

GENERAL FUND STATEMENT OF BALANCES	BUDGET 2015/16 £'000	ACTUAL 2015/16 £'000	VARIANCE 2015/16 £'000
Brought Forward 1st April	(3,332)	(3,765)	(433)
Less General Underspend	0	(717)	(717)
Planned Contribution to Balances	0	0	0
Contribution to the HS2 Fund	0	67	67
Contribution to Web & E-Commerce Project	0	441	441
Net Contribution (to) / from Balances	0	(209)	(209)
Working Balance Carried Forward	(3,332)	(3,974)	(642)

Transfers To and From Reserves

- 4.14 During 2015/16, the Council continued to use its earmarked reserves to meet revenue spend and also to provide sufficient funds for the future. In total £3.3 million was transferred out of reserves, whilst £7.8 million was transferred in, making a net increase in reserves of £4.5 million.
- 4.15 The largest use of reserves was from the new homes bonus reserve, where £1.454 million was used to fund the Swan Pool improvements and parish initiatives.
- 4.16 The other sizeable movement was a contribution of £0.500 million from the Property Sinking Fund, which was transferred from revenue to capital to also fund the Swan Pool improvements.
- 4.17 Other movements out were £277,000 from the Superannuation reserve to fund pension costs, £97,000 from the Repair and Renewals fund to meet the costs of planned operational building repairs and £727,000 from the Benefit Subsidy reserve, which was a contribution to the overpaid benefit doubtful debts provision..
- 4.18 There were two sizeable contribution to reserves and one was £5.074 million of New Homes Bonus into the New Homes Bonus reserve. This gives a year end balance of £10.6 million, of which £1,278,000 is earmarked for parish initiatives.
- 4.19 The other sizeable contribution was to the Planning reserves, where additional planning fee income of £1.156 million was paid into the reserve rather than held in revenue.
- 4.20 Whilst the reserves are showing a net increase for the year, this is solely due to the contribution to the New Homes Bonus. However, this reserve has committed £5 million to the Council's East / West rail contribution (Council 17 July 2013). The commitment is spread over a number of years. Other commitments include £1.5 million to High Speed Broadband project and £0.986 million for the Pembroke Road depot. Without this contribution in the total amount held in reserves would have fallen slightly to £27.1 million.
- 4.21 A review of reserves will be carried out in advance of the 2017/18 budget setting process.

4.22 The full list of reserves and provisions is shown in appendix B.

5 Capital Spend and Income

5.1 The Council had an approved capital programme for 2015/16 of £14.1 million, of which £6.4 million was for the UCAV (University Campus Aylesbury Vale) facility, £2.2 million for the Swan Pool improvements and £3.8 million for the purchase and upgrade of the Pembroke Road depot.

5.2 The actual spend was £8.9 million, of which £6.0 million was for the completion of the UCAV facility. The other area of significant spend was on the completion of the Swan Pool improvements, which totalled £2.3 million.

5.3 The spend was £5.2 million less than expected due to delays relating to the purchase of the depot, which was finally completed in July 2016, which in turn delayed the second phase of the Depot alterations. There was also less housing enabling grants paid out due to no schemes coming forward and there were no refuse vehicle replacements made in the year.

5.4 The Council is still in the position that it cannot generate vast sums of capital receipts as it has disposed of the majority of its assets. During 2015/16, £2.4 million was received, £2.3 million came from house sales and £0.1 million from the sale of the some land off Buckingham Road, Aylesbury.

5.5 During 2015/16 no new long term borrowing was taken out, although one of the shorter term loans was repaid in December. This takes the total borrowing at the end of the year to £23.5 million.

5.6 During the year the level of investments remained fairly constant due to the slow down in the capital programme, which meant that the amount out on loan at the 31 March was £39 million.

6 Main Points Contained within the Draft Financial Statements

6.1 The Statement of Accounts, which will include all the notes and the group position, will be presented for approval to the September Audit Committee at the conclusion of the audit.

6.2 The Statement of Accounts is show the group position along side the Council's position. This makes comparison of the two positions easier and, also, helps to reduce the number of pages in the Statement.

6.3 The key statements for members' attention are the Comprehensive Income and Expenditure Statement (CIES) and the Balance Sheet. The CIES contains the same spend and income as contained in the Digest but it is presented in a different way to comply with the Statement of Recommended Practice (SORP).

6.4 There has not been any accounting changes that have been incorporated in the accounts this year.

6.5 There were no significant issues that were required to be reflected in this year's accounts. But below are some points for information.

- i) Fixed Assets – the only assets valued at the end of the year were the UCAV educational facility and the revamped Swan Pool at Buckingham.
- ii) Companies – the accounts include the Council's new companies, Novae, AV Broadband and Vale Commerce.

6.6 With the group account, the year end position is that AVE still owe the Council £32.7 million. This is held in the form of deferred receipts £27.8 million, Hale Leys loan £2.9 million and a debtor of £1.4 million.

- 6.7 During the course of the year the deferred receipts balance reduced by £383,305, with AVE making repayments against one remaining loan
- 6.8 The provisional year end position of the AVE group was that they made a £0.467 million profit. AVE LLP itself made a small loss of £22,000, whilst Hale Leys LLP made a £489,000 profit. The group profit was after realising a profit of £505,000 on the sale of investment properties. However, AVE group accounts are prepared under UK Gaap regulations whilst AVDC accounts are prepared under IFRS regulations so the above figures are reflected differently within our accounts.

7 Reasons for Recommendation

- 7.1 The Accounts and Audit Regulations no longer require the formal consideration of the Accounts by the Audit Committee prior to being presented for external audit. However, guidance suggests that it would be best practice to give members an early indication of the financial outcome of the previous year and this is set out in this report.

8 Resource implications

- 8.1 These are covered within the body of the report.

Contact Officer	Tony Skeggs 01296 585273
Background Documents	n/a

Aylesbury Vale District Council

Statement of Accounts for the Year Ended
31 March 2016

SUBJECT TO AUDIT

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SUBJECT TO AUDIT

1. Introduction

I am pleased to be able to present to you the statement of accounts for the year 2015/16.

The statement of accounts is published to present a true and fair view of the financial position and transactions of the Council. Wherever possible it has been written in plain language but inevitably it contains technical terms and a glossary to help explain some of these terms can be found at the back of this publication.

2. Statement of accounts explanations

The statement of accounts comprises:

- ❖ Statement of responsibilities
- ❖ Core financial statements
- ❖ Notes to the core financial statements
- ❖ Supplementary financial statements
- ❖ Notes to the supplementary financial statements
- ❖ Appendices

The objective of each of the accounting statements is:

❖ Statement of responsibilities

Identifies the officer who is responsible for the proper administration of the Council's financial affairs. The purpose is for the chief finance officer to sign a statement that the accounts present a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for the year then ended.

❖ Core financial statements

Movement in reserves statement - shows the movement in the year on the different reserves held by the Council, analysed into (a) *usable reserves* - those that can be applied to fund expenditure or reduce local taxation and (b) *unusable reserves* - those that cannot be applied to fund expenditure or reduce local taxation. The *(surplus)/deficit on the provision of services* line shows the true economic cost of providing the Council's services, more details of which are shown in the comprehensive income and expenditure statement. These are different from the statutory amounts required to be charged to the general fund balance for council tax setting purposes. The *net (increase)/decrease before transfers to earmarked reserves* line shows the statutory general fund balance before any discretionary transfers to/ (from) earmarked reserves undertaken by the Council.

Comprehensive income and expenditure statement - shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the movement in reserves statement.

Balance sheet - shows the values as at the balance sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves is usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the capital receipts reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is unusable reserves, i.e. those reserves that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the revaluation reserve), where amounts would only become available to provide services if the assets are sold, and reserves that hold timing differences shown in the movement in reserves statement line *adjustments between accounting basis and funding basis under regulations*.

Cash flow statement - shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

❖ Notes to the core financial statements

Provides support to the core financial statements, which informs the reader and gives sufficient information, to present a good understanding of the Council's activities.

❖ Supplementary financial statements

Collection fund – this account reflects the statutory requirement for billing authorities to maintain a separate collection fund, which shows the transactions of the Council in relation to non-domestic rates and council tax, and illustrates the way in which these have been distributed.

❖ Notes to the supplementary financial statements

Provides support to the supplementary financial statements, which informs the reader and gives sufficient information, to present a good understanding of the Council's activities.

❖ Appendices

- Appendix 1 – annual governance statement

The annual governance statement is not part of the statement of accounts, but is required to be included alongside it in the same publication, and as such is not covered by (a) the chief finance officer's certification or (b) the external auditor's report.

The objective of this statement is to fulfill the statutory requirement for the Council to conduct an annual review of the effectiveness of its system of internal control.

3. General fund service revenue spending compared with budget

In 2015/16 the district general fund net underspend was £210,000. A summary of the financial position is shown below:

General Fund Revenue	2015/16	2015/16	General Fund Balances	2015/16	2015/16
	Budget	Actual		Budget	Actual
	£000	£000		£000	£000
Expenditure	88,564	88,528	Balance 1st April	(3,332)	(3,765)
Income	(69,311)	(67,623)	Net Balance from Fund	-	(210)
Net Cost of Services	19,253	20,905	Balance 31st March	(3,332)	(3,975)
Cost of Borrowing	2,191	906			
Other Costs	(5,722)	(1,363)			
Investment Interest	(2,024)	(2,804)			
Income from Grants	(4,443)	(8,599)			
Net Expenditure	9,255	9,045			
Local Taxpayers	(9,255)	(9,255)			
Net Balance	-	(210)			

The actual figures presented in the table above significantly vary from the budget for the year due to the year end accounting entries that are required covering IAS19, depreciation, impairment (see 5. Brief note of significant items in the core financial statements), revenue expenditure funded from capital under statute and contributions to and (from) reserves. These entries are not budgeted for as their exact values are not normally known until after the year end and also because they do not impact on the council tax requirement.

The main areas where variances from budget have been reported through the year in the Quarterly Financial Digest can be summarised as follows:

Actual Outturn	Forecast Outturn
£	£

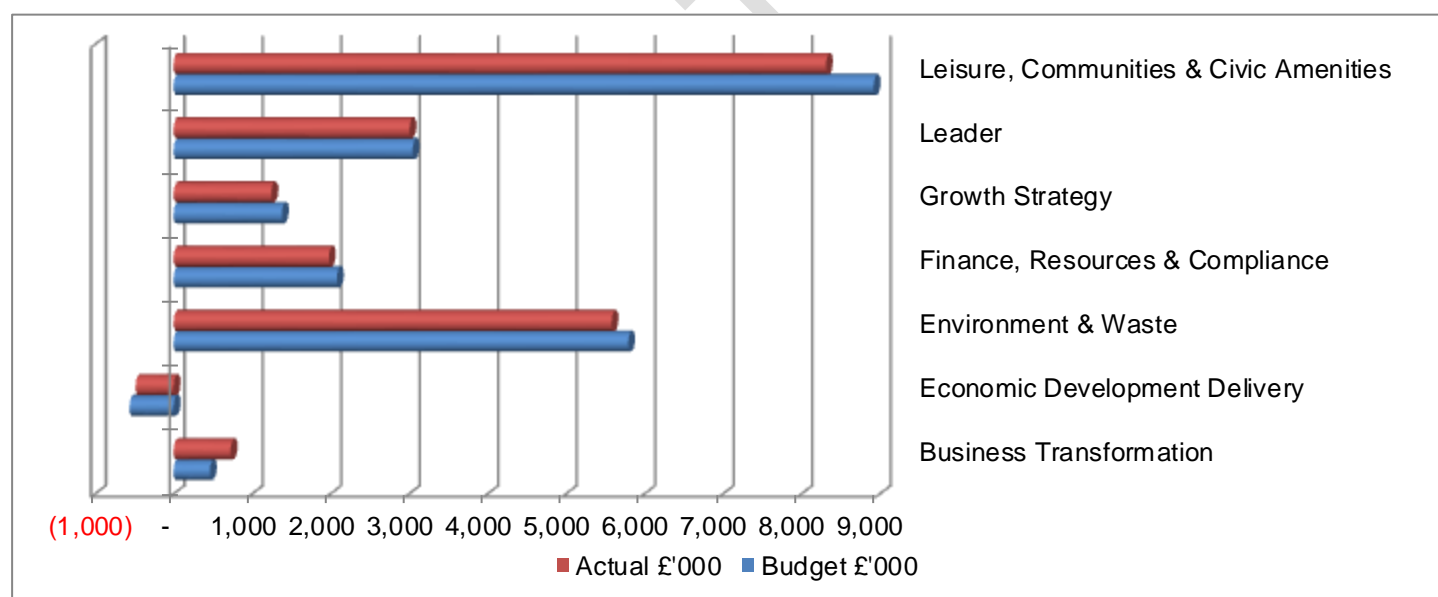
Top 5 Under Budget

Domestic Refuse	(435,127)	(300,000)	Salary and fuel savings plus increased sale of bins income
Housing Benefits	(323,648)	-	Increased overpaid benefit recovered less increased rent allowance payments
Car Park Management	(222,062)	(233,000)	Increased service charge and P&D income
Leisure Administration & Management	(107,248)	(103,800)	Salary savings
Communications & Marketing	(84,597)	(20,000)	Savings in market research and strategy costs

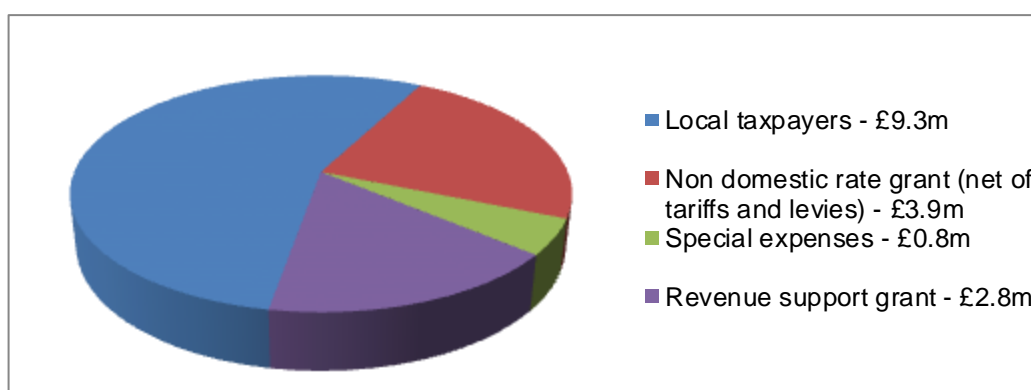
Top 5 Over Budget

Legal Services	242,333	-	Agency staff costs, pension strain costs and increased consultancy fees
Engine Room	218,528	-	Initial investment in Salix energy schemes
Information Technology	205,241	60,000	Costs relating to Commercial AVDC plus loss of income from local authorities
Industrial Estates and Town Centre Properties	145,351	(94,200)	Costs associated with Exchange Street North
Environment & Health Admin	77,114	(30,000)	Pension strain costs

The graph below shows the net spend by portfolio.



The pie chart below shows how the £16.8 million the Council receives from the local taxpayer and from Government is apportioned.



In 2015/16 the Council used £3,367,000 of earmarked reserves in support of revenue spend and transferred £8,106,000 into reserves, £5,074,000 of which was committed but unspent new homes bonus.

4. Capital spending

In 2015/16 the Council spent £8,494,000 on capital projects. The bulk of the expenditure during the year was spent on the works on the University Campus Aylesbury Vale which amounted to £5,998,000 (71%), whilst the refurbishment of Swan Pool accounted for £2,412,000 (28%). The remaining expenditure, £84,000, covered works on the Canal Society Clubhouse, renovations of the public realm and refurbishment of the depot.

In 2015/16 the Council received non-asset backed capital receipts of £2,429,000, £2,310,000 of which was from house sales as part of the stock transfer agreement. In addition, the Council received £119,000 from the sale of land. The Council's capital expenditure in 2015/16 was partly financed from two sources, capital reserves and capital receipts. The remainder of the expenditure was funded from long term borrowing. The ability to generate new external resources remains limited.

5. Brief note of significant items in the core financial statements

The Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 sets out comprehensive requirements for group accounts. These require Councils to consider all their interests and to prepare a full set of group financial statements when they have material interests in subsidiaries, associates or joint ventures.

The Council partly or wholly owns a number of companies, all of which have the common goal of producing overall benefits for the residents and businesses of the vale. This may be through investment, commercial opportunity or simply by generating cash for the Council through dividend payments funded from profit. This may also be through the purchasing or reselling elements of Council services which may result in an overall better position for the Council.

The companies in which the Council have an interest are set out in the following table:

Company Name	Council Share	Company Status	Purpose
Aylesbury Vale Estates LLP	50%	Joint Venture	Managing our commercial estate
Aylesbury Vale Broadband Ltd	95%	Subsidiary	Delivering broadband in our more rural areas
Novae Consulting Ltd	100%	Subsidiary	Delivering our commercial consultancy work
Vale Commerce Ltd	100%	Subsidiary	Delivering the commercial ambitions of the Council under the brands of Incgen and Limecart

:

The statements are intended to present financial information about the parent (the Council) and the companies in which it has an interest by bringing together their results in a unified set of accounts.

6. Brief note explaining significance of any pension liability or asset

Any surplus or deficit on the Council's pension fund is required to be shown within the balance sheet. The effect of the Council's share of the pension fund administered by Bucks County Council has been assessed by the scheme's actuary as at 31 March 2016. The current valuation shows a deficit on the fund of £82,933,000 (£90,307,000 at 31 March 2015) based upon the nationally set criteria. The actual contributions payable by the Council are based upon the actuary's own assumptions in a valuation that is undertaken on a triennial basis. This valuation was last undertaken at 31st March 2016, with the next formal revaluation due as at 31st March 2019. The two valuations are carried out on different bases.

7. Brief note on the current borrowing facilities and capital borrowing

The Council is allowed to borrow providing they can demonstrate that the revenue costs are supportable and that it sets yearly borrowing limits, which have to be agreed by full Council. Aylesbury Vale District Council has, at any point in time, a number of cash requirements. Some services, such as the collection fund, have spare cash to invest whilst others, such as the capital programme, need cash to pay contractors. These cash flows, both positive and negative, are combined and managed in accordance with the approved treasury management strategy and practices. In day to day cash management, no distinction can be made between revenue cash and capital cash. External borrowing arises as a consequence of all the financial transactions of the Council and not simply those arising from capital spending.

8. Summary of sources of funds available to meet capital expenditure plans

The Council meets its capital expenditure plans through the use of capital receipts and contributions externally generated, and some internal revenue contributions. During 2015/16 there was a need to borrow long term as the ability to generate external receipts diminished.

9. An explanation of the impact of the current economic climate on the Council and the services it provides

The Council has carried forward healthy reserves (well above its minimum levels) into 2016/17. Despite continuing to receive a much lower level of formula grant, the Council limited the increase of its element of the council tax for 2016/17 to 1.99%. This reflected a government policy objective.

As the Council enters into periods of much tighter local government funding, we have put in place a robust medium term financial strategy that sets out our planned savings to enable the budget to be balanced and to deliver affordable council tax levels covering a five year period. This is to ensure that resources will continue to be directed to ensure good quality services are provided to our residents in future.

Andrew Small
Director (with responsibility for finance)
The Gateway
Gatehouse Road
Aylesbury
Bucks HP19 8FF

The Council's responsibilities

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Director (with responsibility for finance)(the Director);
- manage its affairs: to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the statement of accounts.

Council approval

The statement of accounts for the year to 31 March 2016 has been prepared and I confirm that these accounts were approved by the audit committee at its meeting on 26 September 2016.

Councillor Kevin Hewson
Chairman of Audit Committee
26 September 2016

The Director's responsibilities

The Director is legally and professionally responsible for the preparation of the Council's statement of accounts in accordance with proper practices as set out in the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom 2015/16* - the Code.

In preparing this statement of accounts, I have:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code.

The Director has also:

- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Director's certification

I certify that the statement of accounts presents a true and fair view of the financial position of the Council at the reporting date and its income and expenditure for the year ended 31 March 2016.



Andrew Small
Director (with responsibility for finance)
30 June 2016

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The '*surplus/deficit on the provision of services*' line shows the true economic cost of providing the Council's services, more details of which are shown in the comprehensive income and expenditure statement. This is different from the statutory amounts required to be charged to the general fund balance for council tax setting purposes. The '*net (increase)/decrease before transfers to earmarked reserves*' line shows the statutory general fund balance before any discretionary transfers to/(from) earmarked reserves undertaken by the Council.

Council	General fund balance	Earmarked GF reserves	Capital receipts reserves	Capital grants unapplied	Total usable reserves	Unusable reserves	Total Council reserves
	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2014	(3,640)	(24,195)	(3,816)	(592)	(32,243)	(56,187)	(88,430)
Movement in reserves during 2014/15							
Deficit on provision of services (accounting basis)	1,295	-	-	-	1,295	-	1,295
Other comprehensive income and expenditure	-	-	-	-	-	11,611	11,611
Total comprehensive income and expenditure	1,295	-	-	-	1,295	11,611	12,906
Adjustments between accounting basis & funding basis under regulations (Note 6.2)	(4,991)	-	(5,793)	(675)	(11,459)	11,459	-
Net (increase)/decrease before transfers to earmarked reserves	(3,696)	-	(5,793)	(675)	(10,164)	23,070	12,906
Transfers to/(from) earmarked reserves (Note 7)	3,571	(3,571)	-	-	-	-	-
(Increase)/decrease in year	(125)	(3,571)	(5,793)	(675)	(10,164)	23,070	12,906
Balance at 31 March 2015	(3,765)	(27,766)	(9,609)	(1,267)	(42,407)	(33,117)	(75,524)
Movement in reserves during 2015/16							
Surplus on provision of services (accounting basis)	(5,020)	-	-	-	(5,020)	-	(5,020)
Other comprehensive income and expenditure	-	-	-	-	-	(11,387)	(11,387)
Total comprehensive income and expenditure	(5,020)	-	-	-	(5,020)	(11,387)	(16,407)
Adjustments between accounting basis & funding basis under regulations (Note 6.2)	71	-	3,247	(683)	2,635	(2,635)	-
Net (increase)/decrease before transfers to earmarked reserves	(4,949)	-	3,247	(683)	(2,385)	(14,022)	(16,407)
Transfers to/(from) earmarked reserves (Note 7)	4,739	(4,739)	-	-	-	-	-
(Increase)/decrease in year	(210)	(4,739)	3,247	(683)	(2,385)	(14,022)	(16,407)
Balance at 31 March 2016	(3,975)	(32,505)	(6,362)	(1,950)	(44,792)	(47,139)	(91,931)

Group	General fund balance £000	Earmarked GF reserves £000	Capital receipts reserves £000	Capital grants unapplied £000	Total usable reserves £000	Unusable reserves £000	Total Council reserves £000	Council's share of reserves of joint venture and subsidiaries £000	Total reserves £000
Balance at 1 April 2014	(1,931)	(24,195)	(3,816)	(592)	(30,534)	(56,187)	(86,721)	(1,268)	(87,989)
Movement in reserves during 2014/15									
Deficit on provision of services (accounting basis)	893	-	-	-	893	-	893	-	893
Other comprehensive income and expenditure	-	-	-	-	-	11,611	11,611	(1,500)	10,111
Total comprehensive income and expenditure	893	-	-	-	893	11,611	12,504	(1,500)	11,004
Adjustments between group accounts and authority accounts (Note 6.1)	506	-	-	-	506	-	506	(506)	-
Adjustments between accounting basis & funding basis under regulations (Note 6.2)	(4,991)	-	(5,793)	(675)	(11,459)	11,459	-	-	-
Net (increase)/decrease before transfers to earmarked reserves	(3,592)	-	(5,793)	(675)	(10,060)	23,070	13,010	(2,006)	11,004
Transfers to/(from) earmarked reserves (Note 7)	3,571	(3,571)	-	-	-	-	-	-	-
(Increase)/decrease in year	(21)	(3,571)	(5,793)	(675)	(10,060)	23,070	13,010	(2,006)	11,004
Balance at 31 March 2015	(1,952)	(27,766)	(9,609)	(1,267)	(40,594)	(33,117)	(73,711)	(3,274)	(76,985)
Movement in reserves during 2015/16									
Surplus on provision of services (accounting basis)	(4,961)	-	-	-	(4,961)	-	(4,961)	(10)	(4,971)
Other comprehensive income and expenditure	-	-	-	-	-	(11,387)	(11,387)	(385)	(11,772)
Total comprehensive income and expenditure	(4,961)	-	-	-	(4,961)	(11,387)	(16,348)	(395)	(16,743)
Adjustments between group accounts and authority accounts (Note 6.1)	18	-	-	-	18	-	18	(18)	-
Adjustments between accounting basis & funding basis under regulations (Note 6.2)	71	-	3,247	(683)	2,635	(2,635)	-	-	-
Net (increase)/decrease before transfers to earmarked reserves	(4,872)	-	3,247	(683)	(2,308)	(14,022)	(16,330)	(413)	(16,743)
Transfers to/(from) earmarked reserves (Note 7)	4,739	(4,739)	-	-	-	-	-	-	-
(Increase)/decrease in year	(133)	(4,739)	3,247	(683)	(2,308)	(14,022)	(16,330)	(413)	(16,743)
Balance at 31 March 2016	(2,085)	(32,505)	(6,362)	(1,950)	(42,902)	(47,139)	(90,041)	(3,687)	(93,728)

Reconciliation of movement in reserves statement to balance sheet

31 March 2015	31 March 2016
Group only	Group only
£000	£000
(76,985) Total reserves in the movement in reserves statement	(93,728)
- Minority interest share of reserves of subsidiaries	10
<u>(76,985) Total reserves in the balance sheet</u>	<u>(93,718)</u>

SUBJECT TO AUDIT

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the movement in reserves statement.

2014/15						2015/16						
Council			Group			Council			Group			
Gross expenditure	Gross income	Net expenditure	Gross expenditure	Gross income	Net expenditure	Gross expenditure	Gross income	Net expenditure	Gross expenditure	Gross income	Net expenditure	
£000	£000	£000	£000	£000	£000	note	£000	£000	£000	£000	£000	
2,166	(1,353)	813	2,166	(1,353)	813		2,378	(1,596)	782	2,378	(1,596)	782
7,380	(2,652)	4,728	7,380	(2,652)	4,728		6,553	(2,142)	4,411	6,553	(2,142)	4,411
11,627	(4,707)	6,920	11,627	(4,707)	6,920		11,130	(4,294)	6,836	11,130	(4,294)	6,836
7,305	(4,737)	2,568	7,305	(4,737)	2,568		6,349	(6,486)	(137)	6,349	(6,486)	(137)
2,932	(7,424)	(4,492)	2,932	(7,424)	(4,492)		2,909	(3,368)	(459)	2,909	(3,368)	(459)
57,234	(49,553)	7,681	57,234	(49,553)	7,681		53,657	(49,751)	3,906	53,657	(49,751)	3,906
3,231	(3)	3,228	3,231	(3)	3,228		3,018	14	3,032	3,018	14	3,032
1,910	-	1,910	1,910	-	1,910		2,534	-	2,534	2,534	-	2,534
93,785	(70,429)	23,356	93,785	(70,429)	23,356		88,528	(67,623)	20,905	88,528	(67,623)	20,905
						31						
		4,943			4,943	8			2,922			2,922
		1,338			936	9			1,004			1,063
		<u>(28,342)</u>			<u>(28,342)</u>	10			<u>(29,851)</u>			<u>(29,851)</u>
		1,295			893				(5,020)			(4,961)
		(2,593)			(4,093)	25.1			(557)			(942)
		51			51	25.2			-			-
		<u>14,153</u>			<u>14,153</u>	25.5			<u>(10,830)</u>			<u>(10,830)</u>
		11,611			10,111				(11,387)			(11,772)
		12,906			11,004				(16,407)			(16,733)

Analysis of the minority interest shares in the group comprehensive income and expenditure statement

Council £000	Minority interest £000	Total £000		Council £000	Minority interest £000	Total £000
893	-	893	Deficit/(surplus) on provision of services	(4,971)	10	(4,961)
10,111	-	10,111	Other comprehensive income and expenditure	(11,772)	-	(11,772)
11,004	-	11,004	Total comprehensive income and expenditure	(16,743)	10	(16,733)

Balance Sheet

The balance sheet shows the value as at the balance sheet date of the assets and liabilities recognised by the Council. The net assets of the Council are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves is usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. The second category of reserves is those that the Council is not able to use to provide services.

31 March 2015				31 March 2016	
Council	Group			Council	Group
£000	£000		note	£000	£000
		Property, plant & equipment			
108,554	108,554	Other land and buildings	11.7	108,919	108,919
1,887	1,887	Vehicles, plant and equipment	11.7	1,349	1,349
19	19	Community assets	11.7	19	19
9,729	9,729	Surplus assets not held for sale	11.7	9,729	9,729
220	220	Heritage assets	11.7	220	220
10,131	10,131	Assets under construction	11.7	85	85
130,540	130,540	Total property, plant & equipment		120,321	120,321
415	415	Investment property	12	415	415
1,285	1	Long term investments	13	1,284	-
-	2,745	Investment in joint venture	14	-	3,254
28,315	28,315	Long term debtors	15,36	43,652	43,471
160,555	162,016	Long term assets		165,672	167,461
451	451	Assets held for resale	16	428	428
34,132	34,132	Short term investments	17	32,569	32,569
3	3	Inventories		3	3
12,584	12,584	Short term debtors	17,18	11,595	11,622
4,286	4,286	Short term loans	17,19	4,387	4,387
7,965	7,965	Cash and cash equivalents	17,20	9,074	9,095
59,421	59,421	Current assets		58,056	58,104
(5,017)	(5,017)	Short term borrowing	17	-	-
(13,552)	(13,552)	Short term creditors	17,21	(10,865)	(10,915)
(1,629)	(1,629)	Provisions	22	(1,744)	(1,744)
(20,198)	(20,198)	Current liabilities		(12,609)	(12,659)
(187)	(187)	Provisions	22	(187)	(187)
(100,306)	(100,306)	Other long term liabilities	23	(95,408)	(95,408)
(23,761)	(23,761)	Long term borrowing	17	(23,593)	(23,593)
(124,254)	(124,254)	Long term liabilities		(119,188)	(119,188)
75,524	76,985	Net assets		91,931	93,718
(42,407)	(39,971)	Usable reserves	MiRS, 24	(44,792)	(42,307)
(33,117)	(37,014)	Unusable reserves	MiRS, 25	(47,139)	(51,411)
(75,524)	(76,985)	Total reserves		(91,931)	(93,718)

Cash Flow Statement

The cash flow statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

2014/15			2015/16	
Council	Group		Council	Group
£000	£000	note	£000	£000
(1,295)	(893)		5,020	4,961
9,958	9,556	26.1	23,011	23,091
(8,364)	(8,364)	26.2	(21,397)	(21,397)
299	299		6,634	6,655
(10,035)	(10,035)	27	(394)	(394)
12,586	12,586	28	(5,131)	(5,131)
2,850	2,850		1,109	1,130
5,115	5,115		7,965	7,965
7,965	7,965		9,074	9,095

1. Accounting Policies

1.1 General principles

The statement of accounts summarises the Council's transactions for the 2015/16 financial year and its position at 31 March 2016. The Council is required to prepare an annual statement of accounts by the Accounts and Audit (England) Regulations 2011 (SI 2011 no.817), which require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in The United Kingdom 2015/16 and Service Reporting Code of Practice 2015/16, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

1.2 Accruals of expenditure and income

All transactions of the Council are accounted for in the year in which they take place, not simply when the cash payments are made or received. In particular:

- Fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods or services;
- Supplies and services are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received and their consumption, they are carried as stocks on the balance sheet;
- Interest receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract;
- Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected; and
- Income and expenditure are credited and debited to the relevant service revenue account, unless they properly represent capital receipts or capital expenditure.

1.3 Cash and cash equivalents

Cash comprises cash in hand and call account deposits repayable without penalty on notice of not more than 24 hours. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. In the cash flow statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

1.4 Charges to revenue for non-current assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service;
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the revaluation reserve against which the losses can be written off;
- amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to either at least 4% of the underlying amount measured by the adjusted capital financing requirement or the asset life method where the MRP is determined by reference to the life of the asset and an equal amount charged each year. Depreciation, impairment losses and amortisations are therefore replaced by minimum revenue provision in the statement of movement on the general fund balance, by way of an adjusting transaction within the capital adjustment account for the difference between the two.

1.5 Employee benefits

1.5.1 Benefits payable during employment

Short-term employee benefits are those due to be settled wholly within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the Council.

An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year end which employees can carry into the next financial year. The accrual is made at the wage and salary rates applicable in the following year, being the period in which the employee takes the benefit. The accrual is charged to the surplus or deficit on the provision of services, but is then reversed out through the movement in reserves statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

1.5.2 Termination benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits, and are charged on an accruals basis to the relevant service costs line in the comprehensive income and expenditure statement at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

When termination benefits involve the enhancement of pensions, statutory provisions require the general fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the movement in reserves statement, appropriations are required to and from the pensions reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end.

1.5.3 Post-employment benefits

The majority of Council employees are members of the local government pension scheme, administered by Buckinghamshire County Council. The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees work for the Council.

The local government scheme is accounted for as a defined benefits scheme:

- The liabilities of Buckinghamshire County Council's superannuation fund attributable to the Council are included in the balance sheet on an actuarial basis using the projected unit method i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc. and projections of earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate based on the annualised yield at the 21 year point on the Merrill Lynch AA rated corporate bond curve, which has been chosen to meet the requirements of IAS19 and with consideration of the duration of the employer's liabilities. This approach has been updated from previous disclosures when the yield on the iBoxx Sterling Corporate Index was used as a standard assumption for most employers in the fund.
- The assets of Buckinghamshire County Council's superannuation fund attributable to the Council are included in the balance sheet at their fair value:
 - quoted securities – current bid price
 - unquoted securities – professional estimate
 - unitised securities – current bid price
 - property – market value
- The change in the net pensions liability is analysed into the following components:
 - service cost comprising:
 - current service cost – the increase in liabilities as a result of years of service earned this year (allocated in the comprehensive income and expenditure statement to the services for which the employees worked).
 - past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years (debited to the net cost of services in the comprehensive income and expenditure statement as part of non-distributed costs).
 - net interest on the defined benefit liability, i.e. net interest expense for the Council – the change during the year in the net defined benefit liability that arises from the passage of time (charged to the financing and investment income and expenditure line in the comprehensive income and expenditure statement).

- re-measurement comprising:
 - the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (charged to the pensions reserve as other comprehensive income and expenditure).
 - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation, or because the actuaries have updated their assumptions (charged to the pensions reserve as other comprehensive income and expenditure).
- contributions paid to Buckinghamshire County Council's pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities. This is not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the general fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the movement in reserves statement, this means that there are transfers to and from the pensions reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end. The negative balance that arises on the pensions reserve thereby measures the beneficial impact to the general fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

1.5.4 Discretionary benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the local government pension scheme.

1.6 Events after the balance sheet date

Events after the balance sheet date are those events, both favourable and unfavourable, that have occurred between the balance sheet date and the date when the statement of accounts is authorised for issue. Two types of event can be identified:

- those that provide evidence of conditions that existed at the balance sheet date – the statement of accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the balance sheet date – the statement of accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the statement of accounts.

1.7 Financial instruments

1.7.1 Financial liabilities

Financial liabilities are recognised on the balance sheet when the Council becomes a party to the contractual provisions of a financial instrument and are measured at fair value. Annual charges to the financing and investment income and expenditure line in the comprehensive income and expenditure statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument.

This means that for the borrowings the Council has, the amount presented in the balance sheet is the outstanding principal repayable plus accrued interest, and interest charged to the comprehensive income and expenditure statement is the amount payable for the year.

1.7.2 Financial assets

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- available for sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

1.7.2.1 Loans and receivables

Loans and receivables are recognised on the balance sheet when the Council becomes a party to the contractual provisions of a financial instrument and are measured at fair value. Annual credits to the financing and investment income and expenditure line in the comprehensive income and expenditure statement for interest receivable are based on the carrying amount of the liability multiplied by the effective rate of interest for the instrument.

This means that for the loans the Council has made, the amount presented in the balance sheet is the outstanding principal receivable plus accrued interest, and interest charged to the comprehensive income and expenditure statement is the amount receivable for the year.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the financing and investment income and expenditure line in the comprehensive income and expenditure statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

1.7.2.2 Available for sale assets

Available for sale assets are recognised on the balance sheet when the Council becomes a party to the contractual provisions of a financial instrument and are measured at fair value. Where the asset has fixed or determinable payments, annual credits to the financing and investment income and expenditure line in the comprehensive income and expenditure statement for interest receivable are based on the carrying amount of the liability multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income is credited to the comprehensive income and expenditure statement when it becomes receivable by the Council.

1.8 Government grants and other contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- the Council will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the comprehensive income and expenditure statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the balance sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line or taxation and non-specific grant income in the comprehensive income and expenditure statement.

Where capital grants are credited to the comprehensive income and expenditure statement, they are reversed out of the general fund balance in the movement in reserves statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the capital grants unapplied reserve. Amounts in the capital grants unapplied reserve are transferred to the capital adjustment account once they have been applied to fund capital expenditure.

1.8.1 Revenue support grant

Revenue support grant (RSG) is a general grant allocated by central government directly to local authorities as additional revenue funding. RSG is non-ring-fenced and is credited to taxation and non-specific grant income in the comprehensive income and expenditure statement

1.9 Interests in companies and other entities

The Council has a material interest in Aylesbury Vale Estates LLP (AVE), which requires it to prepare group accounts. In the Council's own single-entity accounts this interest is recorded as a financial asset at cost less any provision for losses.

1.10 Inventories and long-term contracts

Inventories (stocks) are included in the balance sheet at the lower of cost and net realisable value.

Long term contracts are accounted for on the basis of the comprehensive income and expenditure statement being charged in the year during which the cost of goods or services were received or provided.

1.11 Investment property

Investment properties are those (land or a building, or part of a building, or both) that are held solely to earn rentals or for capital appreciation or both. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. Properties are not depreciated but are revalued annually according to market conditions at the year end. Gains and losses on revaluation are posted to the financing and investment income and expenditure line in the comprehensive income and expenditure statement. The same treatment is applied to gains and losses on disposal.

Rentals and costs relating to investment properties are posted to the financing and investment income and expenditure line in the comprehensive income and expenditure statement and result in a gain or loss for the general fund balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the general fund balance. The gains and losses are therefore reversed out of the general fund balance in the movement in reserves statement and posted to the capital adjustment account and any sale proceeds credited to the capital receipts reserve.

1.12 Leases

1.12.1 Finance leases

The Council accounts for leases as finance leases when substantially all (determined for Aylesbury Vale District Council as being equal to or greater than 95%) the risks and rewards relating to the leased property transfer to the Council. Rentals payable are apportioned between:

- a charge for the acquisition of the interest in the property (recognised as a liability in the balance sheet at the start of the lease, matched with a tangible fixed asset – the liability is written down as the rent becomes payable); and
- a finance charge is made to net operating expenditure in the comprehensive income and expenditure statement as the rent becomes payable.

Fixed assets recognised under finance leases are accounted for using the policies applied generally to tangible fixed assets, subject to depreciation being charged over the lease term, if this is shorter than the asset's estimated useful life.

1.12.2 Operating leases

Leases that do not meet the definition of finance leases are accounted for as operating leases. Rentals payable are charged to the relevant service account on a straight-line basis over the term of the lease, which generally means that rentals are charged when they become payable.

1.13 Overheads and support services

The cost of support services are recharged to services based on use and in accordance with CIPFA's *Service Reporting Code of Practice 2015/16 – SeRCOP*.

The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- corporate and democratic core – costs relating to the Council's status as a multifunctional, democratic organisation; and
- non-distributed costs – the cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on non-operational properties.

These two categories are defined in SeRCOP and accounted for as separate headings in the comprehensive income and expenditure statement.

1.14 Prior period adjustments, changes in accounting policies and estimates and errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

1.15 Property, plant and equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and that are expected to be used during more than one financial year are classified as property, plant and equipment.

1.15.1 Recognition

Expenditure on the acquisition, creation or enhancement of fixed assets is capitalised on an accruals basis in the accounts. Expenditure in excess of £10,000 on fixed assets is capitalised. This excludes expenditure on routine repairs and maintenance of fixed assets which is charged direct to service revenue accounts.

1.15.2 Measurement

Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the balance sheet using the following measurement bases:

- assets surplus to requirements - fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV)
- other land and buildings - fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV)
- vehicles, plant and equipment – existing use value (EUV)
- infrastructure assets - historic cost
- community assets – historic cost or revalued basis
- assets under construction – historic cost

Assets included in the balance sheet at current value are revalued on a rolling basis within a five year time-frame. Increases in valuations are matched by credits in the revaluation reserve to recognise unrealised gains. Exceptionally, gains might be credited to the comprehensive income and expenditure statement where they arise from the reversal of an impairment loss previously charged to a service revenue account.

1.15.3 Impairment

The values of each category of assets and of material individual assets that are not being depreciated are reviewed at the end of each financial year for evidence of reductions in value. Where impairment is identified as part of this review or as a result of a valuation exercise, this is accounted for by:

- where there is a balance of revaluation gains for the asset in the revaluation reserve, the carrying amount of the asset is written down against the balance (up to the amount of the accumulated gains)
- where there is no balance on the revaluation reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant line(s) in the comprehensive income and expenditure account.

Where an impairment loss is charged to the comprehensive income and expenditure statement but there were accumulated revaluation gains in the revaluation reserve for that asset, an amount up to the value of the loss is transferred from the revaluation reserve to the capital adjustment account.

1.15.4 Disposals and non current assets held for resale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an asset held for resale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the other operating costs line in the comprehensive income and expenditure statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the surplus or deficit on provision of services. Depreciation is not charged on non current assets held for resale.

If assets no longer meet the criteria to be classified as non current assets held for resale, they are reclassified back to non current assets and valued at the lower of their carrying amount before they were classified for resale, adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as held for resale, and their recoverable amount at the date of the decision not to sell.

When an asset is disposed of or decommissioned, the value of the asset in the balance sheet is written off to the comprehensive income and expenditure statement as part of the gain or loss on disposal. Receipts from disposals are credited to the comprehensive income and expenditure statement as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains in the revaluation reserve are transferred to the capital adjustment account. Amounts in excess of £10,000 are categorised as capital receipts. A proportion of receipts (75%) relating to housing mortgage receipts is payable to the government. The balance of receipts is required to be credited to the capital receipts reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow – the capital financing requirement. Receipts are appropriated to the reserve from the movement in reserves statement.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the capital adjustment account from the movement in reserves statement.

1.15.5 Depreciation

Depreciation is provided in respect of all the relevant property, plant and equipment, other than investment properties, where a finite useful life has been determined. This is with the intention of writing off their balance sheet values in equal annual instalments over their remaining expected useful lives. This is commonly referred to as the 'straight line' method. An exception is made for assets without a determinable finite life (i.e. freehold land and certain community assets) and assets that are not yet available for use (i.e. assets under construction).

Revaluation gains are also depreciated, with an amount equal to the difference between the current value depreciation charge on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the revaluation reserve to the capital adjustment account.

1.15.6 Componentisation

The objective of component accounting is to follow proper accounting practice by ensuring that property, plant and equipment is accurately and fairly included in the Council's balance sheet, and that the comprehensive income and expenditure statement properly reflects the consumption of economic benefits of those assets over their useful lives through depreciation charges.

In order to do this, the Council must first determine which of its assets have a material value. For Aylesbury Vale District Council materiality in this instance has been set as any asset with a carrying value equal to or greater than 20% of the total carrying value for any asset group.

Where an asset is deemed material then the Council must ensure that the overall value of an asset is fairly apportioned over significant components that need to be accounted for separately and that their useful lives and the method of depreciation are determined on a reasonable and consistent basis. For Aylesbury Vale District Council significance has been set at equal to or greater than 20% of the asset's cost.

1.16 Provisions, contingent liabilities and contingent assets**1.16.1 Provisions**

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the comprehensive income and expenditure statement in the year that the Council becomes aware of the obligation and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the balance sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

1.16.2 Contingent liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the balance sheet but disclosed in a note to the accounts.

1.16.3 Contingent assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the balance sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

1.17 Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the general fund balance in the movement in reserves statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account. The value is then appropriated from the reserve and credited to the general fund balance so that there is no charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council.

1.18 Revenue expenditure funded from capital under statute

Revenue expenditure funded from capital under statute (REFCUS) is expenditure which may be capitalised but which does not result in the creation of tangible assets controlled by the Council. REFCUS incurred during the year is written off as expenditure to the relevant service revenue account in the year. Examples include grants to third parties for capital purposes and expenditure on private sector housing renewal.

1.19 VAT

VAT is only included within the revenue and capital income and expenditure accounts to the extent that it is irrecoverable.

2. Accounting standards not yet adopted

The Code of Practice on Local Council Accounting in the United Kingdom 2015/16 (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2016/17 Code:

- IAS1 Presentation of Financial Statements - This standard provides guidance on the form of the financial statements. The 'Telling the Story' review of the presentation of the local authority financial statements as well as the December 2014 changes to IAS1 under the International Accounting Standards Board (IASB) Disclosure Initiative will result in changes to the format of the accounts in 2016/17. The format of the comprehensive income and expenditure statement and the movement in reserves statement will change and introduce a new expenditure and funding analysis.
- Other minor changes due to the Annual Improvement to IFRSs cycles, IFRS11 Joint Arrangements, IAS16 Property, Plant & Equipment, and IAS19 Employee Benefits are minor and are not expected to have a material impact on the statement of accounts.

The Code requires implementation from 1 April 2016 and there is therefore no impact on the 2015/16 statement of accounts

3. Critical judgements in applying accounting policies

In applying the accounting policies set out in Note 1, the Council has had to make certain judgments about complex transactions or those involving uncertainty about future events. The critical judgments made in the statement of accounts are:

- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.
- The Council has a number of members who are trustees of the Aylesbury Vale Community Trust, an independent not-for-profit organisation that operated the leisure centres previously operated by the Council. It has been determined that the Council does not have control of the trust and it is not a subsidiary of the Council.

4. Assumptions made about the future and other major sources of estimation uncertainty

The statement of accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the Council's balance sheet at 31 March 2016 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

- Business rates - Since the introduction of the business rates retention scheme effective from 1 April 2013, local authorities are liable for successful appeals against business rates charged to businesses in 2012/13 and earlier years in their proportionate share. Therefore a provision has been recognised for the best estimate of the amount that businesses have been overcharged up to 31 March 2016. The estimate has been calculated using the Valuation Office (VOA) ratings list of appeals and the analysis of successful appeals to date when providing the estimate of the total provision up to and including 31 March 2016.
- Council tax (surplus)/deficit - Assumptions are made on the likely (surplus)/deficit for the year in the January prior to the year end. The information forms part of the budget setting process for Aylesbury Vale District Council, Buckinghamshire County Council, Thames Valley Police Authority and Buckinghamshire and Milton Keynes Fire & Rescue Authority. If the actual (surplus)/deficit differs significantly from the estimated assumption position from January, there will be an impact in the following year's budget process. A higher deficit could mean more savings being required or an increased council tax.
- Debt impairment - At 31 March 2016, the Council had a balance of sundry debtors for £11,772,000. A review of significant balances suggested that an impairment for doubtful debts of 23% (£2,752,000) was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient. If collection rates were to deteriorate, which was not the case during 2015/16, the Council would require additional funds to set aside as an allowance.

- Earmarked reserves - The Council has a large number of earmarked reserves, which are reviewed annually to assess the expected year end balance. The expected reserve balances form part of the budget setting process. Although, the reserve levels are not prescribed, major variations could have an impact on service budgets as expected funds may not be available, which could lead to savings being required in year.
- Pensions liability - Estimation of the net liability to pay pensions depends on a number of complex judgments relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied. The effects on the net pensions liability of changes in individual assumptions can be measured. The assumptions interact in complex ways.
- Property, plant and equipment - Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. In the current economic climate there will be increased pressure on all budgets, leading to difficult choices which might result in the Council being less able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.

If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £79,200 for every year that useful lives had to be reduced.

- Provisions for liabilities including restructuring, redundancy and onerous contracts - no provision is made for redundancies as sections have to meet the cost from within their own budgets. If there was the need to make redundancies and they could not be met from the service budget then it would impact on the general fund surplus. Any impact would have to be met from the following year. It could be significant if there were a large number.

This list does not include assets and liabilities that have been carried at fair value based on a recently observed market price.

5. Events after the balance sheet date

The statement of accounts was authorised for issue by the Director on 26 September 2016. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2016, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

6. Adjustments

6.1 Adjustments between group accounts and Council accounts

2014/15		2015/16	
Group		Group	
£000		£000	
663	Share of AVE LLP loss/(profit) for the year		(201)
	- Aylesbury Vale Broadband Ltd loss for the year		190
	Novae Ltd profit for the year		(7)
663			(18)

6.2 Adjustments between accounting basis and funding basis under regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are made by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

The following sets out a description of the reserves against which the adjustments are made.

- **General fund balance**
The general fund is the statutory fund into which all the receipts of the Council are required to be paid and out of which all liabilities of the Council are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the general fund balance, which is not necessarily in accordance with proper accounting practice. The general fund therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment.
- **Capital receipts reserve**
The capital receipts reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historic capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year end.
- **Capital grants unapplied**
The capital grants unapplied account holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

Council and group	2015/16			
	Usable reserves			Movement in unusable reserves
	General fund balance	Capital receipts reserve	Capital grants unapplied	
	£000	£000	£000	£000
Adjustments primarily involving the capital adjustment account				
Reversal of items debited or credited to the comprehensive income and expenditure statement				
Charges for depreciation and impairment of non-current assets	(3,071)	-	-	3,071
Revenue expenditure funded from capital under statute	(385)	-	-	385
Amounts of non-current assets written off on disposal or sale as part of the (gain)/loss on disposal to the comprehensive income and expenditure statement	(16,222)	-	-	16,222
Insertion of items not debited or credited to the comprehensive income and expenditure statement				
Statutory provision for the financing of capital investment	1,536	-	-	(1,536)
Adjustments primarily involving the capital grants unapplied account				
Capital grants and contributions unapplied credited to the comprehensive income and expenditure statement	3,722	-	(3,722)	-
Application of grants to capital financing transferred to the capital adjustment account	-	-	3,039	(3,039)
Adjustments primarily involving the capital receipts reserve				
Use of the capital receipts reserve to finance new capital expenditure	-	5,785	-	(5,785)
In-year capital receipts	2,429	(2,429)	-	-
Transfer from deferred capital receipts reserve upon receipt of cash	-	(109)	-	109
Adjustments primarily involving the deferred capital receipts reserve				
Transfer of deferred sale proceeds credited as part of the loss on disposal to the comprehensive income and expenditure statement	15,302	-	-	(15,302)
Adjustments primarily involving the pensions reserve				
Reversal of items relating to retirement benefits debited or credited to the comprehensive income and expenditure statement	(7,310)	-	-	7,310
Employer's contributions and direct payments to pensioners payable in year	3,854	-	-	(3,854)
Adjustments primarily involving the collection fund adjustment account				
Amount by which council tax income and non domestic rates income credited to the comprehensive income and expenditure statement is different from council tax and non domestic rates income calculated for the year in accordance with statutory requirements	212	-	-	(212)
Adjustments primarily involving the accumulated absences account				
Amount by which officer remuneration charged to the comprehensive income and expenditure statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	4	-	-	(4)
Total adjustments	71	3,247	(683)	(2,635)

Council and group	2014/15			
	Usable reserves			Movement in unusable reserves
	General fund balance	Capital receipts reserve	Capital grants unapplied	
	£000	£000	£000	£000
Adjustments primarily involving the capital adjustment account				
Reversal of items debited or credited to the comprehensive income and expenditure statement				
Charges for depreciation and impairment of non-current assets	(4,130)	-	-	4,130
Revaluation increases/(decreases) recognised in the (surplus)/deficit on the provision of services	4,363	-	-	(4,363)
Revenue expenditure funded from capital under statute	(4,588)	-	-	4,588
Amounts of non-current assets written off on disposal or sale as part of the (gain)/loss on disposal to the comprehensive income and expenditure statement	(7,434)	-	-	7,434
Insertion of items not debited or credited to the comprehensive income and expenditure statement				
Statutory provision for the financing of capital investment	1,320	-	-	(1,320)
Adjustments primarily involving the capital grants unapplied account				
Capital grants and contributions unapplied credited to the comprehensive income and expenditure statement	1,928	-	(1,928)	-
Application of grants to capital financing transferred to the capital adjustment account	-	-	1,253	(1,253)
Adjustments primarily involving the capital receipts reserve				
Use of the capital receipts reserve to finance new capital expenditure	-	4,164	-	(4,164)
In-year capital receipts	6,018	(6,018)	-	-
Transfer from deferred capital receipts reserve upon receipt of cash	-	(3,939)	-	3,939
Adjustments primarily involving the pensions reserve				
Reversal of items relating to retirement benefits debited or credited to the comprehensive income and expenditure statement	(6,832)	-	-	6,832
Employer's contributions and direct payments to pensioners payable in year	3,742	-	-	(3,742)
Adjustments primarily involving the collection fund adjustment account				
Amount by which council tax income and non domestic rates income credited to the comprehensive income and expenditure statement is different from council tax and non domestic rates income calculated for the year in accordance with statutory requirements	607	-	-	(607)
Adjustments primarily involving the accumulated absences account				
Amount by which officer remuneration charged to the comprehensive income and expenditure statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	15	-	-	(15)
Total adjustments	(4,991)	(5,793)	(675)	11,459

7. Transfers (to)/from earmarked reserves

This note sets out the amounts set aside from general fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet general fund expenditure in 2014/15 and 2015/16.

Council and group	Balance 1 April 2014	Transfers out 2014/15	Transfers in 2014/15	Balance 31 March 2015	Transfers out 2015/16	Transfers in 2015/16	Balance 31 March 2016
	£000	£000	£000	£000	£000	£000	£000
Capital purposes							
Amenity areas	(2,424)	-	(82)	(2,506)	-	(242)	(2,748)
Property sinking	(2,812)	500	-	(2,312)	500	-	(1,812)
Information technology	(1,214)	282	(297)	(1,229)	78	(297)	(1,448)
Property strategy	(436)	-	(104)	(540)	-	-	(540)
Future vehicle costs	(19)	15	-	(4)	-	-	(4)
	(6,905)	797	(483)	(6,591)	578	(539)	(6,552)
Revenue purposes							
New homes bonus	(3,551)	-	(3,450)	(7,001)	1,454	(5,074)	(10,621)
Interest equalisation	(3,452)	657	-	(2,795)	218	(658)	(3,235)
Planning fees	(753)	405	(842)	(1,190)	-	(1,156)	(2,346)
Business rates	(1,680)	-	(321)	(2,001)	-	-	(2,001)
Superannuation	(1,837)	277	-	(1,560)	277	-	(1,283)
Repairs & renewals	(1,055)	401	(254)	(908)	97	(384)	(1,195)
Fairford Leys riverine	(412)	-	(438)	(850)	-	(12)	(862)
LABGI	(907)	100	(50)	(857)	-	-	(857)
Benefit subsidy	(1,534)	-	-	(1,534)	727	-	(807)
Self insurance	(539)	-	(38)	(577)	-	-	(577)
Aylesbury special expenses	(471)	-	(48)	(519)	15	-	(504)
Recycling & composting	(151)	-	(48)	(199)	-	(107)	(306)
Car parking	(192)	-	-	(192)	-	(15)	(207)
District elections	(141)	35	(54)	(160)	-	(39)	(199)
Health licensing income	(51)	-	-	(51)	-	(120)	(171)
Leisure Activities	-	-	(156)	(156)	-	(2)	(158)
Historic buildings	(136)	-	(5)	(141)	-	-	(141)
Housing needs & s106	(107)	-	-	(107)	-	-	(107)
Business support fund	-	-	(102)	(102)	-	-	(102)
Business transformation	(150)	61	-	(89)	-	-	(89)
Rent guarantee scheme	(71)	-	-	(71)	-	-	(71)
Market research	(32)	-	(15)	(47)	-	-	(47)
Playgrounds	(40)	-	-	(40)	-	-	(40)
Land registry fees	(11)	-	-	(11)	-	-	(11)
Other	(9)	-	-	(9)	1	-	(8)
Corporate improvement	(8)	-	-	(8)	-	-	(8)
	(17,290)	1,936	(5,821)	(21,175)	2,789	(7,567)	(25,953)
	(24,195)	2,733	(6,304)	(27,766)	3,367	(8,106)	(32,505)

The following paragraphs provide an explanation of those reserves whose balance is in excess of £1 million or where it was felt reporting would be beneficial.

(a) Amenity areas

The Council has established a reserve to hold commuted sums and sums received by way of section 106 agreements. The sums are invested and the interest transferred to the general fund to meet on-going revenue costs.

(b) Property sinking reserve

The Council has established a property sinking fund for the purpose of meeting large maintenance and refurbishment costs associated with operational buildings, particularly the offices and the new theatre.

(c) Information technology

The Council has established a reserve for the purpose of meeting the cost of investment in new technology.

(d) New homes bonus

The Council has established a reserve from payments received from the Government. The new homes bonus payments are an incentive scheme aimed at encouraging authorities to increase housing supply through new build and returning empty properties to use. At its meeting of the 17 July 2013, the Council agreed to a £5.4 million contribution to the East/West rail link, which would be met from this reserve.

(e) Interest equalisation reserve

The Council has established a reserve for the purpose of maintaining the level of interest transferred to the general fund annually. The reserve helps to counteract any fluctuations in interest rates.

(f) Planning reserves

The Council has established a number of reserves for the purpose of meeting fees and costs associated with major planning enquiries.

(g) Business rates reserve

The Council has established a reserve to smooth out the fluctuations in the retained proportion of business rates arising from new government financing arrangements.

(h) Superannuation reserve

This reserve has been established for the purpose of meeting back funding contributions and pension strain costs in respect of deleted posts.

(i) Repairs and maintenance (corporate property) reserve

The Council maintains a reserve for the purpose of providing for the future refurbishment of general fund property assets. This reserve receives an annual contribution from the comprehensive income and expenditure account.

(j) LABGI (local authority business growth incentive) reserve

The Council has created a reserve from the grant income received from the DCLG pending the allocation to specific areas that have been identified within the district.

(k) Benefit subsidy reserve

The Council has established a reserve for the purpose of meeting fluctuations in respect of housing benefit subsidy. Additional year end subsidy received during the following year will be available to meet future fluctuations once the final benefit subsidy position is known.

8. Other operating income and expenditure

2014/15		2015/16
Council and Group		Council and Group
£000		£000
4,272	Parish precepts	4,552
1	Payments to the government housing capital receipts pool	-
(2,793)	Post stock transfer capital receipts	(2,310)
(82)	Commutated sum income	(242)
(246)	Other operating (income)/costs	121
3,791	Loss on disposal of non-current assets	801
4,943		2,922

9. Financing and investment income and expenditure

2014/15			2015/16	
Council	Group		Council	Group
£000	£000		£000	£000
829	829	Interest payable and similar charges	906	906
3,138	3,138	Net interest on the net defined liability	2,931	2,931
(2,601)	(2,601)	Interest receivable and similar income	(2,804)	(2,804)
-	-	Losses attributable to subsidiary companies	-	183
-	(506)	Share of profits attributable to joint venture	-	(201)
(104)	-	Distribution attributable to joint venture (note 29)	(77)	-
76	76	Other investment costs (note 12)	48	48
1,338	936		1,004	1,063

10. Taxation and non-specific grant income

2014/15		2015/16
Council and Group		Council and Group
£000		£000
(14,060)	Council tax income	(15,031)
(3,697)	Non domestic rates	(3,944)
(9,157)	Non-ringfenced government grants (note 30)	(8,599)
(1,428)	Capital grants and contributions	(2,277)
(28,342)		(29,851)

11. Property, plant and equipment**11.1 Measurement bases used**

The gross carrying amount of assets has been determined on the following bases:

- other land and buildings are included in the balance sheet at the lower of net current replacement cost and net realisable value.
- vehicles, plant and equipment are included in the balance sheet at historical cost.
- community assets are included in the balance sheet at historical cost.
- assets under construction are included in the balance sheet at historical cost.

11.2 Depreciation methods used

Depreciation is calculated on a straight line basis over the useful life of an asset

11.3 Useful lives or depreciation rates used

The useful life of an asset is the period over which it is expected to deliver productive benefit to the Council. The useful lives used for depreciating the various assets are:

<u>Class type</u>	<u>Useful life</u>
Surface car parks	20 - 34 years
Multi-storey car parks	26 - 50 years
Sports pavilions	10 - 28 years
Other public buildings	8 - 43 years
Equipment	5 years
Vehicles	3 years

11.4 Capital commitments

The Council had no outstanding capital commitments at 31 March 2016.

The Council had no construction contracts in effect at 31 March 2016.

11.5 Effects of changes in estimates

Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.

If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £79,200 for every year that useful lives had to be reduced.

11.6 Revaluations

The Council carries out a rolling programme that ensures that all property, plant and equipment required to be measured at fair value is revalued at least once every five years. Valuations of land and buildings are carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of University Campus Aylesbury Vale and Swan Pool were carried out by Mark Aldis BSc(Hons) M.R.I.C.S. of Wilks, Head and Eve as at 31 March 2016.

The significant assumptions applied in estimating the fair values are:

- operational assets – the total value has been apportioned between land and building parts, with the building representing the depreciable amount;
- specialised assets – where no market-based evidence exists to arrive at fair value, the depreciated replacement cost (DRC) approach has been used;
- land assets – these have been assessed to fair value having regard to the cost of purchasing notional replacement sites in the same locality;
- assets held for sale – these have been assessed to fair value on the basis of market value.

11.7 Movement on property, plant and equipment

Council and group	2015/16						
	Other land & buildings £000	Vehicles, plant & equipment £000	Community assets £000	Surplus assets £000	Heritage assets £000	PP&E under construction £000	Total PP&E £000
Cost or valuation							
At 1 April 2015	112,892	6,108	19	9,729	220	10,131	139,099
Additions	2,411	-	-	-	-	6,083	8,494
Revaluation increases/(decreases) recognised in the revaluation reserve	557	-	-	-	-	-	557
Derecognition - disposals	(16,222)	-	-	-	-	-	(16,222)
Other movements in cost or valuation	16,129	-	-	-	-	(16,129)	-
At 31 March 2016	115,767	6,108	19	9,729	220	85	131,928
Accumulated depreciation							
At 1 April 2015	(4,338)	(4,221)	-	-	-	-	(8,559)
Depreciation charge	(2,547)	(538)	-	-	-	-	(3,085)
Derecognition - disposals	37	-	-	-	-	-	37
At 31 March 2016	(6,848)	(4,759)	-	-	-	-	(11,607)
Net book value							
At 31 March 2016	108,919	1,349	19	9,729	220	85	120,321
At 1 April 2015	108,554	1,887	19	9,729	220	10,131	130,540

Council and group	2014/15						
	Other land & buildings £000	Vehicles, plant & equipment £000	Community assets £000	Surplus assets £000	Heritage assets £000	PP&E under construction £000	Total PP&E £000
Cost or valuation							
At 1 April 2014	106,296	6,048	19	9,729	220	8,941	131,253
Additions	-	60	-	-	-	8,533	8,593
Revaluation increases/(decreases) recognised in the revaluation reserve	2,337	-	-	-	-	-	2,337
Revaluation increases/(decreases) recognised in the (surplus)/deficit on the provision of services	4,363	-	-	-	-	-	4,363
Impairment losses/reversals recognised in the (surplus)/deficit on the provision of services	-	-	(1,362)	-	-	-	(1,362)
Derecognition - disposals	(5,634)	-	-	-	-	-	(5,634)
Reclassification to assets held for resale	(451)	-	-	-	-	-	(451)
Other movements in cost or valuation	5,981	-	1,362	-	-	(7,343)	-
At 31 March 2015	112,892	6,108	19	9,729	220	10,131	139,099
Accumulated depreciation							
At 1 April 2014	(2,261)	(3,786)	-	-	-	-	(6,047)
Depreciation charge	(2,333)	(435)	-	-	-	-	(2,768)
Depreciation written out to the revaluation reserve	256	-	-	-	-	-	256
At 31 March 2015	(4,338)	(4,221)	-	-	-	-	(8,559)
Net book value							
At 31 March 2015	108,554	1,887	19	9,729	220	10,131	130,540

12. Investment properties

The following items of income and expense have been accounted for in the financing and investment income and expenditure line in the comprehensive income and expenditure statement:

2014/15		2015/16	
Council and group		Council and group	
£000		£000	
	(2) Rental income from investment property		(6)
78	Direct operating expenses arising from investment property	54	
76		48	

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or carry out repairs, maintenance or enhancement.

The following table summarises the movement in the fair value of investment properties over the year:

31 March 2015		31 March 2016	
Council and group		Council and group	
£000		£000	
415	Balance at 1 April	415	
415	Balance at 31 March	415	

13. Long term investments

31 March 2015			31 March 2016		
Council	Group		Council	Group	
£000	£000		£000	£000	
1,284	-	Aylesbury Vale Estates LLP	1,284	-	
1	1	Other	-	-	
1,285	1		1,284	-	

14. Investment in joint venture

31 March 2015		31 March 2016	
Group		Group	
£000		£000	
1,308	Investment at cost	1,308	
(24)	Capital repayments and distributions	(24)	
(1,813)	Distributions	(1,890)	
(623)	AVDC share of accumulated losses	(422)	
3,897	AVDC share of accumulated revaluation gains	4,282	
2,745		3,254	

15. Long term debtors

1 April 2014	31 March 2015		31 March 2016	
Council and group	Council and group		Council	Group
£000	£000		£000	
28,648	28,264	Aylesbury Vale Estates LLP	27,856	27,856
-	-	Finance leases	15,577	15,577
-	-	Aylesbury Vale Broadband Ltd	171	-
-	-	Novae Consulting Letd	10	-
79	51	Car purchase loans	38	38
28,727	28,315		43,652	43,471

16. Assets held for resale

At the end of the year, the Council had entered into negotiations to sell Elmhurst Community Centre, with a total value of £428,000.

31 March 2015		31 March 2016
Council and group		Council and group
£000		£000
	Elmhurst Community Centre	
	- Balance as at 1 April	451
451	Additions	-
	- Accumulated Depreciation	(23)
451	Balance as at 31 March	428
	Circus Fields	
1,800	Balance as at 1 April	-
(1,800)	Disposals	-
	- Balance as at 31 March	-
451		428

17. Financial instruments

17.1 Categories of financial instruments

The following categories of financial instruments are carried in the balance sheet:

31 March 2015	
Council and group	
Long term	Current
£000	£000

Investments		
-	21,076	Loans and receivables
-	21,076	Total investments
Debtors		
28,727	7,736	Loans and receivables
-	8,833	Financial assets carried at contract amounts
28,727	16,569	Total debtors
Cash and cash equivalents		
-	5,115	Financial assets carried at contract amount
-	5,115	Total cash and cash equivalents
Borrowings		
(15,139)	(5,009)	Financial liabilities at amortised cost
(15,139)	(5,009)	Total borrowings
Creditors		
-	(6,037)	Financial liabilities carried at contract amount
-	(6,037)	Total creditors

31 March 2016			
Council		Group	
Long term	Current	Long term	Current
£000	£000	£000	£000
-	32,569	-	32,569
-	32,569	-	32,569
43,652	4,387	43,471	4,387
-	7,848	-	7,875
43,652	12,235	43,471	12,262
-	9,074	-	9,095
-	9,074	-	9,095
(23,593)	-	(23,593)	-
(23,593)	-	(23,593)	-
-	(7,642)	-	(7,692)
-	(7,642)	-	(7,692)

17.2 Income, expense, gains and losses

2014/15				2015/16		
Council and group				Council and group		
Financial assets: loans and receivables	Assets and liabilities at fair value through profit and loss	Total		Financial assets: loans and receivables	Assets and liabilities at fair value through profit and loss	Total
£000	£000	£000		£000	£000	£000
-	829	829	Interest expense	-	906	906
-	829	829	Total expense in deficit on the provision of services	-	906	906
(2,601)	-	(2,601)	Interest income	(2,804)	-	(2,804)
(2,601)	-	(2,601)	Total income in deficit on the provision of services	(2,804)	-	(2,804)
51	-	51	Amounts recycled to the surplus or deficit on the provision of services after impairment	-	-	-
51	-	51	Deficit arising on revaluation of financial assets in other comprehensive income and expenditure	-	-	-
(2,550)	829	(1,721)		(2,804)	906	(1,898)

17.3 Fair values of assets and liabilities

Financial liabilities, financial assets represented by loans and receivables and long-term debtors and creditors are carried in the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- no early repayment or impairment is recognised;
- where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate to fair value;
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

31 March 2015	
Council and group	
Carrying amount	Fair value
£000	£000

		Financial assets	
28,315	28,315	Long term debtors	
34,132	34,097	Short term investments	
7,965	7,965	Cash and cash equivalents	
70,412	70,377		
		Financial liabilities	
(9,999)	(9,999)	Long term creditors	
(5,017)	(5,017)	Short term borrowing	
(23,761)	(26,823)	Long term borrowing	
(38,777)	(41,839)		

31 March 2016			
Council		Group	
Carrying amount	Fair value	Carrying amount	Fair value
£000	£000	£000	£000
43,652	43,652	43,471	43,471
32,569	33,106	32,569	33,106
9,074	9,074	9,095	9,095
85,295	85,832	85,135	85,672
(12,475)	(12,475)	(12,475)	(12,475)
-	-	-	-
(23,593)	(26,685)	(23,593)	(26,685)
(36,068)	(39,160)	(36,068)	(39,160)

Short term debtors and creditors are carried at cost as this is a fair approximation of their value.

18. Short term debtors

31 March 2015		31 March 2016	
Council and group		Council	Group
£000		£000	£000
3,721	Central government bodies	1,964	1,964
748	Other local authorities	418	418
200	NHS bodies	-	-
193	Amounts owed by joint venture	193	193
9,735	Other entities and individuals	11,772	11,799
<u>14,597</u>		<u>14,347</u>	<u>14,374</u>
(2,013)	Provision for impairment of bad debts	(2,752)	(2,752)
<u>12,584</u>		<u>11,595</u>	<u>11,622</u>

19. Short term loans

During 2012/13, the Council granted a loan to Hale Leys LLP (a newly created, wholly owned subsidiary of AVE LLP) to facilitate the purchase of the Hale Leys shopping centre in Aylesbury. By supporting the acquisition the Council became joint owners of the shopping centre.

The dividend receivable from AVE LLP in respect of 2011/12, plus an additional repayment of capital during 2012/13 was converted into a short term loan during 2012/13. An amount payable by AVE LLP for the purchase of 28 High Street, Winslow of £120,000 was converted into a short term loan during 2013/14 as was the dividend receivable of £439,000. Similarly, the dividends receivable in respect of 2014/15 of £104,000 and 2015/16 of £77,000 were also converted into short term loans.

The balances outstanding at the end of the year are as follows:

31 March 2015		31 March 2016	
Council and group		Council and group	
£000		£000	
2,900	Hale Leys LLP	2,900	
1,386	Aylesbury Vale Estates LLP	1,487	
<u>4,286</u>		<u>4,387</u>	

20. Cash and cash equivalents

31 March 2015		31 March 2016	
Council and group		Council	Group
£000		£000	£000
1	Cash	1	1
1,022	Bank current accounts	2,493	2,514
7,540	Short term deposits	6,580	6,580
<u>7,965</u>		<u>9,074</u>	<u>9,095</u>

21. Short term creditors

31 March 2015	31 March 2016	
Council and group	Council	Group
£000	£000	£000
(2,347)	(2,925)	(2,925)
(4,258)	(2,681)	(2,681)
(6,947)	(5,259)	(5,309)
(13,552)	(10,865)	(10,915)

22. Provisions

	Council and group	
	Short term	Long term
	NNDR appeals	Refundable bonds
	£000	£000
Balance at 1 April 2014	(1,629)	(183)
Additional provisions made in 2014/15	-	(4)
Balance at 31 March 2015	(1,629)	(187)
Additional provisions made in 2015/16	(115)	-
Balance at 31 March 2016	(1,744)	(187)

23. Other long term liabilities

31 March 2015	31 March 2016
Council and group	Council and group
£000	£000
(90,307)	(82,933)
(9,999)	(12,475)
(100,306)	(95,408)

24. Usable reserves

Movement in usable reserves are summarised below:

Council	Balance	Movements		Balance	Movements		Balance
	1 April 2014	Debits	Credits	31 March 2015	Debits	Credits	31 March 2016
	£000	£000	£000	£000	£000	£000	£000
General fund balance	(3,640)	127,456	(127,581)	(3,765)	129,564	(129,774)	(3,975)
Capital receipts reserve	(3,816)	4,164	(9,957)	(9,609)	5,785	(2,538)	(6,362)
Capital grants unapplied	(592)	1,253	(1,928)	(1,267)	3,039	(3,722)	(1,950)
Earmarked reserves	(24,195)	2,733	(6,304)	(27,766)	3,367	(8,106)	(32,505)
	(32,243)	135,606	(145,770)	(42,407)	141,755	(144,140)	(44,792)

Group	Balance	Movements		Balance	Movements		Balance
	1 April 2014	Debits	Credits	31 March 2015	Debits	Credits	31 March 2016
	£000	£000	£000	£000	£000	£000	£000
General fund balance	(1,931)	127,456	(127,477)	(1,952)	129,564	(129,697)	(2,085)
Capital receipts reserve	(3,816)	4,164	(9,957)	(9,609)	5,785	(2,538)	(6,362)
Capital grants unapplied	(592)	1,253	(1,928)	(1,267)	3,039	(3,722)	(1,950)
Earmarked reserves	(24,195)	2,733	(6,304)	(27,766)	3,367	(8,106)	(32,505)
Joint venture profit and loss reserves	1,129	-	(506)	623	-	(201)	422
Subsidiary profit and loss reserves	-	-	-	-	186	(13)	173
	(29,405)	135,606	(146,172)	(39,971)	141,941	(144,277)	(42,307)

25. Unusable reserves

Movement in unusable reserves are summarised below:

Council only	Balance	Movements		Balance	Movements		Balance
	1 April 2014	Debits	Credits	31 March 2015	Debits	Credits	31 March 2016
	£000	£000	£000	£000	£000	£000	£000
Revaluation reserve	(10,961)	-	(2,593)	(13,554)	-	(557)	(14,111)
Available for sale financial instruments reserve	(51)	51	-	-	-	-	-
Capital adjustment account	(86,824)	16,152	(11,100)	(81,772)	19,678	(10,360)	(72,454)
Deferred capital receipts	(32,708)	3,939	-	(28,769)	109	-	(28,660)
Pensions reserve	73,064	28,423	(11,180)	90,307	(4,915)	(2,459)	82,933
Collection fund adjustment account	1,204	-	(607)	597	-	(212)	385
Accumulated absences account	89	74	(89)	74	70	(74)	70
	(56,187)	48,639	(25,569)	(33,117)	14,942	(13,662)	(31,837)

Group	Balance	Movements		Balance	Movements		Balance
	1 April 2014	Debits	Credits	31 March 2015	Debits	Credits	31 March 2016
	£000	£000	£000	£000	£000	£000	£000
Revaluation reserve	(13,358)	141	(4,234)	(17,451)	-	(942)	(18,393)
Available for sale financial instruments reserve	(51)	51	-	-	-	-	-
Capital adjustment account	(86,824)	16,152	(11,100)	(81,772)	19,678	(10,360)	(72,454)
Deferred capital receipts	(32,708)	3,939	-	(28,769)	109	(15,302)	(43,962)
Pensions reserve	73,064	28,423	(11,180)	90,307	(4,915)	(2,459)	82,933
Collection fund adjustment account	1,204	-	(607)	597	-	(212)	385
Accumulated absences account	89	74	(89)	74	70	(74)	70
Minority interests	-	-	-	-	10	-	10
	(58,584)	48,780	(27,210)	(37,014)	14,952	(29,349)	(51,411)

25.1 Revaluation reserve

The revaluation reserve contains the gains arising from increases in the value of its property, plant and equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost;
- used in the provision of services and the gains are consumed through depreciation; or
- disposed of and the gains are realised.

The reserve contains only revaluation gains accumulated since 1 April 2007, the date that the reserve was created. Accumulated gains arising before that date are consolidated into the balance on the capital adjustment account.

2014/15			2015/16	
Council	Group		Council	Group
£000	£000		£000	£000
(10,961)	(13,358)	Balance at 1 April	(13,554)	(17,451)
(2,337)	(3,978)	Upward revaluation of assets	(557)	(942)
(256)	(256)	Depreciation written back to revaluation reserve	-	-
-	141	Downward revaluation of assets and impairment losses not charged to the deficit on the provision of services	-	-
(2,593)	(4,093)	Surplus on revaluation of non-current assets not posted to the deficit on the provision of services	(557)	(942)
(13,554)	(17,451)	Balance at 31 March	(14,111)	(18,393)

25.2 Available for sale financial instruments reserve

The available for sale financial instruments reserve contains the gains arising from increases in the value of investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:

- revalued downwards or impaired and the gains are lost; or
- disposed of and the gains are realised.

2014/15		2015/16
Council and group		Council and group
£000		£000
(51)	Balance at 1 April	-
51	Downward revaluation of investments	-
-	Balance at 31 March	-

25.3 Capital adjustment account

The capital adjustment account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the comprehensive income and expenditure statement (with reconciling postings from the revaluation reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The account contains accumulated gains and losses on investment properties and gains recognised on donated assets that have yet to be consumed by the Council.

The account also contains revaluation gains accumulated on property, plant and equipment before 1 April 2007, the date that the revaluation reserve was created to hold such gains. Note 6 provides details of the source of all the transactions posted to the account, apart from those involving the revaluation reserve.

2014/15			2015/16	
Council and group			Council and group	
£000	£000		£000	£000
	(86,824)	Balance at 1 April		(81,772)
		Reversal of items relating to capital expenditure debited to the comprehensive income and expenditure statement		
		• Charges for depreciation and impairment of non-current assets	3,071	
4,130				
		• Revaluation increases/(decreases) recognised in the (surplus)/deficit on the provision of services	-	
(4,363)				
		• Revenue expenditure funded from capital under statute	385	
4,588				
		• Amounts of non-current assets written off on disposal or sale as part of the loss on disposal to the comprehensive income and expenditure statement		
		Net written out amount of the non-current assets consumed	16,222	
7,434				
	11,789	in the year		19,678
		Capital financing applied in the year		
		• Use of the capital receipts reserve to finance new capital expenditure		(5,785)
(4,164)				
		• Application of grants to capital financing from the capital grants unapplied account and earmarked reserves		(3,039)
(1,253)				
		• Statutory provision for the financing of capital investment charged against the general fund		(1,536)
	(1,320)			
	(81,772)	Balance at 31 March		(72,454)

25.4 Deferred capital receipts reserve

The deferred capital receipts reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the capital receipts reserve.

2014/15			2015/16	
Council and group			Council and group	
£000	£000		£000	£000
	(32,708)	Balance at 1 April		(28,769)
		Transfer of deferred sales proceeds credited as part of the loss on disposal to the comprehensive income and expenditure statement	(15,302)	
		- Amount written off to the capital adjustment account	-	
		Transfer to the capital receipts reserve upon receipt of cash	109	
3,939				
	(28,769)	Balance at 31 March		(43,962)

25.5 Pensions reserve

The pensions reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the comprehensive income and expenditure statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the pensions reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2014/15			2015/16	
Council and group			Council and group	
£000	£000		£000	£000
	73,064	Balance at 1 April		90,307
(7,406)		Return on plan assets in excess of interest	1,401	
21,591		Change in financial assumptions	(12,225)	
(32)		Experience gain on defined benefit obligation	(6)	
	14,153	Remeasurement of net defined benefit		(10,830)
	6,832	Reversal of items relating to retirement benefits debited or credited to the (surplus)/deficit on the provision of services in the comprehensive income and expenditure statement		7,310
	(3,742)	Employer's pensions contributions and direct payments to pensioners payable in the year		(3,854)
	90,307	Balance at 31 March		82,933

25.6 Collection fund adjustment account

The collection fund adjustment account manages the differences arising from the recognition of council tax income in the comprehensive income and expenditure statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the general fund from the collection fund.

2014/15			2015/16	
Council and group			Council and group	
£000	£000		£000	£000
	1,204	Balance at 1 April		597
		Amount by which council tax income and non domestic rates income credited to the comprehensive income and expenditure statement is different from council tax and non domestic rates income calculated for the year in accordance with statutory requirements		(212)
	597	Balance at 31 March		385

25.7 Accumulated absences account

The accumulated absences account absorbs the differences that would otherwise arise on the general fund balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the general fund balance is neutralised by transfers (to)/from the account.

2014/15			2015/16	
Council and group			Council and group	
£000	£000		£000	£000
	89	Balance at 1 April		74
(89)		Settlement or cancellation of accrual made at the end of the preceding year	(74)	
74		Amount accrued at the end of the current year	70	
	(15)	Amount by which officer remuneration charged to the comprehensive income and expenditure statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		(4)
	74	Balance at 31 March		70

26. Cash flow statement**26.1 Adjustments to net deficit on the provision of services for non-cash movements**

2014/15			2015/16	
Council	Group		Council	Group
£000	£000		£000	£000
7,092	7,092	Depreciation and impairment losses	3,071	3,071
(7,325)	(7,325)	Upward revaluations	-	-
(563)	(563)	Increase in creditors	(269)	(219)
155	259	Increase in debtors	412	643
20	20	(Increase)/Decrease in inventories	-	-
3,090	3,090	Pension liability	3,456	3,456
7,434	7,434	Carrying amount of non-current assets sold	16,222	16,222
-	(506)	Share of losses attributable to joint venture	-	(201)
55	55	Other non-cash items charged to the net surplus or deficit on the provision of services	119	119
9,958	9,556		23,011	23,091

26.2 Adjustments for items included in the net deficit on the provision of services that are investing and financing activities

2014/15		2015/16
Council and group		Council and group
£000		£000
	Proceeds from the sale of property plant and equipment, investment property and intangible assets	
(6,436)		(17,731)
	Any other items for which the cash effects are investing or financing cash flows	
(1,928)		(3,666)
(8,364)		(21,397)

26.3 Operating activities

Operating activities within the cash flow statement include the following cash flows relating to interest:

2014/15		2015/16
Council and group		Council and group
£000		£000
2,600	Interest received	2,817
(566)	Interest paid	(923)

27. Cash flow statement - investing activities

2014/15		2015/16
Council and group		Council and group
£000		£000
(8,593)	Purchase of property, plant and equipment, investment property and intangible assets	(8,494)
(66,000)	Purchase of short term and long term investments	(72,505)
-	Other payments for investing activities	(180)
10,375	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	2,538
53,000	Proceeds from the sale of short term and long term investments	74,000
1,183	Other receipts from investing activities	4,247
(10,035)		(394)

28. Cash flow statement - financing activities

2014/15		2015/16
Council and group		Council and group
£000		£000
13,500	Cash receipts of short and long term borrowing	-
4,168	Other receipts from financing activities	-
-	- Other payments for financing activities	37
(5,082)	Repayment of short and long term borrowing	(5,168)
12,586		(5,131)

29. Distribution attributable to joint venture

2014/15		2015/16
Council		Council
£000		£000
(104)	Distribution attributable to joint venture for the year	(77)
(104)		(77)

30. Grant income

The Council credited the following revenue grants and contributions to the comprehensive income and expenditure statement:

2014/15		2015/16
Council and group		Council and group
£000		£000
Credited to taxation and non specific grant income		
(3,917)	Revenue support grant	(2,705)
(4,370)	New homes bonus	(5,743)
(870)	Other grants	(150)
(9,157)		(8,598)
Credited to services		
(35)	Planning delivery	(289)
(340)	Renovation grants	(417)
(224)	Council tax/NNDR collection grant	(227)
-	- Land Searches	(142)
-	- Individual Elector Registration	(45)
(53)	Homelessness	-
90	Other	-
(562)		(1,120)

31. Amounts reported for resource allocation decisions

The analysis of income and expenditure by service on the face of the comprehensive income and expenditure statement is that specified by the *Service Reporting Code of Practice*. However, decisions about resource allocation are taken by the Council's cabinet on the basis of budget reports analysed across portfolios. These reports are prepared on a different basis from the accounting policies used in the financial statement. In particular:

- no charges are made in relation to costs incurred with respect to the Right Here, Right Now project or the Council's contribution to the HS2 fighting funds as these are to be funded from reserves.
- no charges are made for enabling grants paid.
- income and expenditure relating to town centre properties and industrial estates are included within portfolio spend, but are shown within other operating income and expenditure in the comprehensive income and expenditure statement.

The income and expenditure of the Council's principal portfolios recorded in the budget reports for the year is as follows:

2015/16								
Council and group								
	Business Transformation	Economic Development Delivery	Environment & Waste	Finance, Resources & Compliance	Growth Strategy	Leader	Leisure, Communities & Civic Amenities	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	89	(2,608)	(4,287)	(49,025)	(4,587)	(372)	(5,734)	(66,524)
Government grants	-	(142)	(417)	(227)	(289)	(45)	-	(1,120)
Total income	89	(2,750)	(4,704)	(49,252)	(4,876)	(417)	(5,734)	(67,644)
Employee expenses	298	841	5,657	5,486	3,313	1,388	4,085	21,068
Other service expenses	282	1,979	3,391	48,545	2,063	655	7,119	64,034
Support service recharges	57	(1,021)	737	(2,803)	746	1,379	736	(169)
Depreciation & impairment	-	467	499	-	-	-	2,105	3,071
Total expenditure	637	2,266	10,284	51,228	6,122	3,422	14,045	88,004
Net expenditure	726	(484)	5,580	1,976	1,246	3,005	8,311	20,360

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2014/15										
Council and group										
	Civic Amenities	Community Matters	Economic Development	Environment & Health	Leader	Leisure	Planned Development	Resources	Strategic Planning	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(3,017)	(585)	(1,839)	(4,583)	(992)	(2,525)	(2,853)	(48,666)	(444)	(65,504)
Government grants	-	(69)	-	(340)	-	-	(26)	(93)	(35)	(563)
Total income	(3,017)	(654)	(1,839)	(4,923)	(992)	(2,525)	(2,879)	(48,759)	(479)	(66,067)
Employee expenses	1,008	2,190	208	5,538	2,676	2,456	2,678	3,920	534	21,208
Other service expenses	2,310	1,466	1,660	4,270	1,227	3,921	600	47,674	572	63,700
Support service recharges	(400)	(150)	(676)	762	589	605	594	(1,353)	98	69
Depreciation & impairment	(4,055)	-	1,863	318	-	1,641	-	-	-	(233)
Total expenditure	(1,137)	3,506	3,055	10,888	4,492	8,623	3,872	50,241	1,204	84,744
Net expenditure	(4,154)	2,852	1,216	5,965	3,500	6,098	993	1,482	725	18,677

Reconciliation of portfolio income and expenditure to cost of services in the comprehensive income and expenditure statement

This reconciliation shows how the figures in the analysis of portfolio income and expenditure relate to the amounts included in the comprehensive income and expenditure statement.

2014/15 Council and group £000		2015/16 Council and group £000
18,677	Net expenditure in the quarterly digest for the end of March	20,360
	Amounts in the comprehensive income and expenditure statement not reported to	
4,694	management in the analysis	(48)
	Amounts included in the analysis not included in the comprehensive income and	
(15)	expenditure statement	593
23,356	Cost of services in the comprehensive income and expenditure statement	20,905

Reconciliation to subjective analysis

This reconciliation shows how the figures in the analysis of portfolio income and expenditure relate to a subjective analysis of the deficit on the provision of services included in the comprehensive income and expenditure statement.

	Council						Group	
	Portfolio analysis £000	Amounts not reported to management for decision making £000	Amounts not included in I & E £000	Cost of services £000	Corporate amounts £000	Total £000	Group adjustments £000	Total £000
2015/16								
Fees, charges & other service income	(66,524)	6	15	(66,503)	-	(66,503)	-	(66,503)
Interest and investment income	-	-	-	-	(2,756)	(2,756)	-	(2,756)
Income from council tax	-	-	-	-	(15,031)	(15,031)	-	(15,031)
Income from non domestic rates	-	-	-	-	(3,944)	(3,944)	-	(3,944)
Post stock transfer capital receipts	-	-	-	-	(2,310)	(2,310)	-	(2,310)
Government grants and contributions	(1,120)	-	-	(1,120)	(10,876)	(11,996)	-	(11,996)
Dividends receivable	-	-	-	-	(77)	(77)	77	-
Other operating income	-	-	-	-	(242)	(242)	-	(242)
Total income	(67,644)	6	15	(67,623)	(35,236)	(102,859)	77	(102,782)
Employee expenses	21,068	-	244	21,312	-	21,312	-	21,312
Other service expenses	64,034	(21)	450	64,463	-	64,463	-	64,463
Support service recharges	(169)	(33)	(116)	(318)	-	(318)	-	(318)
Depreciation & impairment	3,071	-	-	3,071	-	3,071	-	3,071
Interest payments	-	-	-	-	3,837	3,837	-	3,837
Precepts & levies	-	-	-	-	4,552	4,552	-	4,552
Payments to housing capital receipts pool	-	-	-	-	-	-	-	-
Gain on disposal of fixed assets	-	-	-	-	801	801	-	801
Share of profits attributable to joint venture	-	-	-	-	-	-	(201)	(201)
Losses attributable to subsidiary companies	-	-	-	-	-	-	183	183
Other operating costs	-	-	-	-	121	121	-	121
Total expenditure	88,004	(54)	578	88,528	9,311	97,839	(18)	97,821
Deficit/(surplus) on the provision of services	20,360	(48)	593	20,905	(25,925)	(5,020)	59	(4,961)

	Council					Group		
	Portfolio analysis	Amounts not reported to management for decision making	Amounts not included in I & E	Cost of services	Corporate amounts	Total	Group adjustments	Total
	£000	£000	£000	£000	£000	£000	£000	£000
2014/15								
Fees, charges & other service income	(65,504)	(3)	2	(65,505)	-	(65,505)	-	(65,505)
Interest and investment income	-	-	-	-	(2,525)	(2,525)	-	(2,525)
Income from council tax	-	-	-	-	(14,060)	(14,060)	-	(14,060)
Income from non domestic rates	-	-	-	-	(3,697)	(3,697)	-	(3,697)
Post stock transfer capital receipts	-	-	-	-	(2,793)	(2,793)	-	(2,793)
Government grants and contributions	(563)	-	-	(563)	(10,585)	(11,148)	-	(11,148)
Dividends receivable	-	-	-	-	(104)	(104)	104	-
Other operating income	-	(4,361)	-	(4,361)	(82)	(4,443)	-	(4,443)
Total income	(66,067)	(4,364)	2	(70,429)	(33,846)	(104,275)	104	(104,171)
Employee expenses	21,208	-	-	21,208	-	21,208	-	21,208
Other service expenses	63,700	225	(32)	63,893	-	63,893	-	63,893
Support service recharges	69	(86)	15	(2)	-	(2)	-	(2)
Depreciation & impairment	(233)	-	-	(233)	-	(233)	-	(233)
Interest payments	-	-	-	-	3,967	3,967	-	3,967
Precepts & levies	-	-	-	-	4,272	4,272	-	4,272
Payments to housing capital receipts pool	-	-	-	-	1	1	-	1
Loss on disposal of fixed assets	-	-	-	-	3,791	3,791	-	3,791
Share of profits attributable to joint venture	-	-	-	-	-	-	(506)	(506)
Other operating costs	-	8,919	-	8,919	(246)	8,673	-	8,673
Total expenditure	84,744	9,058	(17)	93,785	11,785	105,570	(506)	105,064
Deficit/(surplus) on the provision of services	18,677	4,694	(15)	23,356	(22,061)	1,295	(402)	893

32. Trading operations

The table below shows those operating units of the Council where service managers are required to operate within a commercial environment and balance their budget by generating income from other parts of the Council, other organisations and the general public.

2014/15		2015/16	
Council and group		Council and group	
Turnover	(Surplus)/deficit	Turnover	(Surplus)/deficit
£000	£000	£000	£000
(978)	(136)	(1,027)	(79)
(629)	(31)	(726)	(135)
(2,833)	(277)	(3,230)	(716)
(483)	7	(479)	(16)
(91)	30	(87)	4
(367)	(90)	(529)	(84)
(5,381)	(497)	(6,078)	(1,026)

33. Members' allowances

The Council paid the following amounts to members of the Council during the year:

2014/15		2015/16	
Council and group		Council and group	
£000		£000	
316	Salaries	322	
130	Allowances	123	
11	Travel and other allowances	10	
457		455	

34. Officers' remuneration**34.1 Senior officers' remuneration**

There is a requirement to disclose the individual remuneration of senior officers (those whose remuneration is more than £50,000 and are a designated head of a paid service and/or have responsibility for the management of the Council). The following table sets out the remuneration for senior officers whose salary is above £50,000 or where employed during the financial year, for those earning more than £150,000 then they must be named. The remuneration paid to the Council's senior employees is as follows:

		2015/16		
		Council and group		
Identifier		Salary (including fees & allowances)	Pension contributions	Total remuneration including pension contributions
		£000	£000	£000
Chief Executive - A Grant	1	143	33	176
Corporate Director	2	82	19	101
Sector Lead - Commercial AVDC	3	68	16	84
Sector Lead - Commercial Property	4	68	16	84
Corporate Director	5	67	15	82
Sector Lead - Customer Fulfilment	6	62	14	76
Sector Lead - Business Strategy & Governance	7	60	14	74
Sector Lead - Community Fulfilment	8	58	13	71
Sector Lead - Commercial People/IP	9	54	12	66
Sector Lead - Business Support Development & Enablement	10	41	9	50
Deputy Chief Executive - Resigned	11	27	6	33
		730	152	814

		2014/15		
		Council and group		
Identifier		Salary (including fees & allowances)	Pension contributions	Total remuneration including pension contributions
		£000	£000	£000
Chief Executive - A Grant	1	141	32	173
Deputy Chief Executive	11	99	23	122
Corporate Director	2	76	17	93
Head of Service - Legal - Interim - Resigned		68	16	84
Head of Service - IT	3	67	15	82
Head of Service - Communications	4	66	15	81
Corporate Director	5	63	14	77
Head of Service - Facilities - Resigned		17	4	21
Head of Service - Planning - Resigned		9	2	11
		606	138	744

34.2 Officers' remuneration

The Council's other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

2014/15		2015/16	
Council and group		Council and group	
Number of employees		Number of employees	
16	£50,000 - £54,999	12	
8	£55,000 - £59,999	-	
-	£60,000 - £64,999	4	
2	£65,000 - £69,999	-	
-	£75,000 - £79,999	1	
26		17	

The number of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

	Number of compulsory redundancies		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16
	Council and group		Council and group		Council and group	
				£000	£000	
£0 - £20,000	17	9	17	9	217	110
£20,001 - £40,000	8	5	8	5	233	122
£40,001 - £60,000	6	2	6	2	295	97
£60,001 - £80,000	1	-	1	-	75	-
£80,001 - £100,000	2	-	2	-	169	-
	34	16	34	16	989	329

35. External audit costs

The Council has incurred the following costs in relation to the audit of the statement of accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Council's external auditors:

2014/15 Council and group		2015/16 Council and group
£000		£000
	Fees payable to the appointed auditor with regard to external	
76	audit services	58
	Fees payable to the Audit Commission in respect of	
(1)	(1) statutory inspection	-
	Fees payable to the appointed auditor for the certification of	
17	grant claims and returns for the year	11
92		69

36. Leases**Council as lessee****36.1 Finance leases**

The Council has acquired a number of buildings under finance leases, the majority of which are at a peppercorn rent. The assets acquired under these leases are carried as property, plant and equipment in the balance sheet at the following net amounts:

31 March 2015 Council and group		31 March 2016 Council and group
£000		£000
6,480	Other land and buildings	6,274
6,480		6,274

36.2 Operating leases

The Council has acquired its fleet of refuse collection vehicles by entering into operating leases with typical lives of seven years.

The future minimum lease payments due under non-cancellable leases in future years are:

2014/15 Council and group		2015/16 Council and group
£000		£000
842	Not later than one year	864
1,677	Later than one year and not later than five years	836
2,519		1,700

The expenditure charged to the environmental and regulatory services line in the comprehensive income and expenditure statement during the year in relation to these leases was:

2014/15 Council and group		2015/16 Council and group
£000		£000
865	Minimum lease payments	841
865		841

Council as lessor

36.3 Finance leases

The Council has leased out University Campus Aylesbury Vale to Buckinghamshire New University (BNU) on a finance lease with a remaining term of 35 years.

The Council has a gross investment in the lease, made up of the minimum lease payments expected to be received over the remaining term. At the end of the lease term ownership of the property transfers to BNU.

The minimum lease payments comprise settlement of the long term debtor for the interest in the property acquired by BNU and finance income that will be earned by the Council in future years whilst the debtor remains outstanding. The gross investment is made up of the following amounts:

31 March 2015		31 March 2016	
Council and group		Council and group	
£000		£000	
Finance lease debtor (net present value of minimum lease payments):			
	• Current		209
-	• Non current		15,368
-	Unearned finance income		14,405
-			29,982

The gross investment in the lease and the minimum lease payments will be received over the following periods:

31 March 2015		31 March 2016	
Council and group		Council and group	
Gross investment in lease	Minimum lease payments	Gross investment in lease	Minimum lease payments
£000	£000	£000	£000
-	-	(879)	(209)
-	-	(3,517)	(930)
-	-	(25,586)	(14,438)
-	-	(29,982)	(15,577)

36.4 Operating leases

The Council leases out property under operating leases for the following purposes:

- for the provision of community services, such as sports facilities, tourism services and community centres.
- for economic development purposes to provide suitable affordable accommodation for local businesses.

The future minimum lease payments receivable under non-cancellable leases in future years are:

2014/15		2015/16	
Council and group		Council and group	
£000		£000	
(1,000)	Not later than one year	(1,367)	
(4,836)	Later than one year and not later than five years	(6,117)	
(7,199)	Later than five years	(11,857)	
(13,035)		(19,341)	

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into.

37. Capital expenditure and capital financing

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the capital financing requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed.

2014/15		2015/16
Council and group		Council and group
£000		£000
30,976	Opening capital financing requirement	37,365
	Capital investment	
60	Property, plant and equipment	2,411
8,533	Assets under construction	6,083
-	- Long term investments	(1)
4,588	Revenue expenditure funded from capital under statute	385
	Sources of finance	
(4,164)	Capital receipts	(5,785)
(1,253)	Government grants and other contributions	(3,039)
(55)	Other	-
	Sums set aside from revenue:	
(1,320)	Minimum revenue provision	(1,536)
37,365	Closing capital financing requirement	35,883
	Explanation of movements in year	
6,389	Increase in underlying need to borrow (unsupported by government financial assistance)	(1,482)
6,389	Increase in capital financing requirement	(1,482)

38. Defined benefit pension schemes**38.1 Participation in pensions schemes**

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The Council participates in two post-employment schemes:

- The Local Government Pension Scheme, administered locally by Buckinghamshire County Council – this is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.
- Arrangements for the award of discretionary post-retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.

38.2 Transactions relating to post-employment benefits

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the general fund via the movement in reserves statement.

The following transactions have been made in the comprehensive income and expenditure statement and the general fund balance via the movement in reserves statement during the year:

	Local government pension scheme		Discretionary benefits arrangements	
	2014/15	2015/16	2014/15	2015/16
	Council and group		Council and group	
	£000	£000	£000	£000
Cost of services:				
• service cost	3,616	4,301	-	-
Financing and investment income and expenditure				
• net interest on the defined liability	3,138	2,931	-	-
Administration expenses	78	78	-	-
Total post employment benefit charged to the comprehensive income and expenditure statement	6,832	7,310	-	-
Movement in reserves statement				
• reversal of net charges made to surplus or deficit for the provision of services for post employment benefits in accordance with the code	(6,832)	(7,310)	-	-
Actual amount charged against the general fund balance for pensions in the year:				
• employers' contributions payable to scheme	3,273	3,379	-	-
• retirement benefits payable to pensioners	-	-	363	363

The cumulative amount of actuarial gains and losses recognised in the comprehensive income and expenditure statement during 2015/16 is a loss of £24,063,000 (a loss of £34,893,000 during 2014/15).

38.3 Assets and liabilities in relation to post-employment benefits

Reconciliation of the present value of the scheme liabilities (defined benefit obligation):

	Funded liabilities		Unfunded liabilities: discretionary benefits arrangements	
	2014/15	2015/16	2014/15	2015/16
	Council and group		Council and group	
	£000	£000	£000	£000
Opening balance at 1 April	171,170	197,718	(3,992)	(4,162)
Adjustment	-	-	-	-
Revised opening balance at 1 April	171,170	197,718	(3,992)	(4,162)
Current service cost	3,423	3,774	-	-
Interest cost	7,229	6,307	-	-
Change in financial assumptions	21,511	(12,643)	80	418
Experience loss/(gain) on defined benefit obligation	(32)	(6)	-	-
Estimated benefits paid net of transfers in	(6,814)	(6,478)	-	-
Past service costs including curtailments	193	527	-	-
Contributions by scheme participants	1,038	953	-	-
Unfunded pension payments	-	-	(250)	(248)
Closing balance at 31 March	197,718	190,152	(4,162)	(3,992)

Reconciliation of the fair value of the scheme assets:

	Funded liabilities	
	2014/15	2015/16
	Council and group	
	£000	£000
Opening balance at 1 April	(94,114)	(103,249)
Interest on assets	(4,091)	(3,376)
Return on assets less interest	(7,406)	1,401
Administration expenses	78	78
Contributions by employer including unfunded	(3,742)	(3,854)
Contributions by scheme participants	(1,038)	(953)
Estimated benefits paid plus unfunded net of transfers in	7,064	6,726
Closing balance at 31 March	(103,249)	(103,227)

Pension scheme assets comprised:

	31 March 2015				31 March 2016			
	Council and group				Council and group			
	Quoted prices in active markets	Quoted prices not in active markets	Total	Percentage total of asset	Quoted prices in active markets	Quoted prices not in active markets	Total	Percentage total of asset
	£000	£000	£000	%	£000	£000	£000	%
Gilts	12,870	-	12,870	12%	12,641	-	12,641	12%
UK equities	11,564	-	11,564	11%	10,944	-	10,944	11%
Overseas equities	38,099	-	38,099	37%	37,789	-	37,789	37%
Private equity	-	6,722	6,722	7%	-	6,516	6,516	6%
Other bonds	13,371	-	13,371	13%	12,583	-	12,583	12%
Property	8,029	823	8,852	9%	8,293	1,502	9,795	9%
Cash	2,009	-	2,009	2%	2,643	-	2,643	3%
Hedge funds	-	3,888	3,888	4%	-	4,318	4,318	4%
Absolute return portfolio	-	4,352	4,352	4%	-	4,592	4,592	5%
Alternative Assets	-	1,522	1,522	1%	-	1,406	1,406	1%
	85,942	17,307	103,249		84,893	18,334	103,227	

38.4 Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The local government pension scheme liabilities have been assessed by Barnett Waddingham, an independent firm of actuaries, estimates being based on the latest full valuation of the scheme as at 31 March 2016.

The significant assumptions used by the actuary have been:

2014/15 Council and group		2015/16 Council and group
	Mortality assumptions	
	Longevity at 65 for current pensioners:	
23.7	Men	23.8
26.1	Women	26.2
	Longevity at 65 for future pensioners:	
26.0	Men	26.0
28.4	Women	28.4
2.4%	Rate of Inflation	2.3%
4.2%	Rate of increase in salaries	4.1%
2.4%	Rate of increase in pensions	2.3%
3.3%	Rate for discounting scheme liabilities	3.6%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below has been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

	Increase in assumption	Decrease in assumption
	Council and group	
	£000	£000
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(3,279)	3,341
Rate of increase in salaries (increase or decrease by 0.1%)	344	(342)
Rate of increase in pensions (increase or decrease by 0.1%)	3,036	(2,981)
Longevity (increase or decrease by 1 year)	5,871	(5,687)

38.5 Impact on the Council's cash flows

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total liability of £82,933,000 has a substantial impact on the net worth of the Council as recorded in the balance sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

- the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary
- finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions expected to be made to the local government pension scheme by the Council in the year to 31 March 2017 is £3,635,000.

38.6 Scheme history

	2011/12	2012/13	2013/14	2014/15	2015/16
	Council and group				
	£000	£000	£000	£000	£000
Present value of liabilities					
Local government pension scheme	148,598	162,752	171,170	197,718	190,152
Discretionary benefits	(673)	(924)	(3,992)	(4,162)	(3,992)
Fair value of assets in the local government pension scheme	(79,498)	(94,107)	(94,114)	(103,249)	(103,227)
(Surplus)/deficit in the scheme:					
• local government pension scheme	69,100	68,645	77,056	94,469	86,925
• discretionary benefits	(673)	(924)	(3,992)	(4,162)	(3,992)
Total	68,427	67,721	73,064	90,307	82,933

38.7 History of experience gains and losses

The actuarial gains identified as movements on the pensions reserve in 2015/16 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2016:

	2011/12	2012/13	2013/14	2014/15	2015/16
	Council and group				
	%	%	%	%	%
Differences between the expected and actual return on assets	(10.72)	11.75	2.61	11.14	1.91
Experience gains and losses on liabilities	-	(0.81)	6.88	0.02	-

39. Nature and extent of risks arising from financial instruments

The Council's activities expose it to a variety of financial risks:

- credit risk – the possibility that other parties might fail to pay amounts due to the Council.
- liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments.
- market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by the Council. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

39.1 Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.

This risk is minimised through the annual investment strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, as laid down by Fitch and Moody's Ratings Services. The annual investment strategy also imposes a maximum sum to be invested with a financial institution located within each category.

The credit criteria in respect of financial assets held by the Council are as detailed below:

The objective of the Council's treasury management policy is that it matches or betters the "average 7 day rate" for interest earned on investments whilst at all times protecting the Council's capital balances.

Investments are limited to the top 25 building societies together with UK banks and are only made to those institutions with high credit ratings and never for more than one year. A high credit rating is defined for this purpose as those banks or building societies with a short term rating of (A) or better according to the Fitch and Moody's Rating Services. Those building societies without Fitch ratings but ranked within the top 25 by size are also classed as prudent counterparties for investments purposes. Under the Local Government Act 2003 these are classed as non-specified institutions and should only be included on the Authorised Lending List after additional assurance has been obtained. Aylesbury Vale District Council imposes the additional condition that no investment should exceed 182 days with a non-specified institution and that the maximum amount lent to any single institution should not exceed £3 million if the assets of the organisation are more than £1 billion and £1 million if its assets are more than £½ billion.

No more than 70% of the Council's total investments should be invested with building societies without credit ratings.

Where possible, Aylesbury Vale District Council will further seek to reduce counterparty risk by placing investments with other local authorities and nationalised institutions. As these are ultimately backed by either the government or through taxation these are deemed to offer higher security than that offered at present by the financial sector. This strategy is limited by the need for these organisations to be seeking funding which coincides with our need to lend.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings with parameters set by the Council.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £32,569,000 cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at 31 March 2016 that this was likely to crystallise.

The following analysis summarises the Council's potential maximum exposure to credit risk on other financial assets, based on experience of default and uncollectability over the last five financial years, adjusted to reflect current market conditions.

Council and group						
	Amount at 31 March 2016	Historial experience of default	Historial experience adjusted for market conditions at 31 March 2016	Estimated maximum exposure to default and uncollectability at 31 March 2016	Estimated maximum exposure at 31 March 2015	Estimated maximum exposure at 1 April 2014
	£000	%	%	£000	£000	£000
Counterparty Rating	A	B	C	(A+C)		
AA-	2,505	0.001	0.001	-	0	0
A	13,035	0.017	0.017	2.2	2.5	2.4
A-	-	-	-	-	1.4	-
BBB+	2,003	0.031	0.031	0.6	-	-
BBB	3,005	0.031	0.031	0.9	0.7	-
BBB-	3,007	0.008	0.008	0.2	2.3	-
BB+	3,006	0.414	0.414	12.5	5.8	20.2
B+	3,004	1.741	1.741	52.3	-	-
B	-	-	-	-	8.8	50.2
Other rated	3,004	-	-	-	12.5	18.8
Customers	5,060	5.000	5.000	253.0	144.0	139.3
	37,629			321.7	178.0	230.9

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and customers.

The Council does not generally allow credit for customers, such that £4,505,000 of the £5,060,000 balance is past its due date for payment. The past due but not impaired amount can be analysed by age as follows:

31 March 2015		31 March 2016
Council and group		Council and group
£000		£000
495	Less than three months	670
223	Three to six months	917
206	Six months to one year	888
1,077	More than one year	2,030
2,001		4,505

39.2 Liquidity risk

The Council manages its liquidity position through the risk management procedures above as well as through cash flow management procedures required by the Code of Practice. In the event of an unexpected cash requirement the Council has ready access to borrowings from the money markets to cover any day to day cash flow need. The Council is also required to provide a balanced budget through the Local Government Act 1992, which ensures sufficient monies are raised to cover the annual expenditure. Therefore, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

All trade and other payables are due to be paid in less than one year.

39.3 Market risk

39.3.1 Interest rate risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in interest rates would have the following effects:

- investments at variable rates – the interest income credited to the surplus or deficit on the provision of services will rise
- investments at fixed rates – the fair value of the assets will fall.

Changes in interest payable and receivable on variable rate investments will be posted to the (surplus)/deficit on the provision of services or other comprehensive income and expenditure lines and affect the general fund balance, subject to influences from government grants. Movements in the fair value of fixed rate investments will be reflected in the other comprehensive income and expenditure line.

The Council has strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Council's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. From this a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure. The treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance, during periods of falling interest rates, fixed rate investments may be taken for longer periods to secure better long term returns.

The treasury management team has a strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated. According to this assessment strategy, at 31 March 2015, if interest rates had been 0.25% higher with all other variables held constant, the financial effect would be:

	Council and group
	£000
Increase in interest receivable on variable rate loans	1,532
Increase in interest receivable on variable rate investments	28
Impact on surplus or deficit on the provision of services	1,560
Decrease in fair value of fixed rate borrowings liabilities (no impact on the surplus or deficit on the provision of services or other comprehensive income and expenditure)	14

The impact of a 0.25% fall in interest rates would mean that no interest would have been received.

39.3.2 Price risk

The Council does not invest in equity shares and is not exposed to losses arising from movements in the prices of the shares.

39.3.3 Foreign exchange risk

The Council has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

39.4 Environmental risk

The Council has taken out a rolling 10 year environmental warranty to safeguard against the risk of contaminated land that was transferred to the Vale of Aylesbury Housing Trust as part of the stock transfer. The risk of having to make use of the warranty is minimal.

40. Contingent liabilities

A contingent liability is a potential liability which depends on the occurrence or non occurrence of one or more uncertain future events. The Council has identified the following contingent liabilities as at 31 March 2016.

- NNDR appeals – The Council has made a provision for NNDR appeals based upon its best estimates of the actual liability as at the year end in known appeals. It is not possible to quantify appeals that have not yet been lodged with the Valuation Office so there is a risk to the Council that national and local appeals may have a future impact on the accounts.
- Refund of fees paid - A group of property search companies which were seeking to claim refunds of fees paid to the Council to access land charges data have been successful. The Council has paid £159,000 to settle the claim. This amount includes interest and costs. The claimants have also intimated that they may bring a claim against all English and Welsh local authorities for alleged anti-competitive behaviour. It is not clear what the value of any such claim would be against the Council. It is possible that additional claimants may come forward to submit claims for refunds, but none have been intimated at present.

41. Contingent assets

A contingent asset is an asset that may be received but only if a future event occurs that is not under the control of the Council. At 31 March 2016, the Council had no material contingent assets.

42. Related party transactions

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Central government

Central government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 31 on reporting resources allocation decisions. Grant receipts outstanding at 31 March 2016 are shown in Note 30.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2015/16 is shown in Note 33. A review has been made of the Register of Members' Interests and of declarations of interests made by members during the year. In addition, members have been requested to sign a form declaring whether there were any related party transactions during the year. Councillors Michael Collins, Tuffail Hussain, Roger King, Edward Sims and Mark Winn have failed to make a return. No works and services were commissioned from companies in which members had an interest. Details of any declarations are recorded in the Register of Members' Interests, which is open to public inspection at The Gateway Offices, Gatehouse Road during office hours.

Joint venture

The Council has a 50% interest in Aylesbury Vale Estates LLP. Relevant transactions are disclosed within note 14 (investments) and note 15 (long term debtors) to the balance sheet. The accounts of the joint venture have been consolidated with the overall Council accounts in the group financial statements.

Subsidiaries

The Council partly or wholly owns a number of companies, all of which have the common goal of producing overall benefits for the residents and businesses of the vale.

The companies in which the Council have an interest are set out in the following table:

Company Name	Council Share	Company Status	Purpose
Aylesbury Vale Estates LLP	50%	Joint Venture	Managing our commercial estate
Aylesbury Vale Broadband Ltd	95%	Subsidiary	Delivering broadband in our more rural areas
Novae Consulting Ltd	100%	Subsidiary	Delivering our commercial consultancy work
Vale Commerce Ltd	100%	Subsidiary	Delivering the commercial ambitions of the Council under the brands of Incgen and Limecart

The accounts of the subsidiaries have been consolidated with the overall Council accounts in the group financial statements.

Local enterprise partnerships

The Council is a member of both the South East Midlands LEP (SEMLEP) and the Buckinghamshire Thames Valley LEP (BTVLEP). This puts the Council in a strong position to influence economic growth and ensures there is LEP impact in the vale, benefiting the Council's communities. During the year, the Council made a contribution to SEMPLEP of £7,000.

Shared procurement partnership

The Council is in partnership with Improvement and Efficiency South East (IESE), a special purpose vehicle established to deliver savings through improved procurement. Each year the Council makes a contribution to IESE of £75,000.

Bucks Advantage

Bucks Advantage is the local delivery vehicle for the Vale, jointly owned by the Council and Buckinghamshire County Council, and covers the BTVLEP area. No contribution was made during the year, although the Council processes payments on their behalf for which it is reimbursed on a quarterly basis.

Aylesbury Vale Local Strategic Partnership

Aylesbury Vale Local Strategic Partnership focuses on those community engagement activities not actioned by other bodies. No contribution was made during the year.

Collection fund

The collection fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate collection fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the government of council tax and non-domestic rates.

2014/15	2014/15	2014/15		2015/16	2015/16	2015/16
Council tax	NNDR	Total		Council tax	NNDR	Total
£000	£000	£000		£000	£000	£000
Income						
(102,577)	-	(102,577)	Income from council tax	C2	(106,963)	(106,963)
-	(49,613)	(49,613)	Income collectable from business ratepayers	C3	(50,519)	(50,519)
(102,577)	(49,613)	(152,190)			(106,963)	(157,482)
Expenditure						
Precepts and demands						
72,037	-	72,037	• Buckinghamshire County Council		75,756	75,756
10,570	-	10,570	• Thames Valley Police Authority		11,115	11,115
3,894	-	3,894	• Bucks & Milton Keynes Fire Authority		3,975	3,975
13,815	-	13,815	• Aylesbury Vale District Council		14,469	14,469
Business rates:						
-	23,381	23,381	• Payment to government	C3	-	24,183
-	4,676	4,676	• Payment to preceptors	C3	-	4,837
-	18,678	18,678	• Retained by Aylesbury Vale District Council	C3	-	19,347
-	224	224	• Cost of Collection		-	227
-	257	257	• Transitional Protection Payment		-	568
-	12	12	• Interest payable		-	-
Bad and doubtful debts						
(201)	82	(119)	• Write offs		(331)	(204)
670	-	670	• Increase in provision		634	634
-	-	-	• Provision for appeals		-	288
Contributions						
4,048	-	4,048	• Towards previous year's surplus	C4	2,552	2,552
104,833	47,310	152,143			108,170	157,747
2,256	(2,303)	(47)	(Surplus)/deficit for the year		1,207	(942)
(5,100)	4,770	(330)	Accumulated (surplus)/deficit b/fwd		(2,844)	(377)
2,256	(2,303)	(47)	(Surplus)/deficit for the Year		1,207	265
(2,844)	2,467	(377)	Accumulated (surplus)/deficit c/fwd		(1,637)	(112)

Notes to the collection fund

C1. General

The collection fund is an agent's statement that reflects the statutory obligation of billing authorities to maintain a separate collection fund. The statements shows the transactions of the billing authority in relation to the collection form taxpayers of council tax and national non-domestic rates (NNDR) and its distribution to local government bodies and the government.

The Council has a statutory requirement to operate a collection fund as a separate account to the general fund. The purpose of the collection fund therefore is to isolate the income and expenditure relating to council tax and NNDR. The administrative costs associated with the collection process are charged to the general fund.

Collection fund surpluses declared by the billing authority in relation to council tax are apportioned to the relevant precepting bodies in the subsequent financial year. Deficits likewise are proportionately charged to the relevant precepting bodies in the following year. For Aylesbury, the council tax precepting bodies are Buckinghamshire County Council (BCC), Thames Valley Police Authority (TVPA) and Buckinghamshire and Milton Keynes Fire and Rescue Authority (BMKFRA).

In 2013/14, the local government finance regime was revised with the introduction of the retained business rates scheme. The main aim of the scheme is to give Councils a greater incentive to grow businesses in their area. It does, however, also increase the financial risk due to non-collection and the volatility of the NNDR tax base.

The scheme allows the Council to retain a proportion of the total NNDR received. Aylesbury Vale District Council's share is 40% with the remainder paid to our precepting bodies, central government 50%, BCC 9% and BMKFRA 1%.

NNDR surpluses declared by the billing authority in relation to the collection fund are apportioned to the relevant precepting bodies in the subsequent financial year in their respective proportions. Deficits likewise are proportionately charged to the relevant precepting bodies in the following year.

The national code of practice followed by local authorities in England stipulates that a collection fund income and expenditure account is included in the Council's financial statements. The collection fund balance sheet meanwhile is incorporated into the Council's consolidated balance sheet.

C2. Calculation of council tax

Council tax derives from charges raised according to the value of residential properties, which have been classified into 9 valuation bands (A* - H) for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the collection fund by the Council for the forthcoming year and dividing this by the council tax base (i.e. the equivalent number of band D dwellings).

The council tax base for 2015/16 was 67,902 (2014/15: 65,853). The tax base was approved under delegated authority by the Cabinet Member for Resources and was calculated as follows:

2014/15				2015/16		
Number of chargeable homes less exemptions and discounts	Factor	Band D equivalents	Band	Number of chargeable homes less exemptions and discounts	Factor	Band D equivalents
6	5/9	3	A*	7	5/9	4
2,456	6/9	1,637	A	2,577	6/9	1,718
10,428	7/9	8,111	B	10,903	7/9	8,480
19,541	8/9	17,370	C	20,116	8/9	17,881
11,807	9/9	11,807	D	12,231	9/9	12,231
9,945	11/9	12,155	E	10,154	11/9	12,410
7,106	13/9	10,264	F	7,170	13/9	10,357
5,626	15/9	9,377	G	5,666	15/9	9,443
363	18/9	726	H	359	18/9	718
<u>67,278</u>		<u>71,450</u>		<u>69,183</u>		<u>73,242</u>
		(717)	Allowance for non-collection			(1,172)
		(4,880)	Council tax support scheme			(4,168)
		<u>65,853</u>	Council tax base			<u>67,902</u>

C3. Non-domestic rates

The Council collects national non-domestic rates (NNDR) for its area based on local rateable values provided by the Valuation Office Agency (VOA) multiplied by a uniform business rate set nationally by central government. In previous financial years the total amount due, less certain allowances, was paid to a central pool (the NNDR pool) administered by central government, which, in turn, paid to local authorities their share of the pool, such shares being based on a standard amount per head of the local adult population.

In 2013/14, the administration of NNDR changed following the introduction of a business rates retention scheme which aims to give Councils a greater incentive to grow businesses in their area but also increases the financial risk due to volatility and non-collection of rates. Instead of paying NNDR to the central pool, local authorities retain a proportion of the total collectible rates due. Aylesbury Vale District Council's share is 40% with the remainder paid to our precepting bodies, central government 50%, BCC 9% and BMKFRA 1%.

The business rates shares payable for 2015/16 were estimated before the start of the financial year as £24,183,000 to central government, £4,353,000 to BCC, £484,000 to BMKFRA and £19,347,000 to Aylesbury Vale District Council. These sums have been paid in 2015/16 and charged to the collection fund in the year.

When the scheme was introduced, central government set a baseline level for each authority identifying the expected level of retained business rates and a top-up or tariff amount to ensure that all authorities receive their baseline amount. Tariffs due from authorities payable to central government are used to finance the top-ups to those authorities who do not achieve their targeted baseline funding. In this respect, Aylesbury Vale District Council paid a tariff of £16,022,000 from the general fund in 2015/16.

In addition to the local management of business rates, authorities are expected to finance appeals made in respect of rateable values as defined by VOA and hence business rates outstanding as at 31 March 2016. As such, authorities are required to make a provision for these amounts. Appeals are charged and provided for in proportion of the precepting shares. The total provision charged to the collection fund for 2015/16 has been calculated as £288,000 (2014/15: £0).

The total non-domestic rateable value at 31 March 2016 was £130,075,176 (31 March 2015: £130,470,959). The national non-domestic rate multiplier for the year was 48.0p for small businesses (2014/15: 47.1p) and 49.3p for all other businesses (2014/15: 48.2p).

C4. Contribution to collection fund surpluses and deficits

The Council has a statutory requirement to prepare an estimate each January of the surplus or deficit expected to arise at the end of the financial year. In January 2015 it was estimated that the collection fund would have a surplus of £2,552,000, which was payable during 2015/16.

Accrual

Income and expenditure are shown in the accounts as sums due to and from the Council during the year when they are earned or incurred and not when the money is received or paid.

Budget

A budget is a financial statement that expresses the Council's service delivery plans and capital programme in monetary terms.

Capital expenditure

Expenditure on the acquisition of a fixed asset that will be used to provide services beyond the current accounting period or expenditure that adds value to an existing asset.

Capital programme

This is a financial summary of the capital projects that Aylesbury Vale District Council intends to carry out over a specified period of time.

Capital receipt

The proceeds from the sale of land or property. Capital receipts can be used to finance new capital expenditure but cannot be used to fund revenue expenditure.

CIPFA

This is the Chartered Institute of Public Finance and Accountancy.

Collection fund

A separate fund recording the expenditure and income relating to council tax and non-domestic rates.

Community assets

This is land and property that Aylesbury Vale District Council intends to hold forever. It generally has no determinable useful life and there is often a restriction regarding its sale.

Contingent liability

A sum due to be paid which may arise in the future but which cannot be determined in advance.

Council tax

This is one of the main sources of income to the Council. Council tax is levied on households within its area by the billing authority and the proceeds are paid into the collection fund for distribution to precepting authorities and for use by the billing authority's own general fund.

Creditor

This applies to money the Council owes to third parties for goods and services it has received but not paid for at the end of the accounting period.

Debtor

This applies to money that is owed to the Council from third parties for goods and services it has provided but not yet been paid for at the end of the accounting period.

Depreciation

This is a charge made to the revenue account each year that reflects the reduction in value of fixed assets used to deliver services.

Exceptional items

Material items which derive from events or transactions that fall within the normal activities of the Council and which need to be disclosed separately by virtue of their size or incidence to give fair presentation to the accounts.

Extraordinary items

Material items possessing a high degree of abnormality which derive from events or transactions that fall outside the normal activities of the Council and which are not expected to recur.

Finance lease

This is a lease, usually of buildings, which is treated as capital borrowing.

Fixed assets

Tangible assets that yield benefits to the Council and its services for a period of more than one year.

Government grants

Grants made by the central government towards either revenue or capital expenditure to help with the costs of providing services and capital projects. Some government grants have restrictions on how they may be used whilst others are general purpose.

Gross expenditure

The total cost of providing the Council's services before taking into account income from fees, charges and government grants.

Housing benefits

This is the national system for giving financial assistance to individuals towards certain housing costs. The cost of the service is subsidised by central government.

Impairment

This is a reduction in the value of a fixed asset as shown in the balance sheet to reflect its true value.

Income

This is the money that the Council receives or expects to receive from any source; fees, charges, sales, grants and interest.

Infrastructure assets

Inalienable fixed assets, expenditure on which is recoverable only by continued use of the asset created e.g. pedestrianisation.

Intangible assets

These are non-financial fixed assets that do not have any physical substance but are identifiable and are controlled by the Council through custom or legal rights e.g. computer software.

Inventories

These are items of stores that the Council has bought to use on a continuing basis but has not yet used.

Liability

A liability arises when the Council owes money to others and it must be included in the financial statements. There are two types of liability:

- a current liability is a sum of money that will or might be payable during the next accounting period e.g. creditors or cash overdrawn.
- a deferred liability is a sum of money that will not be payable until some point after the next accounting period or is paid off over a number of accounting periods.

Local services support grant

A general grant paid by central government to local authorities as a contribution towards the cost of their services.

Long term investments

Long term investments are investments intended to be held for use on a continuing basis in the activities of the Council. They should be classified as long term only where an intention to hold the asset for longer than one year can be clearly demonstrated.

National non-domestic rate (NNDR)

A levy on businesses, based on a national rate in the pound set by the government multiplied by the 'rateable value' of the premises they occupy. NNDR is collected by Aylesbury Vale District Council on behalf of central government and paid into a national 'pool'. The 'pool' is then redistributed among all local authorities and police authorities on the basis of population.

Operating lease

This is a lease where ownership of the fixed asset remains with the lessor.

Property, plant and equipment assets

These are fixed assets owned by the Council and used or consumed in the direct delivery of services.

Precept

The levy made by precepting authorities on billing authorities, requiring the latter to collect income from council tax payers on their behalf. Precepts are paid from the collection fund.

Provision

This is a sum of money that has been put aside in the accounts for liabilities or losses that are due but where the amount due or timing of the payment is not known with any certainty.

Rateable value

The annual assumed rental value of a property that is used for business purposes.

Reserves

A reserve results from an accumulation of surpluses, deficits and appropriations over past years. Reserves of a revenue nature are available and can be spent or earmarked at the Council's discretion.

Revenue expenditure

The day to day expenses associated with the provision of services.

Revenue expenditure funded from capital under statue

This is capital expenditure that does not create an asset that belongs to the Council. The value is written off to revenue in the year. An example of this type of expenditure is an improvement grant to another organisation.

Useful life

This is the period over which an organisation will derive benefits from the use of a fixed asset.

SUBJECT TO AUDIT

GENERAL FUND REVENUE RESERVES AND PROVISIONS

The table shows the current level of provisions and reserves held by the Council at the beginning of the year, the movements in the year and the closing balance at 31st March 2016.

GENERAL FUND REVENUE RESERVES AND PROVISIONS	OPENING BALANCE 01/04/2015 £'000	INCOME TO 31/03/2016 £'000	SPEND TO 31/03/2016 £'000	CLOSING BALANCE 31/03/16 £'000
PROVISIONS				
NDR Appeals	(1,629)	(115)	0	(1,744)
Refundable Bonds	(187)	0	0	(187)
BAD DEBT PROVISIONS				
Housing Benefits Overpayments	(1,450)	(802)	184	(2,068)
Local Taxation	(434)	(46)	0	(480)
Other	(1)	(96)	3	(94)
On Street Parking	(84)	0	15	(69)
Haywoods Way	(41)	0	0	(41)
	(3,826)	(1,059)	202	(4,683)
RESERVES				
New Homes Bonus	(7,001)	(5,074)	1,454	(10,621)
Interest Equalisation Reserve	(2,795)	(383)	218	(2,960)
Amenity Areas	(2,506)	(242)	0	(2,748)
Planning Related	(1,190)	(1,156)	0	(2,346)
Business Rates	(2,001)	0	0	(2,001)
Property Sinking	(2,312)	0	500	(1,812)
New Technology	(1,229)	(297)	78	(1,448)
Superannuation	(1,560)	0	277	(1,283)
Repairs & Renewals	(852)	(384)	97	(1,139)
Fairford Leys Riverine Corridor	(850)	(12)	0	(862)
LABGI	(857)	0	0	(857)
Benefit Subsidy	(1,534)	0	727	(807)
Insurance	(577)	0	0	(577)
Property Strategy	(540)	0	0	(540)
Aylesbury Special Expenses	(519)	0	15	(504)
Recycling and Composting	(199)	(107)	0	(306)
Car Parking Related	(192)	(15)	0	(207)
District Council Elections	(160)	(39)	0	(199)
Licensing	(51)	(120)	0	(171)
Leisure Activities	(156)	(2)	0	(158)
Historic Buildings	(141)	0	0	(141)
Housing Needs & Section 106	(107)	0	0	(107)
Business Support Fund	(102)	0	0	(102)
Business Transformation	(89)	0	0	(89)
Rent Guarantee Scheme	(71)	0	0	(71)
CCTV for Community Centres	(56)	0	0	(56)
Corporate Market Research	(47)	0	0	(47)
Playgrounds	(40)	0	0	(40)
Land Registry	(11)	0	0	(11)
Other	(9)	0	1	(8)
Corporate Improvement	(8)	0	0	(8)
Future Vehicle Costs	(4)	0	0	(4)
	(27,766)	(7,831)	3,367	(32,230)

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AUDIT COMMITTEE WORK PROGRAMME

1 Purpose

- 1.1 To discuss, amend and approve the future work programme for 2016/17 for the Audit Committee.

2 Recommendations/for decision

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

3 Supporting information

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

4 Reasons for Recommendation

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

5 Resource implications

- 5.1 An allowance is always included in the Annual Business 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 2016-17

Item	Contact Officer	25 July	26 Sep	14 Nov	23 Jan	27 Mar
		2016	2016	2016	2017	2017
Audit Committee Work Programme	Kate Mulhearn	X	X	X	X	X
Member Training / Briefing Sessions	Kate Mulhearn		X		X	
Audit Committee Annual Report	Kate Mulhearn	X				
Audit Committee Review of Effectiveness	Kate Mulhearn	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	
Annual Internal Audit Strategy and Plan	Kate Mulhearn					X
Internal Audit Progress Report	Kate Mulhearn	X	X	X	X	X
Risk Management Report	Kate Mulhearn	X	X		X	X
Fraud Report	Kate Mulhearn	X		X		
Internal Audit Annual Report	Kate Mulhearn	X				
CIPFA Good Governance Framework	Kate Mulhearn			X		
Draft Annual Governance Statement	Kate Mulhearn					X
Annual Governance Statement	Kate Mulhearn	X				
Statement of Accounts	Tony Skeggs	X				
Post Audit Statement of Accounts	Tony Skeggs		X			
Working Balances	Tony Skeggs					X

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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