

# Public Document Pack



## AYLESBURY VALE DISTRICT COUNCIL

### Democratic Services

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

3 November 2016

### AUDIT COMMITTEE

A meeting of the **Audit Committee** will be held at **7.00 pm** (or as soon as possible after the conclusion of a Members' training session on "the role of External Audit") on **Monday 14 November 2016** in **The Olympic Room, Aylesbury Vale District Council, The Gateway, Gatehouse Road, Aylesbury, HP19 8FF**, when your attendance is requested.

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

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

**NOTE: The training session for Members will begin at 6.30pm**

### AGENDA

**1. APOLOGIES**

**2. TEMPORARY CHANGES TO MEMBERSHIP**

Any changes will be reported at the meeting.

**3. MINUTES** (Pages 5 - 12)

To approve as a correct record the Minutes of the meeting held on 26 September, 2016, attached as an appendix.

**4. DECLARATIONS OF INTEREST**

Members to declare any interests.

**5. COMMERCIAL AVDC PROGRAMME** (Pages 13 - 18)

To consider the attached report.

Contact Officer: Alan Evans (01296) 585767

**6. ANNUAL AUDIT LETTER 2015-16** (Pages 19 - 44)

To consider the attached report.

Contact Officer: Tony Skeggs (01296) 585273



**7. EXTERNAL AUDIT PROGRESS REPORT (Pages 45 - 52)**

To consider the attached report.

Contact Officer: Tony Skeggs (01296) 585273

**8. INTERNAL AUDIT PROGRESS REPORT (Pages 53 - 60)**

To consider the attached report.

Contact Officer: Kate Mulhearn (01296) 585724

**9. APPOINTMENT OF EXTERNAL AUDITOR (Pages 61 - 64)**

To consider the attached report.

Contact Officer: Andrew Small (01296) 585507

**10. ANNUAL FRAUD REPORT 2015/16 - ACTION PLAN UPDATE (Pages 65 - 68)**

To consider the attached report.

Contact Officer: Kate Mulhearn (01296) 585724

**11. WORK PROGRAMME (Pages 69 - 70)**

To consider the attached report.

Contact Officer: Kate Mulhearn (01296) 585724

**12. CORPORATE RISK REGISTER (Pages 71 - 76)**

To consider the attached report.

Contact Officer: Kate Mulhearn (01296) 585724

**13. 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. 14 – Corporate Risk Register

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.

**14. CORPORATE RISK REGISTER** (Pages 77 - 78)

To consider the attached confidential report.

Contact Officer: Kate Mulhearn (01296) 585724

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## Audit Committee

26 SEPTEMBER 2016

**PRESENT:** Councillor K Hewson (Chairman); Councillors B Chapple OBE (Vice-Chairman), C Adams, M Collins, T Mills, M Smith, R Stuchbury and H Mordue (ex-Officio)

**APOLOGIES:** Councillors C Branston and P Irwin

**TEMPORARY CHANGES OF MEMBERSHIP:** Councillor T Mills substituted for Councillor C Branston

### 1. MINUTES

RESOLVED –

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

### 2. EXTERNAL AUDIT - AUDIT RESULTS (ISA 260)

The Committee had received a report on the current position with the draft Statement of Accounts for 2015-16 to the July meeting, prior to the accounts being submitted to the external auditors.

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

The Committee received a report summarising the auditors findings from the 2015-16 audit which was substantially complete, subject to the satisfactory completion of the outstanding items included in Appendix B. It included the messages arising from the audit of the financial statements and the results of the work undertaken to assess the Council's arrangements to secure value for money in the use of resources. The report highlighted the following key findings:-

- (i) Financial Statements – it was expected to issue an unqualified opinion, subject to the satisfactory clearance of any outstanding work. The audit results demonstrated that the Council had adequately prepared the financial statements.
- (ii) Value for Money – it was expected to conclude that the Council had put in place appropriate arrangements to secure economy, efficiency and effectiveness in the use of resources.

One significant risk had been identified for this criteria which was 'Balanced budget and long term financial planning'. The Council's finances continued to be under significant pressure in the medium term, and in the 2016/17 MTFP had identified a budget gap of £5.6m by 2018/19. However, the assumptions within the MTFP had been assessed and there were not matters to be reported.

- (iii) Whole of Government accounts – it was expected to issue an unqualified confirmation to the National Audit Office regarding the Whole of Government accounts submission, and that there were no issues to report.

- (iv) Audit Certificate – it was expected to issue the audit certificate at the same time as the Audit Opinion, which demonstrated that the full requirements of the Audit Commission’s Code of Audit had been discharged for the relevant audit year.

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

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

- Property, Plant and Equipment (PPE) (Valuations) – Due to the complexity in accounting for PPE, the cyclical approach to valuations, and the material values involved, there was a higher risk that asset valuations contained material misstatements. An error identified in the previous year had required amendment. However, testing this year had not identified any issues relating to the valuation of PPE. The Council had used an appropriate valuer and the results of the valuations were in line with the Code and the Council’s accounting policies.
- Risk of Management Override – management was in a unique position to perpetrate fraud because of their ability to directly or indirectly manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. As such, the external auditors considered this fraud risk as a part of every audit engagement. No evidence had been identified of management override or fraudulent activity.
- Revenue and expenditure recognition – under ISA 240 there was a presumed risk that revenue might be misstated due to improper recognition of revenue. The auditors had reviewed the risk for the Council’s income and expenditure streams and identified the capitalisation of revenue expenditure on PPE as an area for review given the extent of the Council’s capital programme. Testing had confirmed that there had been no inappropriate revenue and expenditure recognition or biased management decisions.

### **Other Audit Risks**

- New General Ledger System – the Council had changed their general ledger system during the year (from 1 June 2015), mainly to improve the control environment. There was a risk around the transfer of data between systems, in particular that the opening balances were correct. Testing of the opening balances had not identified any issues. The auditors had familiarised themselves with the new system and its design of controls, and been aware of the work performed by internal audit around the effectiveness of these controls. As such, a fully substantive approach had been taken to the audit.
- Group Accounting – there had been a significant change to the group structure in year which posed a risk that the group financial statement did not meet the requirements as defined by the Code. The Council had been preparing group accounts for a few years now in respect of Aylesbury Vale Estates and had set up three new companies (AVB Broadband, Novae Consulting and Vale Commerce Ltd, in 2015. All of the group entities had been confirmed. Testing of the consolidations and disclosures within the accounts had not identified any issues.

- Pension Liability – the pension liability (£90.3m in 2014/15) was considered a significant estimate in relation to its size. The IAS 19 report from Barnett Waddingham had been reviewed by the auditors' pension's specialist to confirm the accounting entries for the pension liability and had not identified any issues.
- Provision for Business Rate Appeal – in 2013/14 the Council had been required to calculate a provision for business rate appeals for the first time. The methodology that had been developed had been reassessed to ensure that the assumptions remained appropriate to prepare a reliable estimate. The work had not identified any issues.

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

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

There was only one issue to report relating to these which was that in line with the Accounts and Audit Regulations 2015, the Council was required to have a period for the exercise of public rights (i.e. allow for inspection and objections to the accounts) for a period of 30 days and must include the first 10 working days of July. The Council had not met this requirement as they had not started this period until 5 August, 2016.

One corrected audit difference was brought to the Committee's attention as it was greater than £1.46m. The Council had incorrectly classified a number of pensions expenditure items (£2.007m) within Non Distributed costs. This expenditure had been reclassified across the other service cost headings in line with guidance. These items had been corrected by management in the revised financial statements.

The external auditors also confirmed that there had been no changes in their assessment of independence since confirmation had been given in the Audit Plan dated 21 March, 2016. They also confirmed that the total audit fee was in line with the agreed fee at this point in time, subject to the clearance of the outstanding audit work. It had not been necessary to undertake any non-audit work outside of the Audit Commission's Audit Code requirements.

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

- (i) AVE audited accounts. It was confirmed that the overall performance of AVE would be a matter for Scrutiny, however, the external auditors were satisfied with AVE's accounts.
- (ii) The missing deadline for the period for the exercise of public rights; could this have been extended? Although the 10 working days from the 1<sup>st</sup> July deadline had not been met, the accounts had been available for the required 30 day period.

The external auditors confirmed that their work had now been completed as of 26 September and they were pleased to report that AVDC had been given a clean bill of health throughout. The letter of representation could now be signed off by the Chairman of the Audit Committee.

The Council's finance team were thanked for achieving an unqualified audit report.

RESOLVED –

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

### **3. INTERNAL AUDIT PROGRESS REPORT**

The Committee received a progress report of activity undertaken since July 2016. Internal audit work was being undertaken in line with the annual internal audit plan that had been approved by the Audit Committee in March 2016 and was summarised at Appendix 1. The report highlighted the following matters:-

- (i) Final reports – only one review had been concluded since the July meeting, relating to Housing Benefits, with the full internal audit report attached at Appendix 3. Overall, it had been found that the controls and processes over housing benefits were operating effectively to provide a reasonable assurance over the accuracy and efficiency of claims handling. There were a number of areas where action was needed to improve the integrity of financial information and performance monitoring processes. There was also a need to consider the Council's level of overpayment and the approach to recovery.
- (ii) Internal Audit work in progress – the Internal Audit Plan 2016/17 and progress tracker was included at Appendix 2 to the Committee report. The following reviews were in progress:-
  - Debt Recovery – work had commenced to identify the level of debt for each revenue stream, the ageing profile and to establish the existing recovery processes. This included housing benefits, Council tax, business rates and all other income streams.
  - Safeguarding – the review was in progress. Section 11 arrangements were due to be agreed in October 2016.
  - Information Governance Effectiveness – this review was on hold pending the outcome of a separate piece of work performed by IT security experts "intel". The review would pick up on any identified areas of risk or recommendations identified.
- (iii) Overdue Recommendations and Follow Up Work –
  - Update on financial systems (Accounts Payable and Accounts Receivable, General Ledger and Budgetary Control) – the Commercial AVDC Financial Systems and Processes Review Board was continuing to monitor the implementation of actions identified in the 2015/16 reports on these areas. While progress had been made in all areas there had been some delays in implementing actions relating to monitoring and reporting



commitments. Completion dates had been revised to allow the required work to be undertaken. Financial systems would again be subject to internal in Q3 and Q4 which would further help to provide assurance over the implementation and operation of financial controls.

- Housing Allocations (January 2016) (Medium priority recommendation to be completed by 31 March 2016) – the Bucks Home Choice Allocation policy was still undergoing the review process and was currently with the Chiltern / South Bucks District Council’s Housing Manager for comment. The aim was to complete the review in the autumn 2016.
  - Taxi Licensing (October 2015) (Medium priority recommendation to be completed by 31 March 2016) – a policy had been drafted and would be finalised along with the new document management storage system for Environmental Health and Licensing. Implementation was expected by the end of December 2016.
- (iv) Commercial AVDC and Internal Audit – The Council was progressing through a fundamental restructure and business transformation programme. The Business Assurance team which included Internal Audit was involved in a number of the “Business Reviews” and the Internal Audit Annual Plan had been focussed to assist these across the Council. The Business Assurance team was involved in its own Business Review as part of the Business Governance team’s review. Further information on this would be reported in due course.

From October 2016, Kate Mulhearn who had been engaged as Business Assurance Manager on a secondment basis from PwC, would take up a permanent position at the Council that would include the Head of Internal Audit responsibilities.

The remaining Internal Audit Officer had moved to a new role within the Council so an external supplier of public sector internal audit services would be engaged to support the delivery of the remainder of the 2016/17 Internal Audit Plan.

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

- (a) Safeguarding and Licensing appeared to be low down on the list. However, it was confirmed that the S11 audit was in progress and the taxi licensing review had been started and there was only one outstanding recommendation relating to data sharing. It was hoped to complete the taxi licensing review by the end of 2016.
- (b) Reference was made to the recovery of overpayment of housing benefit. As mentioned in the report to committee, the overpayment had risen significantly in the previous two years. However, this was consistent with the national trend and reflected social and economic trends. There was a reliance on claimants to update the Council regarding their individual circumstances. As reported, the Council’s strategy for managing this type of debt needed reviewing.
- (c) Vale Lottery. Concern raised regarding the operation of the lottery. It was confirmed that the operators met the legal requirements and this was outside this committees remit. If, however, the uptake of the lottery was to increase significantly, then the operation could be reviewed. This could also be brought back to the next meeting.

RESOLVED –

That the progress report be noted, including the progress made by Business Assurance Services against work identified in the Assurance Plan for 2016/17.

#### **4. CORPORATE RISK REGISTER**

The Audit Committee had a role to monitor the effectiveness of risk management and internal control across the Council. As part of discharging this role the committee was asked to review the Corporate Risk Register. The Corporate Risk Register provided evidence of a risk aware and risk managed organisation and reflected the risks that were on the current radar for Transition Board. Some of the risks were not dissimilar to those faced across other local authorities.

The risk register was reviewed on a two monthly basis by Transition Board and reported to the Audit Committee. It had been reviewed and the risks and ratings updated by Transition Board on the 31 August 2016. At the same time, further consideration had given to how effectively the risks were being managed and where further action was required.

The covering report and the Corporate Risk Register Update (Appendix 1) were in the open part of the agenda. However, the Corporate Risk Register (Appendix 2) contains information on some risks relating to commercially sensitive decisions and, as such, was in Part 2 section of the agenda.

Since the previous review in July 2016 one new high risk (Unmanaged loss of key staff) had been added to the register and the residual risk assessment for two of the risks (Approach to commercialisation does not generate desired levels of income, and Health and Safety) had been increased from moderate to high.

The risks arising following the Brexit decision had also been considered. However, at this stage there was too much uncertainty about the specific implications on the strategic objectives and day-to-day operations of the Council to put anything onto the Corporate Risk Register. Management would continue to review this situation as information became available and update the Register accordingly.

Overall, there were 17 risks on the Corporate Risk Register (3 low risk, 5 moderate risk, 7 high risk and 2 extreme risks) and these were considered by Members. Information on the risk matrix and risk ratings (impact and likelihood) was explained further in the Committee report.

To facilitate discussion about the detail of the Corporate Risk Register, the Committee resolved to exclude the public from the meeting under Section 100 (A) (4) of the Local Government Act, 1972, on the grounds that the item involved the likely disclosure of commercially sensitive information as defined in Paragraph 3 of Schedule 12A of the Act. The disclosure of such information might prejudice negotiations for contracts and land disposals or transactions. Members challenged robustly some of the assumptions made in the Risk Register, both in specific and general terms.

Members requested further information on the Register and were informed:-

- (i) That as the partnership with AVE was shown as extreme risk, staff would be working to ensure that the partnership did deliver and achieved the Council's objectives.

The members of the committee acknowledged the commitment shown by the transition board.

RESOLVED –

That the current position of the Corporate Risk Register be noted.

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

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

Following on from the report on the draft accounts to the July meeting, Members received a report updating them on the audit process and the changes made to the accounts in accordance with the external auditor's recommendations. The auditors' comments and findings from their work on the 2015/16 accounts had already been reported to Members in the Annual Governance Report (AGR).

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

As already reported by the external auditors, during the course of the audit it had been identified that the current service pension costs had been charged to Non Distributed Costs rather than the individual service areas. The Statement of Accounts attached to the latest Committee report had been amended to reflect the correct position.

Other minor changes had been made to Note 34.1 where there had been a casting error and the prior year did not agree to the audited accounts from last year. Note 34.2 had also been updated to reflect three exit packages that had been agreed during 2015/16 but were not due to be paid until 2016/17. These had originally been omitted from the disclosure note.

The pensions note 37 had also had a couple of amendments to correctly reflect the actuary's report.

In the Related Party Transactions note of the draft statement of accounts submitted to the Committee in July there had been a number of Members listed as not having returned their disclosure return. Since that meeting all but two of the current members had completed their disclosures. Completion of these disclosures was an audit requirement.

There was a requirement to report significant event that occurred after the balance sheet date and before the sign off date. Since the Committee in July, there had been no significant event that required reporting in the accounts.

Having considered the final Statement of Accounts for 2015/16, it was –

RESOLVED –

- (1) That the final outturn position of the Council's Statement of Accounts 2015/16 be noted.

- (2) That approval be given to the Chairman of the Audit Committee to sign off the Statement of Accounts for 2015/16 on the Committee's behalf.
- (3) That approval be given to the Director with responsibility for Finance, in consultation with the Chairman or Vice Chairman, to make such changes as considered necessary to achieve sign off by the statutory 30 September deadline.

## **6. WORK PROGRAMME**

The Committee considered the future Work Programme for 2016-17 which took account of comments and requests made at previous Committee meetings and particular views expressed at this meeting, and the requirements of the internal and external audit processes. Members were also provided with a timetable of training events for future meetings.

RESOLVED –

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

## **7. DATE OF FUTURE MEETINGS**

The next meeting of the Audit Committee would be held at 6.30 pm on 14 November, 2016, in the Olympic Room at The Gateway, Gatehouse Road, Aylesbury.

## **8. EXCLUSION OF THE PUBLIC**

RESOLVED –

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

Corporate Risk Register (Part 3)

The public interest in maintaining the exemptions outweighed the public interest in disclosing the information because the documents contained 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/transactions.

## **9. CORPORATE RISK REGISTER**

As part of the above discussions, consideration was given to the Council's Corporate Risk Register.

## Commercial AVDC – Programme Report November 2016

### 1. Purpose

- 1.1. The purpose of this report is to provide information about the Commercial AVDC programme, its progress and plans, governance and the risks being managed
- 1.2. The Audit committee is asked to note the contents of this report and share whether there are any areas where they would like further information.

### 2. Background

- 2.1. AVDC continues to build on the success of the changes it has delivered in recent years by developing an organisation with a sustainable funding model and commercial operating model driven by continuous improvement. Underpinning all of the programme's work is the pursuit of the economic, social and environmental wellbeing of the area.
- 2.2. Over the last six years through a wide range of initiatives Aylesbury Vale District Council has saved around £14 million despite losing 60% of the government grant.
- 2.3. The Commercial AVDC Programme has continued to focus on three primary strands of activity, a) focussing on driving returns from commercial activity from existing operations, b) reviewing Council Services to improve effectiveness and efficiency and c) improving the overall capability of AVDC's staff.
- 2.4. By 2020/2021, these Commercial AVDC programme activities will need to provide a contribution of £5m to the council's revenues, through a combination of increased income and reduced expenditure.
- 2.5. The programme operates alongside work led by Vale Commerce to drive long term returns from commercial activity in new areas. While the two initiatives are managed separately, they need to work to ensure they are aligned and the board provides oversight over Vale Commerce also.

### 3. Programme Governance

- 3.1. The programme board is accountable for delivering the programme's targets while maintaining operational stability. This group brings together the Cabinet Member for Transformation, the Chief Executive and Directors, the Programme Sponsor, one of the Commercial Sector Leads, Programme Manager and external challenge from the Chief Executive of IESE (Improvement and Efficiency South East).
- 3.2. Although the achievement of Vale Commerce's income generation goals are not within the scope of the programme, the programme board does give some oversight over the delivery of Vale Commerce objectives, and engages with Vale Commerce staff outside board meetings to gain assurance of progress.
- 3.3. Reports and recommendations are shared with Cabinet, Council, Council and Staff Committee, Scrutiny and Audit as appropriate and/or requested.
- 3.4. Responsibility for delivery of the programme is with the programme delivery group, made up of the programme manager and workstream leads. There is a workstream designed to improve each sector led by the sector leads, and some supporting workstreams covering programme management, finance, communications and organisational development (which covers people and culture).
- 3.5. Each workstream contains a range of projects (for example Transactional Services improvement and Customer Contact), and each project has a project manager responsible for delivery, reporting into the workstream lead. In a minority of project, where more in depth oversight and input is required, there is a project board with some delegated authority from the programme board (for example finance and

business intelligence/customer insight), but the programme board remains ultimately accountable.

- 3.6. The programme works with a Staff Engagement Group, Transition Board, Managers Group and with staff via forums such as “Let’s Get Talking” to engage and involve.

#### **4. Performance monitoring and risk management**

- 4.1. At programme board level there are monthly board meetings involve benefits and performance tracking / RAG review There is a programme level risk log with periodical risk reviews and discussions at board.
- 4.2. At workstream level, we have bi-weekly workstream reporting, with top down schedules tracking delivery of all projects. Workstream leads (who are sector leads and specialists in areas such as finance and OD) are responsible for workstream delivery.
- 4.3. At project level there is bi-weekly project reporting against detailed smartsheet plans, and project risk logs are maintained. The PMO tracks progress and guides on quality. Some, more complex projects (eg finance and business intelligence / customer intelligence) have their own boards to provide deeper oversight.

#### **5. Progress to Date**

##### **5.1. Lifting and Shifting to a Sector Structure**

- 5.1.1. In January 2016 the programme successfully delivered on an organisation wide restructure (called “Lift and Shift”) to create a new sector based structure as a launch pad for ongoing business improvements. These new sectors were led by interim leaders whose role include not only running the operation but driving the implementation of business reviews and improved capability in their sectors.

##### **5.2. Organisational Development and Part 1 Consultation**

- 5.2.1. In order to change the culture and skill level of the organisation to become more commercial, efficient and effective, a new behavioural and job family framework has been developed.
- 5.2.2. The framework will underpin all assessment and selection of staff into the new roles arising from business reviews that will affect all areas, as well as ongoing performance management and development. It has been developed in collaboration with staff and trade unions and there has been extensive engagement and familiarisation work to increase awareness and understanding. This has involved the sharing of behavioural resources on Connect and the running of staff development sessions in August 2016.
- 5.2.3. Part 1 consultation with trade unions and staff representatives which covers the overall restructuring approach commenced in August. This is largely closed at time of writing, subject to some minor adjustments that are agreed in principle.
- 5.2.4. Staff engagement surveys conducted at the beginning of the programme compared to those covered in September shows that engagement has remained level despite the level of change directly affecting staff across the organisation.

##### **5.3. Business Reviews and Part 2 Consultation**

- 5.3.1. The **Business Reviews** aim to assess each sector and service to understand who its customers are, what their needs are and how the service can best be structured to deliver those needs in the most efficient and cost effective way. Each review that leads to changes in team structures and roles will go through a

process called part 2 consultation with trade union and staff representatives prior to being finalised.

- 5.3.2. In **Community Fulfilment** a review of the communities team has explored how the funding available to the sector can be applied to best effect to Aylesbury Vale. The outcome of the review is that through increasing income generation and delivering efficiencies we can reduce our 1.7m commitment to community priorities by approximately £250,000 per annum whilst maintaining key statutory and policy priorities.
- 5.3.3. In **Customer Fulfilment** trials are underway to develop new working practices and structures in customer contact and administration. An interim structure based on customer delivery has been implemented, bringing similar functions together to increase efficiency and collaboration. Business reviews in the areas of waste, casework, services to residents are underway, as is a joint review of systems administration with Business Support and Enablement.
- 5.3.4. In **Commercial IP** a business review of the Sustainability function has identified that services delivered can, where required, be delivered in other ways such as through providing content online or by operational teams, delivering an annual saving of £88k. Should there be demand in the future for commercial sustainability services in line with Vale Commerce's offer, that service could be delivered by them at the appropriate time. This approach and is undergoing consultation with trade unions and staff representatives at time of report.
- 5.3.5. In **Commercial Property** a review of current assets along with the definition of systems requirements for the digitisation of asset information and records is underway.
- 5.3.6. In **Business Strategy & Governance** and **Business Support & Enablement** a joint review of finance has focused on delivering world class support, an effective control environment and lowest cost transactions. A new role of strategic finance manager has been created increasing the size of the team to deliver this improved service. The review is currently going through consultation with trades unions and staff representatives.
- 5.3.7. In **Business Strategy & Governance** reviews are underway in the areas of contracts/commissioning, business intelligence & customer insight, project management, business assurance and political governance.
- 5.3.8. In **Business Support & Enablement** a business plan has been agreed to invest in a trial of marketing the payroll commercial services, recognising that there is a large market of similar organisations and even securing a small market share would deliver profits. The first stage of service desk integration has been delivered with IT and finance services providing improved service and transparency of performance. A joined up review of transactional services including finance, payroll and rates & recovery is underway, as is a joint review of systems administration with Customer Fulfilment.

#### 5.4. Contribution achieved to date

- 5.4.1. In year savings of £1.8m for 2017/18, which exceeds the target of £1.6m, has come from a combination of increased income from planning applications, amendments to funding structures and driving initial efficiencies around vacated roles.

## 6. Forward Plans

### 6.1. Target Operating Model

- 6.1.1. A target operating model and senior structure for the organisation is currently being finalised with a view to sharing with key stakeholders and consulting with

trade unions and staff representatives starting in November 2016. The model is based on the current sector based structure, with some alterations based on what has been learned from the 8 months of operations since January's "lift & shift".

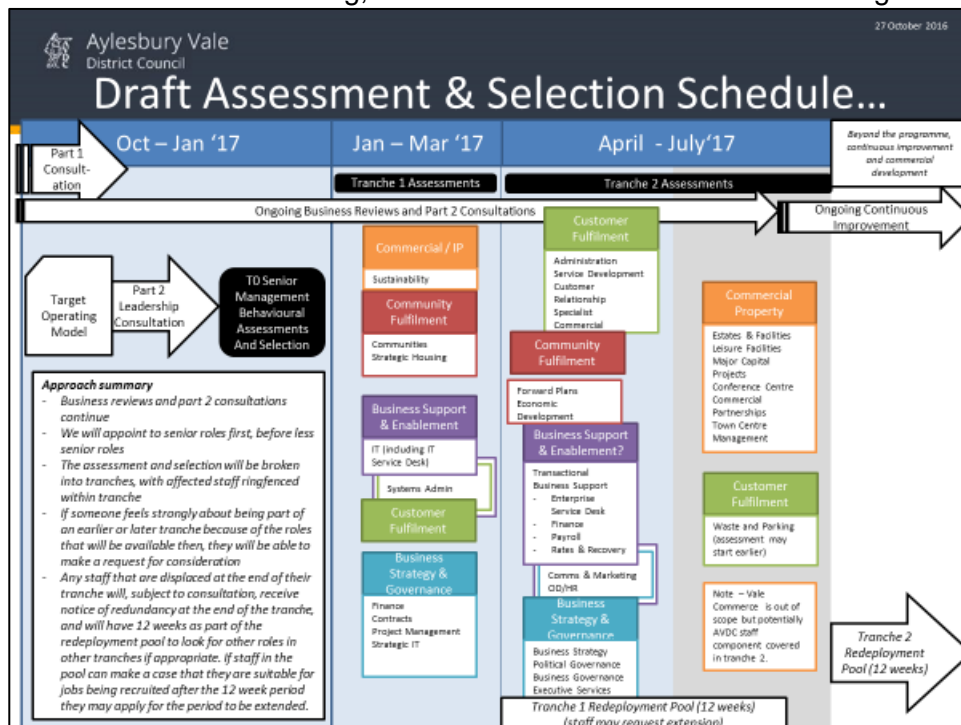
- 6.1.2. It is expected that the leaders of these sectors will be appointed in January 2017, where those leaders have been successful in the new assessment and selection processes based on the behavioural framework.

**6.2. Organisational Development**

- 6.2.1. The behavioural framework's implementation requires assessment and selection process and tools to be in place. Their design will complete in October, with external assessors assigned and trained, ready to start assessing in January 2016. Across all of the reviews, role profiles will be developed and evaluated through Hay panels. All roles will change through individual profiles being refined or developed, and the behaviours incorporated.
- 6.2.2. Following the implementation of the behavioural assessments and role selection approach, the performance management framework will be completed so that we can manage performance to get best from our people and that they are working on the right things. A personal development strategy will focus on developing staff to meet their full potential, enable effective communication and challenge with succession planning. It will include the implementation of a personal development portal to support staff development.
- 6.2.3. In addition, we will focus on an improved recruitment strategy, ensuring that we get the best people joining AVDC and making the organisation the employer of choice for ambitious and most talented individuals.

**6.3. Ongoing Business Reviews and Restructuring Tranche Rollout**

- 6.3.1. The programme's activities will now focus on completing reviews, consulting on them and then implementing new structures in a series of 3 to 4 month tranches. At time of writing, the draft schedule is as shown in the figure below.



- 6.3.2. The first tranche will take place in January to March 2016. Having appointed to the leadership roles for the sectors, the first set of areas will go through assessment and selection. The second tranche starts in April 2016, with two



areas, Commercial Property and Waste aiming to start as soon as possible, likely to be May.

- 6.3.3. As each area completes role selection they will need to plan for implementation of any structures, processes, systems and business continuity plans. At that point they are ready for an ongoing process of continuing improvement where they deliver further people development, commercial development and operational efficiency.

#### **6.4. Forecasting**

- 6.4.1. The requirement for this programme is to deliver £5.1m contribution to the bottom line, a combination of increased income and reduced cost to serve by financial year 2020/2021, where £2.7m is required in the first two years – 2017 to 2019.
- 6.4.2. At time of writing, the reviews are still in development and need to complete consultation before any firm forecasts can be made. That said, there is an initial indication of possible contribution of £3m in those first two years, and £4.2m for the whole period. This indicates that the short term requirement should be covered by the current programme's activities, and that continuous improvement in the period up to April 2019 should provide opportunities to identify and implement the rest of the contribution required by March 2021.

#### **6.5. Risks to be managed**

##### **6.5.1. Corporate Risk Register #1 –Achieving savings and efficiency gains**

- *Programme targets.* The programme's target of £5.1m savings/income will be achieved through a) focussing on driving returns from commercial activity from existing operations, b) reviewing Council Services to improve effectiveness and efficiency and c) improving the overall capability of AVDC's staff. There is no dependence on new and innovative income sources such as Vale Commerce to achieve this goal. At this early stage of the programme's design, we have identified possible savings for 2017/18 and 18/19 that exceeds the target for those years, and overall £4.2m. We expect the remaining £0.9m can be achieved through continuous improvement after the current programme's activity has been concluded, if not before.
- *Programme budget.* The programme's budget and resourcing is currently on track for the current schedule of work. The ongoing continuous improvement process and any further change programmes are likely to require a level of investment which should be evaluated closer to 16/17 financial year end.
- *Supplier management.* In order to provide subject matter expertise and change capacity, the internal team needs to be supplemented by supplier and contract/agency resource to deliver the change. It will continue to be important to manage supplier performance rigorously and ensure that knowledge is transferred to internal resources, so they can drive ongoing commercial development and service improvement.

##### **6.5.2. Corporate Risk Register #2 – Commercialisation and income generation**

- *Vale Commerce.* While the commercial AVDC programme focusses on driving internal commercial development, culture change and operational improvement, one of the risks assigned to the programme's board to manage is related to Vale Commerce. The risk relates to whether it will meet its long term income generation goals.
- Currently Vale Commerce is testing the market and is building on initial interest in its products – the board will be continuously checking in to see that it is

carrying out the right activities in the short term to deliver on their long term objectives.

- When it comes to selling internal services to the wider market, it will be important to ensure that those services have a level of maturity that allows successful internal delivery as well as high quality delivery to customers.

#### **6.5.3. Corporate Risk Register #3 – Cultural change**

- *Behavioural framework.* The vision for AVDC is dependent on having the right people, in the right roles, living the right behaviours. Designing the framework, raising initial awareness and assessing all who would work in AVDC against that framework is only a first step. It will be vital that that leaders ensure that behaviours are properly considered in selection decisions and that all AVDC people hold themselves and each other to account for continuing to live those behaviours, both informally and through ongoing development and performance management.
- *Employee relations.* The programme has established excellent relationships, collaboration and healthy challenge with trade union and staff representatives, which has led to improvements in the quality of solutions and engagement with staff. As the programme moves into more detailed part 2 consultations followed by staff assessment and role selection, this collaboration should be continued and challenges addressed in partnership.

#### **6.5.4. Corporate Risk Register #17 – Service Delivery and Risk Management**

- *Pace versus resilience and quality* AVDC is ambitious to continue to build momentum and deliver at pace - it will need to stay constantly focussed and ready to adapt should organisational resilience be threatened, the wellbeing / capacity of resources be pushed too far or quality of delivery affected.
- *Operational Standards and Maturity* To achieve the commercial and operational ambitions of AVDC, the level of maturity in areas such as change delivery, customer insight and business intelligence will need to continue to be invested in and developed. In addition, operational resilience and risk management relies on maturity in these areas. There is a project in place to drive this forward which will require continued focus and attention as the broader organisation goes through restructuring.
- *Role changes and business continuity* Handing staff transitions effectively and proper knowledge transfer will be vital as staff move to new roles and exit the organisation. Ensuring that each area is sufficiently resourced and setup to deliver services effectively is part of the business review process. In addition, as the role selection decisions are made, transition plans will need to be put into place. Business continuity plans will be produced for each area by those taking on responsibility for those areas to ensure ownership and focus.

## **EXTERNAL AUDIT – ANNUAL AUDIT LETTER 2015-16**

### **Purpose**

- 1.1 The Council's external auditors have issued their Annual Audit Letter which provides an overall summary on completion of the Audit Commission's work at the Council. The report draws on audit work carried out at the Council relating to the 2015/16 financial year.

### **2 Recommendations/for decision**

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

### **3 Supporting information**

- 3.1 The external auditor's Annual Audit Letter for 2015/16 is attached at Appendix 1.
- 3.2 The Audit Committee's Terms of Reference include dealing with external and internal audit issues. This report allows formal recognition of our external auditor's report by a Committee of the council.
- 3.3 The external auditor's Annual Audit Letter will be made available to the public on the Council's web site after it has been discussed at this meeting.

### **4 Options considered**

- 4.1 None.

### **5 Reasons for Recommendation**

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

### **6 Resource implications**

- 6.1 None.

Contact Officer: Tony Skeggs (01296) 585273  
Background papers: None

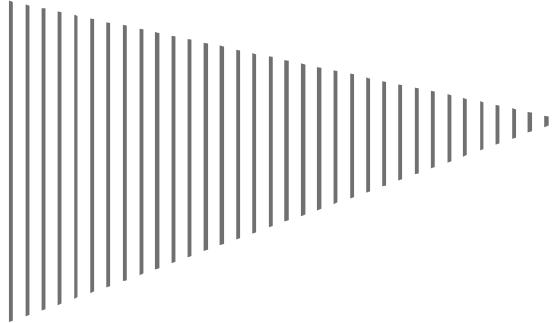
# Aylesbury Vale District Council

Annual Audit Letter for the year ended 31 March 2016

October 2016

Ernst & Young LLP

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

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

## Executive Summary

## Executive Summary

We are required to issue an annual audit letter to Aylesbury Vale District Council (the Council) following completion of our audit procedures for the year ended 31 March 2016.

Below are the results and conclusions on the significant areas of the audit process.

Area of Work	Conclusion
Opinion on the Council's: ▶ Financial statements	Unqualified – the financial statements give a true and fair view of the financial position of the Council as at 31 March 2016 and of its expenditure and income for the year then ended.
▶ Consistency of other information published with the financial statements	Other information published with the financial statements was consistent with the Annual Accounts.
Concluding on the Council's arrangements for securing economy, efficiency and effectiveness	We concluded that you have put in place proper arrangements to secure value for money in your use of resources.

Area of Work	Conclusion
Reports by exception: ▶ Consistency of Governance Statement	The Governance Statement was consistent with our understanding of the Council.
▶ Public interest report	We had no matters to report in the public interest.
▶ Written recommendations to the Council, which should be copied to the Secretary of State	We had no matters to report.
▶ Other actions taken in relation to our responsibilities under the Local Audit and Accountability Act 2014	We had no matters to report.

Area of Work	Conclusion
Reporting to the National Audit Office (NAO) on our review of the Council's Whole of Government Accounts return (WGA).	The Council is below the specified audit threshold of £350 million. Therefore, we did not perform any audit procedures on the consolidation pack.

As a result of the above we have also:

Area of Work	Conclusion
Issued a report to those charged with governance of the Council communicating significant findings resulting from our audit.	Our Audit Results Report was issued on 26 September 2016.
Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2015 Code of Audit Practice.	Our certificate was issued on 26 September 2016.

In January 2017 we will also issue a report to those charged with governance of the Council summarising the certification work we have undertaken.

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

Maria Grindley

Executive Director  
For and on behalf of Ernst & Young LLP



Purpose



## Purpose

### The Purpose of this Letter

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

We have already reported the detailed findings from our audit work in our 2015/16 Audit Results Report to the 26 September 2016 Audit Committee, representing those charged with governance. We do not repeat those detailed findings in this letter. The matters reported here are the most significant for the Council.



# Responsibilities

## Responsibilities

### Responsibilities of the Appointed Auditor

Our 2015/16 audit work has been undertaken in accordance with the Audit Plan that we issued on 21 March 2016 and is conducted in accordance with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK and Ireland), and other guidance issued by the National Audit Office.

As auditors we are responsible for:

- ▶ Expressing an opinion:
  - ▶ on the 2015/16 financial statements; and
  - ▶ on the consistency of other information published with the financial statements.
- ▶ Forming a conclusion on the arrangements the Council has to secure economy, efficiency and effectiveness in its use of resources.
- ▶ Reporting by exception:
  - ▶ if the annual governance statement is misleading or not consistent with our understanding of the Council;
  - ▶ any significant matters that are in the public interest;
  - ▶ any written recommendations to the Council, which should be copied to the Secretary of State; and
  - ▶ if we have discharged our duties and responsibilities as established by thy Local Audit and Accountability Act 2014 and Code of Audit Practice.

Alongside our work on the financial statements, we also review and report to the National Audit Office (NAO) on you Whole of Government Accounts return. The Council is below the specified audit threshold of £350 million. Therefore, we did not perform any audit procedures on the return.

## Responsibilities of the Council

The Council is responsible for preparing and publishing its statement of accounts accompanied by an Annual Governance Statement. In the AGS, the Council reports publicly each year on how far it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in year, and any changes planned in the coming period.

The Council is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

# Financial Statement Audit

## Financial Statement Audit

### Key Issues

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

We audited the Council's Statement of Accounts in line with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK and Ireland), and other guidance issued by the National Audit Office and issued an unqualified audit report on 26 September 2016. Our detailed findings were reported to the 26 September 2016 Audit Committee.

The key issues identified as part of our audit were as follows:

Significant Risk	Conclusion
<p><b>Risk of management override</b></p> <p>A risk present on all audits is that management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly, and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p>Auditing standards require us to respond to this risk by testing the appropriateness of journals, testing accounting estimates for possible management bias and obtaining an understanding of the business rationale for any significant unusual transactions.</p>	<p>We obtained a full list of journals posted to the general ledger during the year, and analysed these journals using criteria we set to identify any unusual journal types or amounts. We then tested a sample of journals that met our criteria and tested these to supporting documentation.</p> <p>The most significant accounting estimates in the financial statements relate to the net pension liability, property valuations and NDR appeals provision. We found no indication of management bias in these estimates.</p> <p>We have not identified any material weaknesses in controls or evidence of material management override.</p> <p>We have not identified any instances of inappropriate judgements being applied.</p> <p>We did not identify any other transactions during our audit which appeared unusual or outside the Council's normal course of business</p>
<p><b>Risk of fraud in revenue recognition</b></p> <p>Auditing standards also required us to presume that there is a risk that revenue and expenditure may be misstated due to improper recognition or manipulation.</p> <p>We respond to this risk by reviewing and testing material revenue and expenditure streams and revenue cut-off at the year end.</p>	<p>Our testing gave us no concerns as to inappropriate revenue and expenditure recognition through fraudulent or biased management decisions.</p> <p>Overall our audit work did not identify any issues or unusual transactions which indicated that there had been any misreporting of the Council's financial position.</p>

Property, plant and equipment – valuations

Due to the complexity in accounting for property, plant and equipment, the cyclical approach to valuations, and the material values involved, there is a higher risk that asset valuations contain material misstatements.

We also identified an error that required amendment in the prior year. The error was caused by incorrect accounting of upward revaluations of assets between the CIES and the Revaluation Reserve.

Our testing did not identify any issues relating to the valuation of property, plant and equipment.

The Council used an appropriate valuer and the results of the valuations made were in line the Code and the Council's accounting policies.

---



A close-up, shallow depth-of-field photograph of a stack of coins. The coins are stacked vertically, with the edges of several coins visible. The lighting is warm, highlighting the metallic texture and the ridges on the edges. A bright yellow rectangular box is overlaid on the left side of the image, containing the text 'Value for Money'.

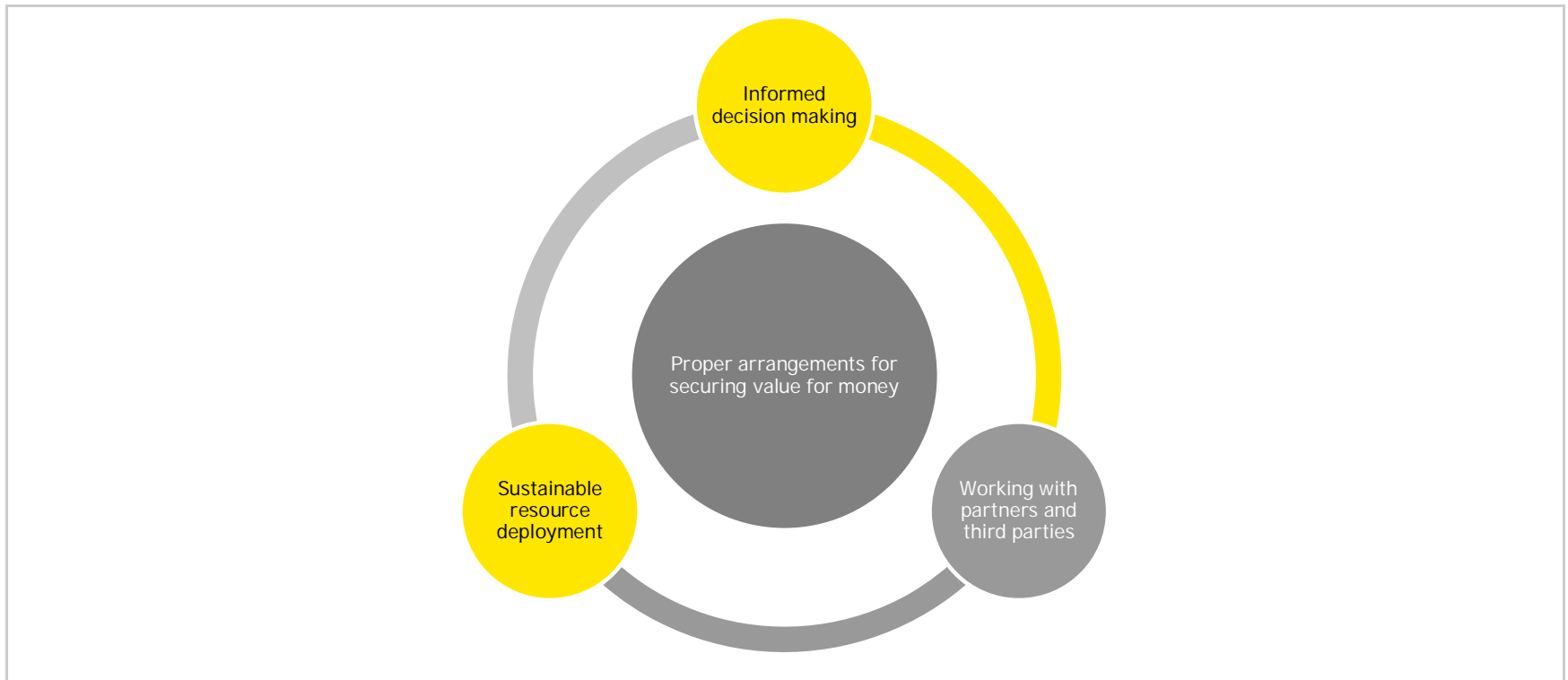
Value for Money

## Value for Money

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.



We issued an unqualified value for money conclusion on 26 September 2016.

We identified the following significant risk in our audit plan:

Significant risk	Conclusion
<p>Balanced budget and long term financial planning</p> <p>The Council's finances continue to be under significant pressure in the medium term. In its Medium Term Financial Plan 2016/17 – 2018/19 the Council has identified a budget gap of £5.6 million.</p> <p>The achievement of the Council's Financial Plans to date has been good, with savings identified to close the budget gaps. However, the Council has to continue to deliver significant savings year on year in order to bridge the gap and balance its budget.</p>	<p>We have used PSAA's value for money profile tool to assess Council's spending against similar District Councils.</p> <p>We reviewed the Council's financial planning to date and the latest medium-term financial plan as well as the assumptions made by the Council in drawing up the plan. This includes a number of efficiency initiatives and income streams to reduce the budget gap in future years.</p> <p>The Council's strategic plan appeared reasonable.</p>

## Other Reporting Issues

## Other Reporting Issues

### Whole of Government Accounts

The Council is below the specified audit threshold of £350 million. Therefore, we did not perform any audit procedures on the consolidation pack.

### Annual Governance Statement

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

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

### Report in the Public Interest

We have a duty under the Local Audit and Accountability Act 2014 to consider whether, in the public interest, to report on any matter that comes to our attention in the course of the audit in order for it to be considered by the Council or brought to the attention of the public.

We did not identify any issues which required us to issue a report in the public interest.

### Written Recommendations

We have a duty under the Local Audit and Accountability Act 2014 to designate any audit recommendation as one that requires the Council to consider it at a public meeting and to decide what action to take in response.

We did not identify any issues which required us to issue a written recommendation.

### Objections Received

We did not receive any objections to the 2015/16 financial statements from members of the public.

### Other Powers and Duties

We identified no issues during our audit that required us to use our additional powers under the Local Audit and Accountability Act 2014.

## Independence

We communicated our assessment of independence in our Audit Results Report to the Audit Committee on 26 September 2016. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning regulatory and professional requirements.

## Control Themes and Observations

It is the Council's responsibility to develop and implement systems of internal financial control and to have proper arrangements to monitor their actual adequacy and effectiveness. Our responsibility as auditor is to consider whether the Council has arrangements to satisfy itself that this is indeed the case.

We have adopted a fully substantive approach and have therefore not tested the operation of controls.

We have reviewed the Annual Governance Statement and can confirm that it is not misleading or inconsistent with other information arising from the audit or our knowledge of the Council.



Focused on your  
future

## Focused on your future

Area	Issue	Impact
Faster close	<p>From the 2017/18 financial year, the deadline for preparing the Council's financial statements will move to 31 May from 30 June. In addition, the deadline for completing the statutory audit will move to 31 July from 30 September.</p>	<p>The faster closedown timetable requires the Council to adjust its timetable for preparing the accounts, and may affect the budget setting process and the timing of committee meetings.</p> <p>It requires upfront planning to identify areas of the accounts that can be prepared earlier, before the 31 March, and there will be a need to establish robust basis for estimations across a wider number of entries in the financial statements.</p> <p>For the 2016/17 audit, we are working with officers to bring our work forward to support the transition ahead of the new deadlines in 2017/18.</p>
Appointment of auditors	<p>The current audit contracts expire on the completion of the 2017/18 audit. The expiry of contracts also marks the end of the current mandatory regime for auditor appointments.</p> <p>After this, the Council can exercise choice about whether it decides to opt in to the authorised national scheme, or whether to make other arrangements to appoint its own auditors.</p> <p>In July 2016, the Secretary of State for Communities and Local Government specified Public Sector Audit Appointments limited (PSAA) as an appointing person under regulation 3 of the Local Audit (Appointing Person) Regulations 2015.</p> <p>PSAA will be able to appoint an auditor to relevant authorities that choose to opt into its national collective scheme.</p>	<p>Appointment of auditors for the 2018/19 financial year is required by 31 December 2017.</p> <p>The Council should consider whether it intends to opt into the appointed person scheme to appoint its own auditors from 2018/19 or if the Council should make its own arrangements following the legislative requirements.</p>



Appendix A

## Audit Fees



## Appendix A Audit Fees

Our fee for 2015/16 is in line with the scale fee set by the PSAA and reported in our 26 September 2016 Audit Results Report.

Description	Final Fee 2015/16 £	Planned Fee 2015/16 £	Scale Fee 2015/16 £	Final Fee 2014/15 £
Total Audit Fee – Code work	56,785	56,785	56,785	75,713
Total Audit Fee – Certification of claims and returns	11,268 <sup>1</sup>	11,268	11,268	16,600

We confirm we have not undertaken any non-audit work outside of the PSAA's requirements.

<sup>1</sup> Our work to certify the Housing Benefit claim is ongoing and we will report any additional fee due to any additional work required to quantify errors in the claim in our certification report.

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ED None

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# Audit Progress Report

Aylesbury Vale District Council

14 November 2016

Ernst & Young LLP



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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..

## 1. Planned work

### Fee Letter

We issued our 2016/17 fee letters to the Council in April 2016.

### Financial Statements

We adopt a risk based approach to the audit and, as part of our ongoing continuous planning we continue to meet key officers regularly to ensure the 2016/17 audit runs as smoothly as possible and identify any risks at the earliest opportunity.

#### Planning and interim visit

We will start our work to identify the Council's material income and expenditure systems and to walk through these systems in late 2016. We will start detailed substantive testing of income and expenditure transactions in early 2017.

There are no matters arising from our initial planning meetings that we need to bring to your attention at this stage. We will update the Committee when the planning and early substantive testing has been completed.

Our detailed audit plan, setting out the risks we have identified and the work we will undertake in response, will be presented to the Audit Committee in January 2016.

We will continue to use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular payroll and journal entries. We will obtain month 9 data which will be used for our early substantive testing as well as year-end data.

We will also review and report to the National Audit Office, to the extent and in the form required by them, on your whole of government accounts return.

### Value for money

The Comptroller and Auditor General (C&AG) has now issued Auditor Guidance Note 3 (AGN 03) – Auditors' work on VFM arrangements.

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.

For 2016-17 this is based on the overall evaluation criterion:

*"In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people"*

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.



## **Housing Benefits Grant Claim – 2015/16**

Work is currently ongoing in testing the housing benefits grant claim. We will be bringing our findings to the next Audit Committee in January once the work had been completed.

## **Other Issues of Interest**

We will continue to bring our sector briefings to Audit Committee meetings and discuss key issues with the 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.

## 2. Timetable

### Audit Committee Timeline

We have set out below a timetable showing the key stages of the audit, including the value for money work and the whole of government accounts, and the deliverables we have agreed to provide to you through the 2016/17 Audit Committee cycle.

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

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

Audit phase	Timetable	Deliverables
High level planning:	<b>April 2016</b>	Fee Letter provided to the Council
Start of interim work	<b>November 2016</b>	Progress Report
Risk assessment and setting of scopes	<b>December/January</b>	Audit Plan
Update on work completed to date	<b>March 2017</b>	Progress Report
Value for money conclusion	<b>December 2016 to May 2017</b>	Ongoing
Year-end audit	<b>July to August 2017</b>	Report to those charged with governance  Audit reports (including our opinion on the financial statements and a conclusion as to whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources).  Audit completion certificate  Whole of Government Accounts Certifications
Reporting	<b>November 2017</b>	Annual Audit Letter

## Appendix A Audit Progress

### Progress against key deliverables

Key deliverable	Timetable in plan	Status	Comments
Fee Letter		Completed	
Audit Plan	January 2017	Not due yet	
Report to Those Charged with Governance	September 2017	Not due yet	
Audit Report (including opinion and vfm conclusion)	September 2017	Not due yet	
Audit Certificate	September 2017	Not due yet	
WGA Certificate	September 2017	Not due yet	
Annual Audit Letter	November 2017	Not due yet	

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## **INTERNAL AUDIT PROGRESS REPORT – NOVEMBER 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 requested to approve the proposed changes to the annual internal audit plan.

### **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
  - Overview of Commercial AVDC and update on internal audit resources
- 3.2 The Committee requested that all internal audit reports are presented in full. No reports have been issued since the last meeting.

### **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**

November 2016

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# 1. Activity and progress

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

No reports have been issued since the September 2016 Audit Committee meeting. We have appointed an external provider of internal audit services and work has commenced on financial systems reviews.

## 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	<p>In response to internal audit recommendations arising from 2015/16 reviews, a project is underway to review the Council's strategic approach to debt recovery. The scope includes:</p> <ul style="list-style-type: none"><li>- understand the level of debt – including all income streams and age profile</li><li>- develop strategic direction/policy for debt management and recovery action</li><li>- recommend future operating model, structure of teams and resources to maximise efficient collection of debts</li><li>- clarity over responsibility &amp; ownership of debt collection</li><li>- identify reporting needs to effectively monitor and manage debt at the budget holder and corporate level</li><li>- identify best practice and benchmark debt management elsewhere</li><li>- apply customer insight to profile debtors which will support more focused recovery action and reduce overall debt</li></ul> <p>This is not an assurance review and IA is supporting in an advisory capacity.</p>
Safeguarding	Review is in progress. Sec11 arrangements to be agreed October 2016.
General Ledger	Work completed and report being prepared
Treasury Management	Work completed and report being prepared
Payroll	Work in progress
Accounts Receivable	Due to start w/c 7 November
Accounts Payable	Due to start w/c 14 November
Fixed Assets	Due to start w/c 14 November



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

We monitor the implementation of actions and recommendations raised by 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.

### **Update on financial systems**

The Commercial AVDC Financial Systems & Processes Review Board is continuing to monitor the implementation of actions identified in the 2015/16 Accounts Payable & Receivable and the General Ledger and Budgetary Control internal audit reports.

During Q3 and Q4 financial systems will be subject to internal audit review again. This will pick up on previous actions and provide assurance over the design and operation of financial controls.

### **Overdue recommendations**

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

The Bucks Homes Choice Partnership Policy was adopted in May 2014 and is the common mechanism for allocating housing in Bucks. Section 8 of 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 - The Bucks Home Choice Assessment of Scheme Aims and Objectives was published on the Bucks Home Choice Website in October 16. Its states:

“The Bucks Home Choice Partnership has considered the stated aims and objectives of the Scheme to unsure that these remain relevant and are being achieved. The policy statement provides evidence to support each of the Scheme objectives and also shows the outcomes of allocations made during 2015-16”.

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

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 – A policy has been drafted and will be finalised along with the 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. Implementation is expected to be complete by the end of December 2016.

### ***3. Commercial AVDC and internal audit resources***

We have engaged an external provider of public sector internal audit services (BDO) to support the delivery of the remainder of the 2016/17 internal audit plan, reporting to the Business Assurance Manager. The outcome of the Governance Business Review will determine further resource requirements and the delivery model going forward.

## Appendix 1: Internal audit plan and progress tracker

The 2016/17 Annual Internal Audit Plan was approved by members of the Audit Committee in March 2016. Progress and changes are reported below.

Review	Description	Status/Comment	Risk Rating
General Ledger	Ongoing input to Commercial AVDC Finance Review project (Q1&Q2) and assurance over implementation and effectiveness of processes (Q3 &Q4)	In progress	
Payroll		In progress	
Accounts Receivable		Start w/c 7/11	
Accounts Payable		Start w/c 14/11	
Treasury		In progress	
Fixed Assets		Start w/c 14/11	
HR - Recruitment	Review recruitment processes and controls	Processes are being assessed as part of Commercial AVDC reviews. Consider audit in 207/18.	Defer to 17/18
Electoral & Democratic Services	Deferred from 15/16. Roll out of ModGov – review processes post implementation	Implementation has gone wells so far but not yet using full functionality. This is being considered as part of the Business Review. IA to consider once review has concluded.	Defer to 17/18
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.	Q4	
Budget Management		Q4	
Information Governance	Information governance effectiveness review.	Scope of was work agreed. Now pending outcome of Intel report. Scope will be modified as needed.	
Health & Safety	Compliance with OHSAS18001; review of H&S Management System	New H&S provider from 1 Oct 16 will review management systems following departure of H&S officer. Work will be overseen by BAS Manager but not likely to require specific IA resource. Audit should be deferred until systems are in place.	Defer to 17/18
Safeguarding	Review pre Sec 11 audit. Also consider vulnerable adults.	Sec 11 plan of work has been released from BCC. Work is in progress.	
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 to support review of processes. This is IA advisory work.	

My Account	Review security of payments, information and interfaces with other systems	Q4	
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 Q3.	
Risk Management	Continuous assurance over risk management process	Corporate risk register reviewed and reported to Audit C'ttee.	
Enterprise zones	Processes governing management of E Z partnerships	Not considered a key risk area for focus at this time.	Remove
Housing benefits			
Collection fund			
Estates – Service Charges	Basis for and calculation of service charges, collection processes		
Business Reviews	Ongoing	Internal audit has supported Commercial AVDC reviews: <ul style="list-style-type: none"> <li>• Procurement &amp; Contract Management</li> <li>• Business Intelligence</li> <li>• Financial Systems and Processes</li> </ul>	
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

**Audit Committee**  
**14 November 2016**

## **APPOINTMENT OF EXTERNAL AUDITOR**

### **1. Purpose**

- 1.1 To inform the Audit Committee of the arrangements that have being recommended for the future appointment of the Council's external auditors.

### **2. Recommendations**

- |                                                                                                                                                                                                                              |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ol style="list-style-type: none"><li>2.1 Note the content of the report to Cabinet on 8 November 2016.</li><li>2.2 Make any comments that the Committee wishes to be reported to full Council on 7 December 2016.</li></ol> |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

### **3. Supporting Information**

- 3.1 Cabinet will be receiving a report (attached) on 8 November 2016 with a follow on recommendation to full Council that AVDC opts into the Appointing Person arrangements made by Public Sector Audit Appointments (PSAA) for the appointment of external auditors.
- 3.2 The Cabinet report provides background information to the new arrangements and on the main advantages of using PSAA.
- 3.3 Any comments / suggestions made by the Audit Committee will be reported verbally at the full Council meeting on 7 December 2016.

### **4. Options Considered and Resource Implications**

- 4.1 These are both detailed in the Cabinet report.

Contact Officer: Andrew Small (01296) 585507  
Background Documents: As detailed in the Cabinet report

## REPORT TO CABINET ON 8 NOVEMBER 2016

### APPOINTMENT OF EXTERNAL AUDITOR

**Councillor Mordue**

**Cabinet Member for Finance, Resources and Governance**

#### **1 Purpose**

- 1.1 Following the demise of the Audit Commission new arrangements were needed for the appointment of external auditors. The Local Audit and Accountability Act 2014 requires authorities to either opt in to the Appointing Person regime or to establish an auditor panel and conduct their own procurement exercise.

#### **2 Recommendations/for decision**

- |                                                                                                                                                                                            |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2.1 To recommend to Full Council that this Council opts in to the Appointing Person arrangements made by Public Sector Audit Appointments (PSAA) for the appointment of external auditors. |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

#### **3 Supporting information**

- 3.1 As part of closing the Audit Commission the Government novated external audit contracts to PSAA on 1 April 2015. The audit appointments were due to expire following conclusion of the audits of the 2016/17 accounts, but could be extended for a period of up to three years by PSAA, subject to approval from the Department for Communities and Local Government.
- 3.2 In October 2015 the Secretary of State confirmed that the transitional provisions would be amended to allow an extension of the contracts for a period of one year. This meant that for the audit of the 2018/19 accounts it would be necessary for authorities to either undertake their own procurements or to opt in to the Appointed Person regime.
- 3.3 There was a degree of uncertainty around the Appointed Person regime until July 2016 when PSAA were specified by the Secretary of State as an Appointing Person under regulation 3 of the Local Audit (Appointing Person) Regulations 2015. The Appointing Person is sometimes referred to as the sector led body and PSAA has wide support across most of local government. PSAA was originally established to operate the transitional arrangements following the closure of the Audit Commission and is a company owned by the Local Government Association's Improvement and Development Agency (IDeA).
- 3.4 The date by which authorities will need to opt in to the appointing person arrangements is not yet finalised. However, it is anticipated that invitations to opt in will be issued in December 2016 and a response may be required before the Council meeting in February. As there is not a Council meeting in January it is important that this issue is considered by Council at the December meeting.
- 3.5 The main advantages of using PSAA are set out in its prospectus (attached as Appendix 1) and the key points are copied below; these may also be viewed as disadvantages should the Council decide to undertake its own procurement.
- Assure timely auditor appointments

- Manage independence of auditors
- Secure highly competitive prices
- Save on procurement costs
- Save time and effort needed on auditor panels
- Focus on audit quality
- Operate on a not for profit basis and distribute any surplus funds to scheme members.

#### **4 Options considered**

4.1 To establish an auditor panel and conduct our own procurement. This is not recommended as it will be a far more resource intensive process and, without the bulk buying power of the sector led procurement, would be likely to result in a more costly service.

#### **5 Reasons for Recommendation**

5.1 It is likely that a sector wide procurement conducted by PSAA will produce better outcomes for the Council than any procurement we undertook by ourselves or with a limited number of partners. Use of the PSAA will also be less resource intensive than establishing an auditor panel and conducting our own procurement.

5.2 Regulation 19 of the Local Audit (Appointing Person) Regulations 2015 requires that a decision to opt in must be made by Full Council (authority meeting as a whole). To comply with this regulation Cabinet is asked to make the recommendation above to Council.

#### **6 Resource implications**

6.1 If PSAA is not used some additional resource may be needed to establish an auditor panel and conduct our own procurement. Until either procurement exercise is completed it is not possible to state what additional resource may be required for audit fees for 2018/19, although it is anticipated that any increase will be minimised through using PSAA.

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**Audit Committee**  
**14 November 2016**

## **ANNUAL FRAUD REPORT 2015/16 – ACTION PLAN UPDATE**

### **1 Purpose**

- 1.1 To receive a progress update on the actions identified in the 2015/16 fraud risk benchmarking assessment which were originally reported in January 2016.

### **2 Recommendations/for decision**

- |     |                                                                     |
|-----|---------------------------------------------------------------------|
| 2.1 | The committee is recommended to note the updated fraud action plan. |
|-----|---------------------------------------------------------------------|

### **3 Supporting information**

- 3.1 An assessment of the Council's governance structures and processes against the CIPFA "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.

The action plan presented in January 2016 has been updated and is attached as Appendix 1 to the Fraud Report.

### **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) 01296 585724
Background Documents	None

**Appendix 1 – Counter Fraud Action Plan**

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	Completed	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 / KM / AS	December 2016  Completed	TI developing a programme of communication in partnership with AS and Communications 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	Completed	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.	KM	Completed	This has been included in the corporate risk register.
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	Sector Review and Risk Management Process	January 2017	Work will commence November 2016 with a view to informing the sector review. Consider internal audit for 2017/18.

Reference:	Issue & Proposed Action:	Responsibility:	Target Date:	Comments
	plans).			
C1/E2	Review and update the policy framework which supports the implementation of the counter fraud strategy, including: Counter fraud, Whistleblowing, Anti-money laundering, Anti-bribery, Anti-corruption, Gifts and hospitality, Pecuniary interest and conflicts of interest, Codes of conduct and ethics, Information security, Cyber security policy.	TBA	TBA	Resource to complete this work is no longer in post – timing of work to be agreed following service area review.
C2	Produce a detailed Counter Fraud action plan, with action owners and regular monitoring.	TI/KM	Completed	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	January 2017	See B2
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	January 2017	See B2
D3	Produce a Fraud Investigation Protocol which should include process for evaluation of the effectiveness of investigations.	TBA	March 2017	
E1	Develop a regular programme of training and awareness, including annual updates for all staff.	TI	November 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 results, conclusion and recommendations should be reported to Transition Board.	KM	Completed	The 2015/16 Annual Fraud Report was shared with Transition Board in July 2016.

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**Audit Committee**  
**14 November 2016**

## **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	X	X
Audit Committee Annual Report	Kate Mulhearn	X				
Audit Committee Review of Effectiveness	Kate Mulhearn	X				
External Audit Plan & fee letter	David Guest (EY)					X
External Audit - Audit Results Report (ISA 260)	David Guest (EY)		X			
External Audit Annual Letter	David Guest (EY)			X		
External Audit AGR for Grant Claims	David Guest (EY)				X	
External Audit Update / Progress Report	David Guest (EY)	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	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

**Audit Committee**  
**14 November 2016**

## **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 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

Kate Mulhearn – Business Assurance Services Manager  
Tel: 01296 585724

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 rests with the Directors and the Business Assurance Manager.

The CRR has not been reviewed by Transition Board as a whole since their meeting on 31 August 2016 as the scheduled meeting was postponed. Risks and actions have been reviewed with risk owners and updated accordingly. Since the previous Audit Committee meeting in September 2016 no new risks have been added and the following changes have been made:

Risk Ref	Change	Comment
3) Organisational culture fails to support strategy	Description	"Organisational resilience" wording updated to reflect the importance of cultural change to support the achievement of strategy and the work being done on the behavioural framework. Unmanaged loss of staff and impact on service continuity is covered in risk 17.
5) Depot and workshop redevelopment project	Reduction E→H	Depot redevelopment plans have been approved and when implemented will address H&S/Environmental risks.
7) Vale of Aylesbury Local Plan	Increase M→H	Increased to reflect risk of not achieving target timescales and lack of ability to influence the required external input.

## Impact of Brexit

We have considered the risks arising following the Brexit decision. At this stage there is too much uncertainty about the specific implications on the strategic objectives and day to day operations of the Council to put anything meaningful on the CRR. Management will review as information becomes available and update the CRR accordingly.



There are 17 risks on the corporate risk register. The Residual risk rating is summarised as follows:

Residual Risk Rating			
Low risk 3	Moderate risk 4	High Risk 9	Extreme risk 1
<p>11) Safeguarding arrangements, internal policies and processes are not adequate to address concerns about /protect vulnerable adults &amp; children.</p> <p>14) Fraud, corruption, malpractice by internal or external threats.</p> <p>15) Equalities is not considered in decisions resulting in Judicial Review and other litigation</p>	<p>6) Fail to manage and deliver major capital projects - Waterside North</p> <p>9) Business Continuity - Major or large scale incident causes business interruption affecting the Council's resources and its ability to deliver critical services.</p> <p>13) Failure to manage a major partnership or a significant council contractor.</p> <p>16) Failure to manage and deliver the requirements of the SLA for HS2.</p>	<p>1) Commercial AVDC programme does not deliver the required savings and efficiency gains</p> <p>2) The Council's approach to commercialisation does not produce the income needed.</p> <p>3) Organisational culture fails to support the strategy.</p> <p>17) Unmanaged loss of key staff during time of change</p> <p>5) Depot &amp; workshop development project fails to address H&amp;S and Environmental concerns and achieve commercial objectives.</p> <p>7) Fail to Deliver the new Vale of Aylesbury Local Plan</p> <p>8) Health &amp; Safety - Non-compliance with Fire and Health and Safety legislation (excl. depot /waste services).</p> <p>10) Information Governance - A significant data breach, Inappropriate access, corruption or loss of data</p> <p>12) Business Intelligence (Customer insight &amp; performance data) is not sufficiently robust to support effective decisions.</p>	<p>4) Partnership with AVE fails to deliver or hinders the achievement of the Council's objectives</p>

**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	Rumours; 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 1-7 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 7 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.

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

Document is Restricted

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