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AYLESBURY VALE DISTRICT COUNCIL
Democratic Services

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2 June 2017

AUDIT COMMITTEE

A meeting of the **Audit Committee** will be held at **6.30 pm** on **Monday 12 June 2017** in **The Olympic Room, Aylesbury Vale District Council, The Gateway, Gatehouse Road, Aylesbury, HP19 8FF**, when your attendance is requested.

Contact Officer for meeting arrangements: Craig Saunders; csaunders@aylesburyvaledc.gov.uk;

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

<div align="center">AGENDA</div>

1. **APOLOGIES**

2. **TEMPORARY CHANGES TO MEMBERSHIP**

   Any changes will be reported at the meeting.

3. **MINUTES** (Pages 3 - 16)

   To approve as correct records the Minutes of the meetings held on 27 March, 2017, and on 17 May, 2017, copies attached as appendices.

4. **DECLARATION OF INTEREST**

   Members to declare any interests.

5. **EXTERNAL AUDIT PROGRESS REPORT** (Pages 17 - 26)

   To consider the attached report.

   Contact Officer: Andrew Small (01296) 585507

6. **INTERNAL AUDIT PROGRESS REPORT** (Pages 27 - 122)

   To consider the attached report.

   Contact Officer: Kate Mulhearn (01296) 585724

7. **CIPFA DELIVERING GOOD GOVERNANCE IN LOCAL GOVERNMENT FRAMEWORK AND THE ANNUAL GOVERNANCE STATEMENT** (Pages 123 - 162)

To consider the attached report.

Contact Officer: Kate Mulhearn (01296) 585724

8. **WORK PROGRAMME** (Pages 163 - 164)

To consider the attached work programme.

Contact Officer: Kate Mulhearn (01296) 585724

9. **RISK MANAGEMENT** (Pages 165 - 170)

To consider the attached report.

Contact Officer: Kate Mulhearn (01296) 585724

10. **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. 11 – Risk Management Report

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

11. **RISK MANAGEMENT REPORT** (Pages 171 - 174)

To consider the attached confidential report.

Contact Officer: Kate Mulhearn (01296) 585724

AUDIT COMMITTEE

27 MARCH 2017

PRESENT: Councillor K Hewson (Chairman); Councillors B Chapple OBE (Vice-Chairman), C Adams, C Branston, M Collins, P Irwin, M Smith, Sir Beville Stanier Bt (In place of D Town), R Stuchbury and H Mordue (ex-Officio)

APOLOGY: Councillor D Town

Corporate Governance Manager
The Committee congratulated Kate Mulhearn on her recent appointment as the Council's Corporate Governance Manager.

1. **MINUTES**

   RESOLVED –

   That the minutes of the meeting held on 23 January, 2017, be approved as a correct record.

2. **DECLARATION OF INTEREST**

   Councillor Mordue declared a prejudicial interest in Minute 6 (Company Governance Review – AVB) as a Director of Aylesbury Vale Broadband and left the meeting whilst the matter was discussed.

3. **HOUSING BENEFIT SUBSIDY AUDIT - UPDATE**

   The Committee had received a report from the External Auditors at the last meeting on the certification of claims and returns annual report for 2015-16. Audit work had found that the Local Authority error amount was £377,333, which was over the £234,776 threshold which guaranteed reimbursement of the full subsidy from the DWP.

   Following the Housing Benefit Subsidy Audit, the Council had received confirmation from DWP that AVDC had been qualified for the period 2015/16 and that £377,000 was due to be repaid from the Subsidy grant.

   Upon receipt of the DWP's initial letter in January, the Council had carried out a review to see if any mitigating circumstances could be put forward but unfortunately none had been found. However, Members were informed by the auditors that the claim had been re-opened for one element with the DWP and any change resulting from this would be reported back to the Committee in due course.

   When the Housing Benefit audit had been finalised in November 2016, AVDC had adopted the following processes to prevent further loss of HB subsidy:

   • The introduction of a robust checking regime which had included training needs analysis. This had already been tested and provided good results.
   • Enhanced performance management.
   • 100% of Self Employed assessments had been carried out since April 2016 (this had been the main error identified in the Audit).
   • An ongoing process was now in place for each Self Employed assessment to be checked by a Team Leader before putting into payment.

- a review had been undertaken of the procedure manuals, updated them where required. This review process would be on-going.
- Additional training had commenced and workshops organised on the main complex subjects.
- An external Subsidy Expert was now working on our 2016/17 claim to ensure that the claim and workbooks were completed correctly.
- Resources were being reviewed weekly in Team Leader meetings.
- 8 Customer Relationship staff had been trained in Housing Benefits assessments by an external trainer, to provide resilience when there was an influx of work.
- Management responsibility has now been resolved, and 2 Team Leaders along with an experienced member of staff and the current Group Manager were working together to keep the controls in place and set up weekly meeting to review practises.

Officers were confident that the significant subsidy loss that occurred for 2015/16 would not be repeated in 2016/17. The current LA error position was:-

Lower Threshold £206,809

Upper Threshold £232,660

Total LA Error Overpayments to date £132,772

There had been significant turnover within the team during the Commercial AVDC restructure. The lessons learned from the review of internal control processes had been captured as part of the consultation process and considered as part of the new structure for the Customer Relationship team. This would include ensuring there were effective handover and training for any new staff who moved into the area.

Members' discussed, and were supportive, of the arrangements, processes and controls being put in place to prevent the further loss of HB subsidy. The Committee requested additional information and were informed:-

(i)   that the repayment to DWP would be made from the Benefit Subsidy Reserve. It was believed that sufficient funds would remain in the Reserve such that it would not need to be topped up in the next financial year.

(ii)   that the Council believed that it had sufficient Officer resource working on HB grant claims to assist with preventing further loss of HB subsidy in the future.

(iii)   that a comparison of HB subsidy grant claims for 14 other similar local authorities had revealed that 4 other Councils had similarly had to repay some HB subsidy to the DWP.

(iv)   that AVDC was proactive in learning from the best practice of others, through Officers attending a benchmarking group and by speaking with other Councils about their HB subsidy grant claim experiences and processes.

RESOLVED –

That the current position regarding Housing Benefit Subsidy work that would impact on the claim for 2016/17 be noted.

4. EXTERNAL AUDIT PROGRESS REPORT

The Committee received a report and overview of the progress made by the external auditors with the work that needed to completed during the 2016/17 audit. The auditors were continuing to have regular meetings with key officers as part of their ongoing audit process. These had proved beneficial and helped to develop the understanding of the financial processes across a number of areas.

The auditors had already selected the samples for substantive testing of income and expenditure transactions for the first nine months of the financial year and shared these with the Council's finance team. As at the date of the Audit Committee the auditors had been on site for planning and interim testing for three weeks.

To ensure that the requirements of the Faster Close arrangements was met from 2017/18, the auditors had committed to undertaking as much early work as possible in 2016/17. The early work that they had been able to complete as part of their interim visit included:

- walkthrough of all key financial systems.
- opening balances agreement.
- month 9 testing of income and expenditure.
- month 9 payroll substantive analytical review including starters and leavers.
- exit packages testing.
- precept testing.
- contracts testing.
- existence testing of property, plant and equipment.

Where month nine testing of key balances such as income and expenditure and payroll had been completed there would also be top up testing of the balances undertaken at the end of the year. This would greatly reduce the time required to complete work at the year end.

Officers had also been informed of the year-end working paper requirements of the external auditors which would help to ensure a smooth delivery of the year end.

The Committees were informed that the interim reviews had not identified any issues that needed to be brought to Members' attention. An update on the Housing Benefit subsidy claim had been reported earlier in the meeting.

In response to a question, Members were informed that there had been a move from testing controls to substantive testing over the last few years. However, walk through testing looked at controls and where any problems were identified they would be reported to the Audit Committee.

Members were also provided with an update on New Home Bonus monies the Council was likely to receive for the next 3 years.

RESOLVED –

That the progress report be noted.

5. INTERNAL AUDIT PROGRESS REPORT

The Committee received a progress report on assurance work activity undertaken against the 2016/17 Assurance Plan since March 2016 and the following matters were highlighted:-

Final Reports issued since the previous Committee Meeting

The following reviews had been completed since the last Committee meeting:-

• **Housing Benefits** – the review had been classified as High Risk and issued 3 high and 3 medium risk findings. The Council had to repay £377,333 for 2015/16 DWP Subsidy grant claim due to errors identified in the annual external audit of the submission.

   The review had focussed on the control environment arounds benefits administration during 2016/17 and identified a number of weaknesses which were set out in the report. The weaknesses identified, if not addressed promptly, could have significant impact on the 2016-17 subsidy claim, and place the Council at risk of further repayments. The review findings and measures being taken to prevent further loss of HB subsidy had been discussed earlier in the meeting.

• **General Ledger** – the review had been classified as Medium Risk and issued 3 medium and 3 low risk findings. It had found that the overall design of the Tech1 system was sufficient to allow general ledger transactions to be accurately recorded however, the effectiveness of the system functionality was undermined due to inadequate central oversight by the Finance Team of the data held on Tech1. The previous year's internal audit report raised a finding around reconciliations and since then the Council had improved by mapping the interfaces however, further work was needed to ensure the Finance Team had oversight over who was charged with completing reconciliations for every interface to Tech1, the frequency of these reconciliations or how large/unusual unreconciled items were escalated.

• **Budget Management** – the review had been classified as Low Risk and issued one medium and 3 low risk findings. The 3 low risk findings could be rectified quickly with little resource input and related to oversight of budget management meetings, variance thresholds and assessment of budget manager's training needs.

   The medium term risk highlighted a more significant piece of work around improving the Quarterly Digest to incorporate more non-financial information and better inform decision making.

The full review reports were attached as Appendix 3 to the Committee report.

Internal Audit Plan Work in Progress

The following work was being progressed:-

• Debt Recovery – in response to internal audit recommendations from 2015/16 reviews, a project was underway to review the Council's strategic approach to debt recovery. The scope was detailed in the report. This was a non-assurance review with internal audit supporting it in an advisory capacity.
• Safeguarding and Contract Management Reviews – the initial scoping meetings had been conducted and the audit reviews had started in March 2017.

- Accounts Receivable, Accounts Payable, Council Tax and Business Rates – work on these areas had been completed and reports were being prepared.
- Service Charges – this review was in progress.

Overdue Recommendations and Follow Up Work

- Update on Financial Systems – Actions identified in the 2015/16 General Ledger and Budgetary Control internal audit report had been followed up as part of the current year reviews. The actions identified would supersede those from last year. Implementation of actions would be followed up and reported appropriately. The Audit Committee would receive the results of the Accounts Payable & Receivable audits at the next meeting.

- Overdue recommendations – no recommendations had passed 3 months of their implementation date. The January 2017 Audit Committee had received reports on Payroll, Fixed Assets and Treasury Management. The recommendations were due in the next quarter any that passed their implementation dates would be reported to the next Committee meeting.

2017/18 Internal Audit Plan

The Committee report detailed the internal audit plan for the first quarter of 2017/18 which included reviews of Company Governance, Commercial AVDC Programme / Project Assurance and follow up on the implementation of actions identified in internal audit reports. The plan would be fully developed once the organisational structure had been agreed and would be submitted to the July Audit Committee meeting for approval.

Members sought further information and were informed:-

(i)   that the housing benefits audit findings would be monitored and any issues then reported to Members.

(ii)   on the actions that the Council should be taking to further improve General Ledger reconciliation processes.

(iii)   that it was important for the Quarterly Finance Digest to include non-financial information that aided Members' understanding of issues.

(iv)   that management was being proactive to manage and mitigate the staffing issues and risk identified in the Housing Benefits audit Action Plan (pages 51-52 of the Committee report).

(v)   that the review of HR – recruitment had been deferred and would be considered as part of the 2017/18 plan as it had been deemed that it was important for HR to concentrate on supporting staff through the Commercial AVDC business reviews being undertaken.

(vi)   that the review of governance arrangements over the Council's owned or part owned companies would include looking at Aylesbury Vale Estates and Vale Commerce.

RESOLVED –

(1)   That the progress reported be noted.

(2)   That the 2017/18 Internal Audit Plan for quarter one be approved.

6.   COMPANY GOVERNANCE REVIEW - AVB

The Committee received a report following an internal audit review that had been undertaken in relation to the Council's governance arrangements over Aylesbury Vale Broadband (AVB). The governance of any company owned or invested in by AVDC was important and these reasons were set out in the review. Good corporate governance was aimed at ensuring continued maintenance of the reputation of both the company and AVDC, and overall to ensure that the company was delivering against it objectives and its Business Plan.

Guidance on the principles to be applied in the governance arrangements of the Council's owned (part or whole) companies was set out in the document "Guidance to creation and working with companies in which AVDC has a financial interest" that had been approved by Council in March 2016.

AVDC Directors and Members recognised the importance of effective governance arrangements over the Council's whole or partly owned companies. Accordingly an Internal Audit review had been planned as part of the 2017/18 programme of work to provide insight to the current governance status of all the Council's wholly or part owned companies, and inform further areas of focus. However, some Members had raised questions at the Council meeting on 22 February 2017 on AVB's governance arrangements and, as such, the review had been brought forward. The guidance document had been used as a reference to evaluate the effectiveness of key governance arrangements.

The review had found that the company was set up in accordance with the principles of the "Guide". However, there were a number of areas where governance arrangements should be improved:-

- To date, there had been a lack of information shared with the AVDC Shareholder Representative on progress against agreed targets and financial performance compared to forecast. This had impeded the Council's ability to perform its own assessment of risk of the investment and provide transparent reporting to Members. The Shareholder Representative and AVB Directors needed to agree the specific AVDC quarterly reporting requirements and format as a priority.

- AVB intended to prepare a revised Business Plan for subsequent approval by Cabinet. This should reflect actual results to 31 March 2017, detailing forecast for the year to 31 March 2018 and projections for at least two further years. Thereafter, the targets set out in the Business Plan should form the basis of quarterly reporting to AVDC.

- The roles that Scrutiny committees had in the ongoing monitoring of AVB performance needed to be reconsidered and the Terms of Reference revised to reflect the role scrutiny had to play in monitoring the Council's whole or partly owned companies.

- AVB's concern around the treatment of confidential information had contributed to the lack of quality performance information that had been with shared AVDC

and Members. In order for the spirit of transparency between AVDC and its companies to be maintained, it was imperative there was absolute confidence that information marked confidential remained so.

- A review needed to be undertaken to identify any AVDC staff currently working on behalf of AVB and to formalise arrangements regarding appropriate recharging of costs.

- Further consideration needed to be given as to whether there was any potential for conflict of interest for the Councillor Directors on AVB.

- AVDC needed to formalise its arrangements for the approval of the drawdown of funds against the loan facility.

The review had also found evidence in a number of areas that good governance procedures were being undertaken in accordance with the "Guide":-

- The original business case and establishment of AVB Ltd had been approved by Full Council resolution in April 2015, following Cabinet recommendation. The business case included clear objectives, funding requirements and a high level 3 year financial model.

- In accordance with the "Guide", a second Business Plan had been agreed by Cabinet in September 2016, with appropriate review by scrutiny.

- The Articles of Association and Memorandum of Association had been appropriately drawn up and lodged with Companies House. Aylesbury Vale Broadband Limited had been incorporated on 29 June 2015.

- Director appointments on start up had been done in accordance with the provisions in the Articles of Association; i.e. 3 Directors from AVDC being at least one "Councillor Director" and one "Officer Director" and; Andrew Mills of Ironic Thought.

- All changes to directors had been appropriately approved, documented and filed.

- Following the Council approval of the "Guide to creation and working with Companies in which AVDC has a financial interest", further changes had been made to the Company structure to ensure AVB was compliant with the "Guide". To avoid potential conflicts of interest, the Leader of the Council had resigned as a Director and an alternate Councillor had been appointed.

- The Leader of the Council now fulfilled the role of Shareholder Representative.

In summary of the findings, Members were informed that urgent attention was required to strengthen the governance arrangements over the Council's investment in AVB. A further review would be performed in 6 months time to assess the implementation of recommendations. The findings had been received and accepted by the Council's senior management who had committed considerable additional effort to address the points identified in the shortest possible time.

In addition to the findings, the review detailed a total of 10 recommendations covering a range of issues including AVB Directorships and potential conflicts of interest, accounting year periods, scrutiny and commercial sensitivity of information, AVDC staff working on behalf of AVB and on the arrangements for the drawdown of funds against the loan facility. Members discussed these recommendations while considering the internal audit report.

Members sought additional information and were informed:

(i)   that AVDC had responded to an EU complaint and that the Council's position was that the provision of a loan to AVB was not state aid because, in providing the loan, it was acting in the same way that a Market Economy Operator would. Further information had been provided in clarification of the Council's position but AVDC was still waiting to hear back from the EU as to whether they would be formally investigating the matter.

(ii)   that other AVDC commercial companies including Vale Commerce would be reviewed as part of the Internal Audit Plan 2017/18 that had been approved at the meeting.

(iii)   that if the EU found that the Council's loan arrangements amounted to state aid then swift action would be taken to change the terms and ensure that AVDC complied with the law.

Members also commented:-

•   that they were supportive of the terms of reference of the scrutiny committees being reviewed and updated to reflect the important role of scrutiny in the oversight of the Council's whole or partly owned companies.

•   that it was important for the Council to be as transparent as possible in scrutinising the performance of companies and, as such, the reasons for any information being marked as confidential should be clearly explained.

•   that they would like to see the reporting requirements and format for quarterly reporting to include information on the number of people (customers) and areas of coverage.

•   that the Economy and Business Development Scrutiny Committee had rigorously scrutinised and questioned Mr Mills on AVB and its activities when he had attended that Committee.

•   that Members might want to consider scrutiny committees working together to scrutinise commercial companies.

•   that they believed that, like the Leader of the Council, there was a similar potential conflict of interest such that the Chairman of the Audit Committee and the Cabinet Member with responsibility for finance should not be appointed as Directors of AVB. However, at the same time, it was also felt that it would be acceptable for the Cabinet Member for Finance, Resources and Compliance to continue in the role until an alternative appropriate appointment could be made.

RESOLVED –

(1)   That the Corporate Governance Manager be thanked for prioritising and completing the review in relation to the Council's governance arrangements over Aylesbury Vale Broadband.

(2)   That the Committee was fully supportive of all the recommendations contained in the internal audit report.

NOTE: Councillor Mordue declared a prejudicial interest as a Director of Aylesbury Vale Broadband and left the meeting whilst this matter was discussed.

7.   **REVIEW OF GENERAL FUND BALANCES 2017-18**

The Committee received a report on the risk assessment methodology applied in determining the minimum safe level of General Fund Working Balance used in budget planning. Members were invited to consider this and comment upon the completeness and adequacy of the provision.

There was a statutory requirement on all Councils to set a balanced budget each year which could legitimately include the use of general uncommitted balances, where the Council agreed that it was appropriate to do so. It was prudent practice for Councils to maintain a General Fund uncommitted working balance against unexpected cost pressures or loss of income in order to ensure that the Council's finances remain balanced at all times.

The level of balance maintained by Aylesbury Vale District Council was reassessed annually and the minimum recommended safe level was then applied in budget setting and planning. The report presented the risk assessment methodology and the risks identified in determining the minimum recommended safe level of £2.5 million used in budget planning for 2017/18.

Members of the Committee considered the methodology, the risks and the mitigations identified and their appropriateness in the context of the budgetary pressures facing the Council. The assessment was attached as an appendix to the Committee report.

RESOLVED –

That the risk assessment methodology applied in determining the minimum safe level of General Fund Working Balance used in budget planning be noted.

8.   **WORK PROGRAMME**

The Committee considered the future Work Programme for 2017 which took account of comments and requests made at previous Committee meetings and particular views expressed at the meeting, and the requirements of the internal and external audit processes.

Members commented that the agenda for the next meeting was particularly heavy and that, if deemed necessary, the Chairman should consider the value in timetabling an additional meeting.

RESOLVED –

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

(2)   That the date of the next Audit Committee meeting be changed from Wednesday 26 July 2017 to Monday 24 July 2017.

9.   **RISK MANAGEMENT REPORT**

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 (CRR). The CRR 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 had been reviewed by Transition Board on 15 March 2017. Since January 2017, one new risk had been added and the following changes made to the residual risk ratings:-

• Loss of key staff/failure to recruit has negative impact on service delivery – rating changed from High to Extreme.

• Partnership with AVE fails to deliver or hinders the achievement of the Council's objectives – rating changed from Extreme to High.

• Failure to identify and respond to current and potential changes to legislative/regulatory environment – New risk with a High rating.

As previously reported, the risks arising from the Brexit decision had been considered but at this stage there was still 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 would review the situation as information became available and update the CRR accordingly.

The covering report and the CRR Update (Appendix 1) were in the open part of the agenda. However, the CRR (Appendix 2) contains information on some risks relating to commercially sensitive decisions and, as such, was in Part 2 section of the agenda. Overall, there were 20 risks on the CRR (3 low risk, 4 moderate risk, 11 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 CRR, 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 CRR, both in specific and general terms. In particular, Members challenged the risk regarding the loss of key staff and were informed that now that Assistant Directors were in place they would be putting together Service Area Risk Registers. Additionally, Transition Board would be regularly reviewing all ratings and had asked for the 'Direction of Travel' column to be added to the CRR.

RESOLVED –

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

10. **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 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.

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.

11. **RISK MANAGEMENT REPORT**

As part of the discussions at Minute 9, consideration was given to the Council's Corporate Risk Register.

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AUDIT COMMITTEE

17 MAY 2017

PRESENT: Councillors C Adams, B Chapple OBE, Harrison, Hewson, Newcombe, Renshell, Stuchbury, Town and Mordue (ex-Officio).

APOLOGIES: Councillors Branston and Irwin.

1.   **ELECTION OF CHAIRMAN**

RESOLVED –

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

2.   **APPOINTMENT OF VICE CHAIRMAN**

RESOLVED –

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

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Audit Committee
12 June 2017

EXTERNAL AUDIT PROGRESS REPORT

1   Purpose

1.1   To receive a progress report and overview from the external auditors Ernst and Young onstage they have reached in the 2016/17 audit.

2   Recommendations/for decision

2.1   The Audit Committee is asked to consider the progress report and confirm that the work is aligned with the committee's expectations.

3   Supporting information

3.1   The 2016/17 updated Audit Plan was submitted to the Audit Committee in January 2017 and an update provided to the March 2017 meeting

3.2   The attached progress report also includes information on:-

- work undertaken on the Financial Statements. The year end audit visit is currently scheduled for early July, with the auditors expecting to be on site for approximately 4 weeks.

- Value for money work, which was ongoing. There were no issues to bring to the Committee's attention at this stage.

- Housing Benefits Update – additional work had been undertaken at the request of the DWP. The revised report had been formally submitted to the DWP and a response was awaited from them.

4   Reasons for Recommendation

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

5   Resource implications

5.1   None

Contact Officer   Andrew Small Tel: 01296 585507

Background Documents   None

Audit Progress Report

Aylesbury Vale District Council

12 June 2017

Ernst & Young LLP

EY
Building a better
working world

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Aylesbury Vale District Council   30 May 2017
The Gateway
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HP19 8FF

Dear Audit Committee Members

Audit Progress Report 2016/17

We are pleased to attach our Audit Progress Report.

The report sets out the work we have completed since our last report to the Audit Committee. Its purpose is to provide the Committee with an overview of the stage we have reached in your 2016/17 audit and to ensure our audit is aligned with Committee expectations.

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

We welcome the opportunity to discuss this report with you as well as to understand whether there are other matters which you consider may influence our audit at this point.

Yours faithfully

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

Contents

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

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

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

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

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

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1. Planned work

Fee Letter and Audit Plan

We issued our 2016/17 fee letter to the Council in April 2016 and our audit plan went to the Audit Committee on 23rd January 2017.

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 to identify any risks at the earliest opportunity. This includes meetings with staff from the Council to discuss issues arising from the 2015/16 audit and to examine ways to enhance the audit process for the 2016/17 financial statements.

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

These have proved beneficial as we have developed our understanding of the financial processes discussed a number of areas of the statements and have already selected our samples for substantive testing of income and expenditure transactions for the first nine months of the financial year and shared these with the Council's finance team.

To ensure that we meet the requirements of the Faster Close arrangements which are due to take effect in 2017/18 we have committed to undertaking as much early work as possible in 2016/17. Below is a listing of the early work that we have been able to complete as part of our interim visit:

- walkthrough of all key financial systems;
- opening balances agreement;
- month 9 testing of income and expenditure;
- month 9 payroll substantive analytical review including starters and leavers;
- exit packages testing;
- precept testing;
- contracts testing; and
- existence testing of property, plant and equipment.

Where we have completed month nine testing of key balances such as income and expenditure and payroll we will perform top up testing of these balances at year end. This will greatly reduce the time required to complete this work at year end.

In addition to the above work we have communicated our year-end working paper requirements to key officers. To ensure a smooth delivery of the year end we will continue to have regular meetings with key officers as part of our ongoing audit process.

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

Our year end audit visit is currently scheduled for early July and we will be on site for a period of approximately 4 weeks.

EY ÷ 2

Value for money

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

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.

Our work on the value for money conclusion is ongoing. We have no issues to bring to your attention at this stage.

Housing Benefits Update

We have held meetings with the Housing Benefit team and discussed our approach for testing for the certification of the Housing Benefit Subsidy Claim for 2016/17.

We completed the additional work at the request of the DWP in relation to one particular element of the closed 2015/16 claim and have shared our findings from that review with key officers. In turn we have formally submitted our report to the DWP. We are currently awaiting the outcome of their review on the revised report.

Other Issues of Interest

We will continue to send our sector briefings to members 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 do so.

EY ÷ 3

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 deliverables we have agreed to provide to you through the 2016/17 Audit Committee cycle.

We will report to the Audit Committee throughout the audit as outlined below. This report summarises the progress made at this point. From time to time matters may arise that require immediate communication with the Audit Committee and we will discuss them with the Audit Committee Chairman as appropriate.

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

Audit phase	Timetable	Deliverables
High level planning:	December 2016 to January 2017	Fee Letter taken to the April 2016 Audit Committee
Risk assessment and setting of scopes	January 2017	Audit Plan
Testing routine processes and controls	February 2017	Progress report
Update on interim work completed to date	June 2017	Progress report
Value for money conclusion	December 2016 to September 2017	Ongoing
Year-end audit	July-September 2017	Report to those charged with governance

Audit reports (including our opinion on the financial statements and a conclusion as to whether the Council has proper arrangements for securing economy, efficiency and effectiveness in its use of resources).

Audit completion certificates |
| Reporting | September 2017 | Annual Audit Letters |

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Appendix A   Audit Progress

Progress against key deliverables

Key deliverable	Timetable in plan	Status	Comments
Fee Letter		Completed	Reported to Those Charged With Governance in April 2016
Audit Plan	Jan 2017	Completed	Reported to Those Charged With Governance on 23rd January 2017
Progress Report to Those Charged with Governance	June 2017	Completed	Reported to Those Charged With Governance on 12th June 2017
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	September 2017	Not due yet	

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Audit Committee
12 June 2017

INTERNAL AUDIT PROGRESS REPORT – JUNE 2017

1.   Purpose

To receive the Internal Audit Progress Report of activity undertaken in line with the 2016/17 internal audit plan.

2.   Recommendations

2.1   The committee is recommended to note the progress report.

3.   Supporting information

3.1   This report provides an update on the progress made against the 2016/17 Internal Audit Plan and includes information on:
- Summary of internal audit reviews completed and in progress.
- Overdue recommendations and follow up work
- 2017/18 internal audit plan and resource

3.2   The Committee requested that all internal audit reports are presented in full. These are included in Appendix 3.

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, Corporate Governance Manager 01296 585724
Background papers: none

Internal Audit

Progress Report

June 2017

Contents

1. Activity and progress

The 2016/17 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.

Work has not yet started on reviews identified in the preliminary audit plan for 2017/18 agreed with the Audit Committee in March 2017. Further updates on the plan and progress will be shared at the July meeting.

Final reports issued since the previous Committee meeting

Name of review	*Conclusion**	*Date of final report*	*No of recommendations made**			
			Critical	**High**	**Medium**	**Low**
Accounts Payable	Low	31 May 2017	-	-	-	3
Council Tax & Business Rates	Low	31 May 2017	-	-	1	2
Contract Management	Medium	31 May 2017	-	-	3	-
Safeguarding	Medium	31 May 2017	-	1	1	1

* See Appendix 1 for the basis for classifying internal audit findings and reports.

The full reports are attached in Appendix 3 and summarised below:

Accounts Payable

Much work has been done to improve processes and controls relating to accounts payable since the prior year "high risk" internal audit report. Overall the controls in place are operating well in particular the work-flow to enable "three-way match" on the ledger system is set up and being utilised effectively. There has also been more robust monitoring of monthly performance information and this has led to a significant improvement in the speed of invoice payments and ensuring invoices received are connected to an approved Purchase Order.

We identified 3 low risk findings:

- Corporate credit card expenditure is not always supported by receipts and the expenditure is not promptly coded on the ledger system.
- Purchase orders and commitments are currently only assessed at the year-end. Best practice would be to perform this review on a quarterly basis to better support

decision making and assess future commitments. In addition, further work is still required to phase financial commitments for multi-year contracts over the life of the contract.

- Monthly key performance indicators should be expanded and reported to the Strategic Finance Manager.

Council Tax & Business Rates

This report is classified as Low Risk. We raised one medium risk relating to control weaknesses around validating evidence provided when applying Council Tax discounts and inadequate follow up to assess whether the discount is still applicable.

Two low risks findings relate to:

- Collection rates of prior year arrears that are in arrangement are not reported and no write off procedures have been undertaken.
- No active monitoring of Valuation Office properties in temporary or no valuation (prior year finding re-raised).

After completion of our audit work but before finalising the report, the Council sent out the annual Council Tax letters. The original letters contained a numerical error in the precept calculation and whilst the error did not affect the final tax bill calculation for householders, the letters had to be resent to homes across the Vale at a cost of £24,000. We reviewed this issue and consider it to be a "one-off" oversight and not reflective of systematic failures in the annual council tax billing process. The Council should learn lessons from this and ensure that the review process for letters is robust to identify any errors in future.

Contract Management

The review focused on the monitoring procedures for two of the Council's contracts which are of significant importance both to the Council's reputation and finances; Everyone Active (who manage two leisure centres) and Ambassador Theatre Group (ATG) (who manage the theatre). Arrangements are in place to ensure regular contract management takes place via monthly/quarterly meetings which hold contractors to account against conditions set out in agreed contracts.

We identified three medium risk areas of weakness which need to be addressed to strengthen the contract management control environment:

- Action plans post contract management meetings need to be documented more clearly and performance reports for scrutiny should be timetabled to ensure the Council receive them with sufficient time to scrutinise them
- There are no documented risk registers for either contract and no shared risk register in place to clearly identify responsible owners and mitigating actions for financial and reputational risks

- There is inadequate scrutiny of contractor reported information back to source evidence and the Council currently does not receive and/or have access to information which can be readily provided by contractors

Safeguarding

This report is classified as Medium Risk.

The compliance rate for completion of the mandatory level 1 e-learning module during the past five years is 13% which, compares poorly to other councils with compliance rates above 90%. It should be noted that the Council's system has not been correctly recording when a staff member has completed their e-learning module so the actual completion rate is likely to be higher, but it is still expected to be low and has not been monitored.

The Council's safeguarding team previously discussed safeguarding matters in regular internal meetings but these meetings have not taken place for over a year, this is in part due to the Council wide restructure and staff changes. We also noted that many of the safeguarding related policies such as Whistle-blowing, Safeguarding Guidance, and Disciplinary policies have not been reviewed for more than three years.

There are inconsistencies over whether background checks are undertaken during the recruitment process for identical roles. The central log to record and follow-up background checks undertaken does not record important data such as when the background check was undertaken.

The Section 11 document that was submitted to the Buckinghamshire County in April 2017 is now not reflective of the Council's position post this review; this should be updated and re-submitted in the spirit of openness and transparency.

There have been changes to the Safeguarding Lead and Officer in the past few months and therefore the requirements of these roles are new. Now that the Council has these staff in place and along with this report, new impetus should ensure the control environment can be strengthened by the end of year.

2016/17 internal audit plan work in progress

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

Name of review	*Update on progress*
Debt Recovery	In response to internal audit recommendations arising from 2015/16 reviews, a project is underway to review the Council's strategic approach to debt management. Work is ongoing and the project board is monitoring progress via monthly meetings. This is not an assurance review and IA is supporting in an advisory capacity.
	An update will be provided along with the Accounts Receivable internal

Name of review	Update on progress
	audit report at the July 2017 meeting of the Audit Committee.
Accounts Receivable	Work completed and report being prepared
Service Charges	Work completed and report being prepared

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

Actions identified in the 2015/16 Accounts Payable and Council Tax & Business Rates internal audit reports have been followed up as part of the current year reviews included in this report. The actions identified supersede those from last year. Implementation of actions will be followed up and reported appropriately.

The Audit Committee will receive the results of the Accounts Receivable audit at the next meeting.

Overdue recommendations

No recommendations have passed three months of their implementation date. A recommendation tracking tool needs to be developed to easily capture and report internal audit actions. This will be considered as part of the Business Intelligence Project.

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3. 2017/18 internal audit plan and resource

As part of the Commercial AVDC restructure, the Council's model for the provision of internal audit was reviewed. To achieve the Council's objectives the preferred model for delivery is a co-source arrangement with a retained Head of Internal Audit position, fulfilled by the Corporate Governance Manager, and buying-in resource to deliver the annual internal audit work programme. This model allows for the flexibility, insight and innovation achieved through using external suppliers who work with a rage of other public and private sector organisations, and also retains the desired level of proximity to the issues and knowledge of AVDC.

Since the last Audit Committee meeting, this proposal has been approved and work has started to develop the scope of work and tender to procure the internal audit service. This is likely to be for a three year term, with options to extend.

Between now and the time at which a contract can be procured, we will continue to engage the services of BDO Internal Audit.

2017/18 internal audit plan

The internal audit plan for 2017/18 will be fully developed once the organisational structure has been agreed and this plan will come to the July Audit Committee meeting for approval.

During Q2 of 2017/18 the following reviews are planned.

Name of review	Description
Company Governance	Review of governance arrangements over the Council's owned or part owned companies: Aylesbury Vale Estates and Vale Commerce
Commercial AVDC Programme/Project Assurance	Review focusing on the programme and project governance arrangements of the transformation programme including status of implementation of actions identified in the "critical friend" review.
Audit recommendation follow-up	Follow up on the implementation of actions identified in internal audit reports

Appendix 1: Internal audit opinion and classification definitions

Individual reviews - Basis of classifications

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

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

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

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

Finding rating	Assessment rationale
Critical	A finding that could have a: • *Critical* impact on operational performance; or • *Critical* monetary or financial statement impact [quantify if possible = materiality]; or • *Critical* breach in laws and regulations that could result in material fines or consequences; or • *Critical* impact on the reputation or brand of the organisation which could threaten its future viability.
High	A finding that could have a: • *Significant* impact on operational performance; or • *Significant* monetary or financial statement impact [quantify if possible]; or • *Significant* breach in laws and regulations resulting in significant fines and consequences*; or* • *Significant* impact on the reputation or brand of the organisation.
Medium	A finding that could have a: • *Moderate* impact on operational performance; or • *Moderate* monetary or financial statement impact [quantify if possible]; or • *Moderate* breach in laws and regulations resulting in fines and consequences; or • *Moderate* impact on the reputation or brand of the organisation.
Low	A finding that could have a: • *Minor* impact on the organisation's operational performance; or • *Minor* monetary or financial statement impact [quantify if possible]; or • *Minor* breach in laws and regulations with limited consequences; or • *Minor* impact on the reputation of the organisation.
Advisory	A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.

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Appendix 2: Internal audit plan and progress tracker

The 2016/17 Annual Internal Audit Plan was approved by members of the Audit Committee in March 2016. 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)	Complete	Medium
Payroll		Complete	Low
Accounts Receivable		In progress	
Accounts Payable		Complete	Low
Treasury		Complete	Medium
Fixed Assets		Complete	Medium
HR - Recruitment	Review recruitment processes and controls	Processes are being assessed as part of Commercial AVDC reviews. Consider audit in 2017/18.	Defer
Electoral & Democratic Services	Deferred from 15/16. Roll out of ModGov – review processes post implementation	Implementation has gone well 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
Contract Management	Review of contract performance monitoring processes and controls	Complete	Medium
Budget Management		Complete	Low
Information Governance	Information governance effectiveness review.	Internal Audit has supported work on the Information Management Strategy and review of the IGG Terms of Reference. Further internal audit work will be considered as part of the 2017/18 annual plan.	N/A
Health & Safety	Compliance with OHSAS18001; review of H&S Management System	Audit deferred until H&S Officer is in post and Management systems are in place – Consider as part of the 2017/18 annual plan	Defer
Safeguarding	Review pre Sec 11 audit. Also consider vulnerable adults.	Complete	Medium
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.	N/A
My Account	Review security of payments, information and interfaces with other systems	Not considered a key risk area for focus at this time.	Remove

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Good Governance Framework for Local Government	Review compliance with new CIPFA code and implications for AGS 16/17	CIPFA framework has been published and AGS prepared on this basis. Review of governance arrangements is ongoing.	Ongoing
Risk Management	Continuous assurance over risk management process	Corporate risk register reviewed and reported to Audit C'ttee.	Ongoing
Enterprise zones	Processes governing management of E Z partnerships	Not considered a key risk area for focus at this time.	Remove
Housing benefits	Review of controls to ensure benefits are issued accurately and timely	Complete	High
Council Tax & Business Rates	Review of key controls around issue of bills and the calculation and collection of funds	Complete	Low
Estates – Service Charges	Basis for and calculation of service charges, collection processes	In progress	
Business Reviews	Ongoing	Internal audit has supported Commercial AVDC reviews: • Procurement & Contract Management • Business Intelligence • Financial Systems and Processes	Completed
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
Additional reviews agreed in response to identified risks:			
Company Governance – Aylesbury Vale Broadband	Review of the Council's governance arrangements over its investments in commercial companies. The first review focussed on AVB, subsequent reviews will consider AVE and Vale Commerce.	Complete – reported in March 2017	N/A - Advisory

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Appendix 3: Internal audit reports

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

1. Accounts Payable
2. Council Tax & Business Rates
3. Contract Management
4. Safeguarding

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Aylesbury Vale
District Council

Internal Audit Report 2016/17

Accounts Payable

May 2017

FINAL

ONE TEAM
COMMERCIAL
AVDC
ONE COUNCIL

Contents

This report has been prepared only for Aylesbury Vale District Council in accordance with the agreed terms of reference. The findings should not be relied upon by any other organisation.

Distribution List

For action   Income Manager

         Strategic Finance Manager

For information   Andrew Small – Director, Section 151 Officer

              Audit Committee

1. Executive summary

Report classification*	Total number of findings				
		Critical	High	Medium	Low
Low risk (3 points)	Control design	-	-	-	1
	Operating effectiveness	-	-	-	2
	Total	-	-	-	**3**

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

Summary of findings

This report is classified as Low Risk. We have issued 3 low risk findings. Much work has been done to improve processes and controls relating to accounts payable since the prior year "high risk" internal audit report.

Overall the controls in place are operating well in particular the work-flow to enable "three-way match" on the ledger system is set up and being utilised effectively. There has also been more robust monitoring of monthly performance information and this has led to a significant improvement in the speed of invoice payments and ensuring invoices received are connected to an approved Purchase Order. We did however note issues with receipts not being attached to all corporate credit card expenditure and the expenditure relating to these transactions not being allocated to a ledger code in a timely manner. Without receipts it does not allow the Council to readily justify credit card expenditure being valid and reasonable.

Currently the Council undertakes a year-end process to review all purchase orders that have not been matched against an invoice and determine whether the PO should be cancelled, accrued in the current year or reflected in the subsequent year. Best practice would be to perform this review on a quarterly basis to better support decision making and assess future commitments. In addition, further work is still required to phase financial commitments for multi-year contracts over the life of the contract.

With regards to performance indicators, whilst significant improvement has been made, the suite of indicators should be expanded and formally reported to the Strategic Finance Manager to ensure there is sufficient oversight and scrutiny of performance.

Summary of findings

- Corporate credit card expenditure is not always supported by receipts and the expenditure is not promptly coded on the ledger system (Low – Finding 1).

- Purchase Orders and commitments are currently only assessed at the year-end which impedes decision making during the year. Further work is still required to phase financial commitments for multi-year contracts over the life of the contract (Low – Finding 2).

- Monthly key performance indicators should be expanded and reported to the Strategic Finance Manager (Low – Finding 3).

Good practice noted

- Following the prior year audit, the Council has updated the Financial Regulations and Procedures to provide the framework for managing the authority's financial affairs in line with standards.

- A report monitoring all changes made to bank details is run from Tech1 and reviewed by the Income Manager at the end of each week.

- Appropriate evidence is obtained to support changes made to existing suppliers standing data in line with Council procedures.

- Purchase orders were present for a sample of invoices tested. All PO's are raised through the Tech1 workflow system and authorised by line managers. Where goods are received, this is noted on TechOne. The Council now operates a 'no purchase order, no pay' policy whereby if an invoice is received by a third party and a corresponding purchase order has not been raised, the Council will not pay the invoice until a purchase order has been raised and authorised. All invoices tested within our sample were paid within 30 days of receipt.

Management comments

Much work has been done following last year's internal audit report to strengthen the payables process. We welcome the three low risk findings and agree

with the recommendations and actions proposed.

2. Background and Scope

Background

Accounts Payable is managed through their main financial system, TechOne. The Accounts Payable Team set up new customers, make changes to accounts, process payments with valid purchase orders. Budget holders are responsible for approving purchase requisitions, purchase orders and receipting goods/services prior to payment.

The activities within accounts payable are underpinned by the Council's financial instructions.

Scope

The scope covered the key risks set out in the Terms of Reference (see Appendix 2), including a review of the use of corporate credit cards, the payment run process and change controls for changes made to supplier bank details. We reviewed the Council's procedures for raising a new supplier and a sample of payments made to supplier.

Our testing in these areas included:

- Testing a sample of 5 new/existing supplier forms raised, reviewed and inputted appropriately and accurately

- Correct use of credit cards, receipting and approval. Declaration forms authorising the use of credit cards

- Testing a sample of 10 transaction entered, obtaining purchase order forms, invoices and confirmation of the goods received

- Review the procedures around amending supplier bank details on TechOne. Obtaining appropriate supporting evidence for a sample of changes.

This does not represent a comprehensive list of tests conducted.

3. Detailed findings and action plan

1. Corporate credit card expenditure is not always supported by receipts – Operating effectiveness

Finding
As at 1 May 2017 there are 44 active corporate credit cards within the Council. An average of £12,000 is purchased on corporate credit cards in any given month. Corporate credit cards are available to all operational and managerial staff; in order to apply for a credit card a declaration form must be signed by the applicant and also approved by the individual's line manager. All corporate credit cards have an initial base limit of £2,500 however, these limits can be increased or decreased upon management discretion. The current limits on corporate credit cards range from £2,500 to £20,000. At the end of the month, all purchases are posted from the Council's Lloyds Bank credit card statement to TechOne. An email is automatically sent to the card holder to require them to allocate a cost centre and expenditure code to the transaction. The card holder must upload a receipt to provide evidence of the purchase prior to approval by the cost centre manager. Receipts We reviewed a sample of 10 purchases made by credit cards from 1 April to 30 October 2016 and found 2/10 transactions did not have a receipt or a valid explanation for not attaching the receipt. A further 3/10 purchases were classified as VAT re-coverable, however, the incorrect receipt type was attached. Allocation of Expenditure There have been instances where credit card holders have not assigned an expenditure code to a transaction. A report is run by the credit card officer to review all transactions that have not been allocated to an expenditure code, followed by a reminder email to all staff with unaccounted transactions. The procedure notes, last updated November 2016, do not contain a timeframe in which credit card holders are expected to upload receipts and assign an expenditure code. This has led to card holders completing these actions as and when they want and often in an untimely fashion. Should card holders appear on the report of outstanding unassigned transactions three times in a year, they must meet with the credit card officer and discuss the issue and agree actions to stop future reoccurrences.

Risks / Implications
Invalid, unauthorised expenditure. Inability to reclaim VAT.

Finding rating	Action Plan	
Low	• Remind all credit holders of the importance of attaching receipts to purchases, with the need for a suitable explanation for any transactions not supported with a receipt. Credit card holders that continually do not attach receipts should be suspended from using their corporate credit cards for a limited time period and cards cancelled if issues continue. • Remind approvers to review receipts and ensure these are in line with the procedures for the type of transaction, i.e. standard receipt for non-VAT items and VAT receipts for VAT inclusive items. Purchases where a VAT receipt is required, but not attached, should not be approved unless a justification has been included in the comment box. • Update procedure notes to include a time-frame detailing when staff are expected to upload a receipt and assign an expenditure code. Roll out the new procedures to all credit card holders, highlighting the repercussion for appearing on the 'exception list' three times in 12 months.	*Responsible person / title* Strategic Finance Manager *Target date* June 2017

2. Future purchase commitments are not regularly assessed – Operating effectiveness

Finding
Prior to the financial year end close the Finance team is required to review all purchase orders that have not been matched against an invoice and communicate to the affected teams whether the PO in question is a pre commitment which is to be adjusted and reflected in the current or subsequent financial year or whether the PO is required to be cancelled. Finance will then either adjust the PO to be reflected within the current or subsequent financial year or the PO will be cancelled from the TechOne system. Currently this process happens at year-end principally driven by the need to ensure accruals are correctly recorded in the Council's financial statements. It is good practice that a regular review of Purchase Orders against which an invoice has not been raised takes place as it allows the Council to understand the level of commitments it has which can support effective budget management and financial stewardship. In the 2015/16 internal audit report we noted that "future commitments" in TechOne included £20 million relating to multi-year contract commitments. At that time it was not possible to phase the contract spend in TechOne. This work is still outstanding and a manual process is required to review each contract and update the expenditure profile over the life of the contract.

Risks / Implications
Inability to effectively manage future commitments. Poor budget management.

| Finding rating	Action Plan	
Low	• The current year-end Purchase Order and commitment review process should occur on at least a quarterly basis. • Multi year contract expenditure should be appropriately recorded and phased over the life of the contract to enable future financial commitments to be assessed.	*Responsible person / title* Income Manager Contracts Manager *Target date* TBC

3.   Insufficient indicators are assessed and not reported to Finance – Control design

Finding

Key Performance Indicators are a useful tool which aid in evaluating how effectively the Council is achieving targets and objectives. Since June 2016 the Income Manager has produced monthly management information which has helped to improve performance for example, in June 2016 there were 110 purchase orders which were approved after an invoice had been received, compared to recent months when there are very few. This also follows the introduction of the "No P.O., no pay" policy. Every month the Income Manager emails individuals if an exception was identified and this process has proven to work as all three indicators are now performing well – see the graph below.
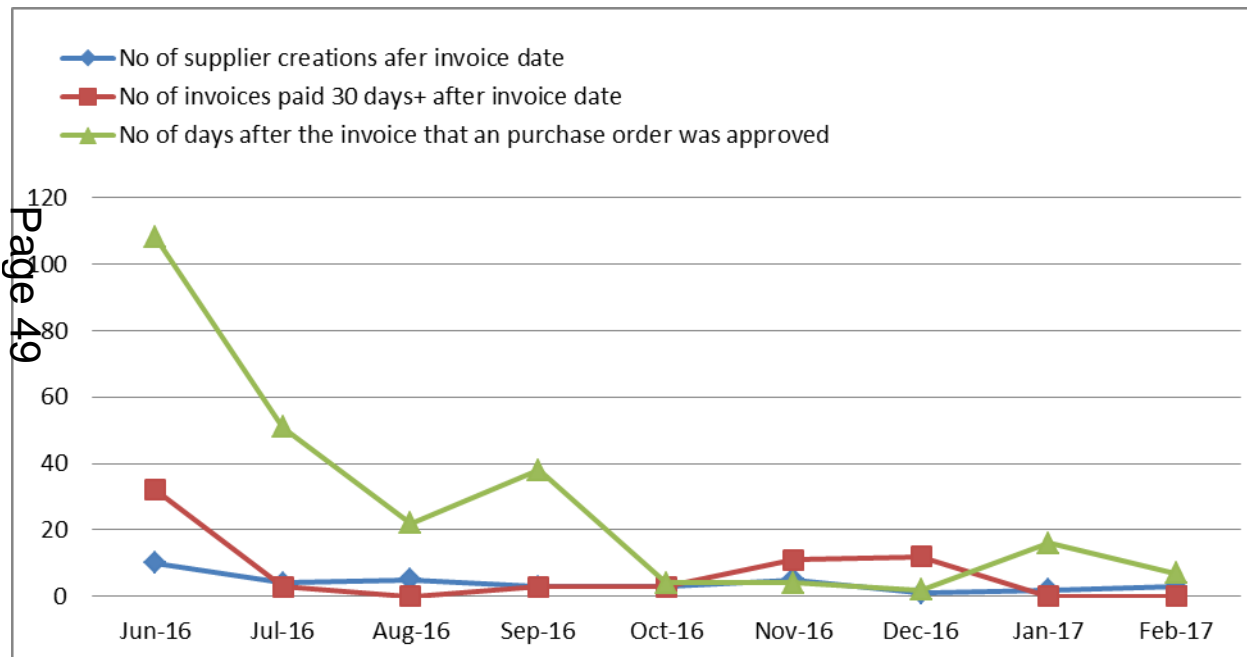
The above graph demonstrates the improvements that can be made by monitoring and undertaking action on monthly indicators; by continuing to only monitor the current set of performance indicators other opportunities for improvement and efficiency savings might be missed. The Council should::

- Expand the suite of indicators assessed monthly – please see Appendix 3 for examples of other indicators, used at other Councils, which could be

considered	

- Report the indicators to the Strategic Finance Manager.

Opportunities for improved compliance and greater financial efficiencies might be missed.

Finding rating	Action Plan	
Low **Page 50**	• Expand the key performance indicators and assess the performance of these monthly. This will be considered as part of the "In-phase" business intelligence project. • The performance should be reported to the Strategic Finance Manager to ensure they have oversight of trends and performance. The Income Manager should continue to take action on poor performing indicators.	*Responsible person / title* Income Manager Strategic Finance Manager *Target date* July 2017 – Develop suit of KPIs Ongoing – Analyse KPIs and report/discuss monthly

Appendix 1.   Finding ratings and basis of classification

Report classifications

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

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

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

Individual finding ratings

Finding rating	Assessment rationale
Critical	A finding that could have a: • ***Critical*** impact on operational performance; or • ***Critical*** monetary or financial statement impact **[quantify if possible = materiality]**; or • ***Critical*** breach in laws and regulations that could result in material fines or consequences; or • ***Critical*** impact on the reputation or brand of the organisation which could threaten its future viability.
High	A finding that could have a: • ***Significant*** impact on operational performance; or • ***Significant*** monetary or financial statement impact **[quantify if possible]**; or • ***Significant*** breach in laws and regulations resulting in significant fines and consequences*; or* • ***Significant*** impact on the reputation or brand of the organisation.
Medium	A finding that could have a: • ***Moderate*** impact on operational performance; or • ***Moderate*** monetary or financial statement impact **[quantify if possible]**; or • ***Moderate*** breach in laws and regulations resulting in fines and consequences; or • ***Moderate*** impact on the reputation or brand of the organisation.
Low	A finding that could have a: • ***Minor*** impact on the organisation's operational performance; or • ***Minor*** monetary or financial statement impact **[quantify if possible]**; or • ***Minor*** breach in laws and regulations with limited consequences; or • ***Minor*** impact on the reputation of the organisation.
Advisory	A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.

Appendix 2.   Terms of Reference

The key risks and objectives agreed in the Terms of Reference are set out below.

Sub-process	Risks	Objectives
Policies and procedures	Inadequate financial regulations, policies and procedures to support the payables function	• Policies and procedures in place to support accurate, complete and timely transactions
Access	Data may be amended without appropriate approval	• Access to systems managed appropriately
Change controls	Incorrect payments to new and existing suppliers	• New and existing supplier change controls are appropriate to ensure accurate and complete changes to supplier accounts
Transactions entered	Payments made to fraudulent invoices	• Transactions are raised, approved and paid in an accurate, complete and timely manner
Management Information	Accounts payable performing at an unacceptable level without oversight	• Management information is reported and key performance indicators are assessed to monitor activities undertaken
Payment Run	Inaccurate payments made	• Procedures in place to confirm the validity of data and approval of payment runs
Purchase Cards	Fraudulent payments made without appropriate oversight	• Credit card payments are monitored, verified and approved to ensure accuracy and validity of transactions

Appendix 3.   Management Information – Key Performance Indicators

We have included a list of key performance indicators relating to the payables function and examples of useful monitoring schedules.

Accounts Payable Key Performance Indicators

- **Invoices processed per FTE**

- **Processing cost per supplier invoice**

- **% of invoices with Purchase Order**

- **% of invoices paid within agreed payment terms**

- **Total cost of the Accounts Payable process per £1,000 revenue**

- **Total cost of the Accounts Payable process per £1,000 purchases**

- **Total number of active vendors in the Masterfile per £1,000 purchases**

- **% of invoices under query**

- **% of low value invoices (less than £x)**

- **% of invoices received electronically**

- **% of invoices paid electronically**

- **% of prompt settlement discounts that are taken**

- **% of time spent resolving queries**

- **Number of duplicate supplier accounts as a % of total**

Period from:	201601
Period to:	201606

Category	No of POs	Ratio
PO Raised Before Invoice Arrival	2,046	77.97%
Retro-PO	578	22.03%
Total:	2,624	

	YTD / Full Year Totals			
Type	Count	%	Value (£'000)	%
NON_PO	677	28%	-2,064,334	50%
PO	1,636	68%	-2,022,537	49%
Utility	95	4%	-43,070	1%
Total:	2,408	100%	-4,129,940	100%

	Invoice Due Date vs Invoice Payment Date			
Supplier Payment Terms	In Time	Over Due	Total	% Over Due
Pay within 0 days from inv date	32	4,641	4,673	99.32%
Pay within 14 days from inv date	308	2,843	3,151	90.23%
Pay within 15 days from inv date	10	35	45	77.78%
Pay within 21 days from inv date	25	50	75	66.67%
Pay within 28 days from inv date	15	34	49	69.39%
Pay within 30 days from inv date	1,847	7,432	9,279	80.09%
Total:	2,237	15,035	17,272	87.05%

	201601				201602			
Classification	Count	%	Value	%	Count	%	Value	%
Per Email	795	97.67%	2,361,996.24	98.03%	751	95.18%	1,850,968.47	94.69%
Per Post	19	2.33%	47,496.90	1.97%	38	4.82%	103,805.17	5.31%
Total:	814	100.00%	2,409,493.14	100.00%	789	100.00%	1,954,773.64	100.00%

	201607				201608			
Classification	Count	%	Value	%	Count	%	Value	%
Per Email	0	#DIV/0!	-	#DIV/0!	0	#DIV/0!	-	#DIV/0!
Per Post	0	#DIV/0!	-	#DIV/0!	0	#DIV/0!	-	#DIV/0!

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Appendix 4.   Follow-up of prior year recommendations

As part of this review, we followed up on the four recommendations raised in the previous Accounts Payable internal audit report.

#	Finding	Agreed Action	Original Date	Action Taken	Complete
1	Robust processes to ensure that changes to supplier bank details are legitimate are essential for the purposes of preventing fraud and misappropriation of Council funds. Other Councils have lost considerable sums as a result of this simple type of fraud. There are no documented process notes setting out the procedures required when a request to change supplier details is received.	1) Prior to making changes to bank details, the Finance Officer should evidence that they have checked the legitimacy of the requested change. 2) Changes should be reviewed and approved by another member of the finance team, outside the accounts payable process, to ensure segregation of duties 3) There should be a review of all changes made to supplier data on a monthly/ quarterly basis.	(no date set – part of Management Action Plan)	1) A process document is now in place and was approved in March 2016. This details the checks that need to take place. 2) The originator department complete the new supplier form which is reviewed by Finance and uploaded to Tech1 where it is counter approved. Therefore segregation now occurs. 3) The Income Manager runs off a report each month and sense checks new suppliers. No issues have been identified during the year.	Yes
2	The introduction of T1 has resulted in some significant changes to how the Council's financial activities operate, particularly around authorisation of	The Finance Team should develop reports to enable the P2P process to be monitored. In particular monitoring of	(no date set – part of Management Action Plan)	A year since the prior review the process is now working effectively and updates to Tech1 have corrected previous issues. This year's Internal	Yes

expenditure. 'Workflow' now underpins the process of setting up suppliers, placing orders and paying for goods and services. - further support from T1 is needed to fully utilise the reporting functionality of the system to enable effective monitoring of the P2P process. - some instances when new supplier requests have been raised after goods/invoice have been received, but there are currently no established monitoring controls in place to ensure that the system controls are operating effectively. We would expect this to include monitoring of reports to ensure all expenditure can be reconciled back to an approved purchase requisition (raised prior to receipt of the invoice), that there is sufficient authorisation of the purchase requisition and that goods received and invoice values are in accordance with the original authorised values. Monitoring should also include review for duplicate orders, invoices and payments.	invoices paid with no purchase requisition and where the purchase requisition isn't being approved in advance of the goods/services being ordered.		Audit tested 10 transactions and found the three-way match worked effectively and also the Income Manager does perform monthly review of where invoices were received prior to a Purchase Order was received; this process has significantly reduced cases where this happens. Duplicate Invoices – when an invoice is entered onto Tech1 a check is automatically performed by the system where a dialogue box warning will appear disallowing the finance team to complete the raising of the invoice as the invoice number already exists on the system. The TechOne system will not allow the finance team member to continue further until the a new invoice number is not created. The Finance team do not review duplicate invoices any further as they are reliant on the TechOne system that the controls embedded within TechOne work effectively.

3	There is currently no process in place for monitoring outstanding commitments. This is a standard control to support cash flow and budget forecasting. We obtained reports detailing the following; 1. Purchase Requisitions (requests to commit expenditure) that had not been approved. 2. Purchase Orders that have not resulted in confirmed goods received or an invoice/payment. As at December 2015, within T1 there was approximately £20 million showing as having a purchase order but with no corresponding invoice i.e. commitments that are due to be paid. We understand that this figure includes all P2P and multi-year contract commitments over the life of the contract. The requisitions outstanding within T1 without a corresponding approved purchase order amounted to £200k. Samples of the purchase orders were	1) The Finance Team should be actively monitoring the Purchase Orders that are pending further action. Managers should be alerted to outstanding commitments that could impact their budgets. The Finance Team should be able to profile by date when future commitments will impact on budgets. 2) Testing should be performed to ensure that the software issues that were preventing POs from reaching suppliers have been resolved. Monitoring processes should be developed to flag whether emails have failed to be delivered.	(no date set – part of Management Action Plan)	Commitment Review - A year-end process occurs as part of the Council's financial statements close down. To be effective this needs to occur on a more regular basis. Further work is still needed to phase contract expenditure over the life of the contract. This action has been delayed due to TechOne function and further hindered due to lack of resource to manually review and update each contract. Purchase Order Despatch – This is no longer an issue. Whilst there is no mechanism to verify if Purchase Orders reach their destination there are no known issues identified during the year and invoices are quoting Purchase Order numbers and therefore they must be reaching their destination.	Not fully implemented - See Finding 2. Yes

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reviewed and although they were all genuinely outstanding, officers were generally unaware that they were. Whilst the system has the functionality to alert users to outstanding requisitions, we understand that this was causing performance issues with the software, so this functionality was switched to inactive.

Purchase Order Despatch Finance Officers made us aware during the review that there have been recent issues with emails from the T1 system not reaching their destination due to restrictions on the software suppliers email servers. It is not known whether this issue has been fully resolved although the software supplier has told the Council that it has. Currently AVDC has no mechanism for monitoring whether emailed Purchase Orders fail to reach their intended destination.

| 4 | No performance indicators have been established to monitor the overall performance of the accounts payable process, for example, whether suppliers are being paid on time.

The Finance Manager acknowledged that whilst the system was embedding, there were some significant delays in processing invoices for payment. Whilst he believes that this has now improved, there are no statistics to substantiate this. | Key Performance Indicators around the P2P workflow will be developed, monitored and reported monthly. | (no date set – part of Management Action Plan) | The Income Manager since June 2016 has been reviewing three indicators and this has shown significantly improvement. | In part – see Finding 2 |

Internal Audit Report 2016/17

Council Tax and Business Rates

May 2017

Contents

This report has been prepared only for Aylesbury Vale District Council (the Council), in accordance with the agreed terms of reference. The findings should not be relied upon by any other organisation.

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Distribution List

For action   Debbie White - Group Manager
                    Gary Wright – Rating & Recovery Manager

For information   Jeff Membery – Assistant Director, Customer Fulfilment
                    Isabel Edgar Briancon – Assistant Director, Business Support
                    Strategic Finance Manager
                    Andrew Small – Director, Section 151 Officer

                    Audit Committee

1. Executive summary

Report classification*	Total number of findings				
		Critical	High	Medium	Low
	Control design	-	-	-	2
Low risk (5 points)	Operating effectiveness	-	-	1	-
	Total	-	-	**1**	**2**

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

Summary of findings

This report is classified as Low Risk. We have issued one medium and two low risk findings.

The medium risk relates to control weaknesses around validating evidence provided when applying Council Tax discounts and inadequate follow up to assess whether the discount is still applicable.

After completion of our audit work but before finalising the report, the Council sent out the annual Council Tax letters. The original letters contained a numerical error in the precept calculation and whilst the error did not affect the final tax bill calculation for householders, the letters had to be resent to homes across the Vale at a cost of £24,000. We reviewed this issue and consider it to be a "one-off" oversight and not reflective of systematic failures in the annual council tax billing process. The Council should learn lessons from this and ensure that the review process for letters is robust to identify any errors in future.

Key Findings

- Is our sample, we identified cases where council tax discounts were applied without appropriate evidence to demonstrate eligibility for a discount and there was a lack of follow up to see if the discount was still applicable (Finding 1 – Medium).
- Collection rates of prior year arrears that are in arrangement are not reported and no write off procedures have been undertaken (Finding 2 – Low)
- No active monitoring of Valuation Office properties in temporary or no valuation (prior year finding re-raised) (Finding 3 – Low).

Good practice noted

- Adequate procedure documents are in place for the council tax and business rates payment process.
- Controls ensuring the application of gross costs to council tax and business rate demands were found to perform well with demands agreeing back to Valuation Office agency data.
- The Council has a comprehensive and approved council tax discount scheme.

2. Background and Scope

Background

In 2015/16 the Council collected Council Tax and Business Rates totalling £107m and £50m respectively. The purpose of this audit is to assess the design and operating effectiveness of controls and processes to ensure that all properties are identified, correctly valued and billed so that Council Tax and Business Rates revenues are maximised and are accurately reflected in the accounts.

Council tax and business rates are overseen by separate lines of management however the system used for both council tax and business rates is the same.

Scope

The scope covered the key risks set out in the Terms of Reference (see Appendix 2), including inaccurate application of discounts and inaccurate banding of properties.

We reviewed the Council Tax and Business Rates procedures by speaking to various staff across the Council. Our testing included:

- Review of monthly reports that set out overall position of Council Tax and Business Rate collection/arrears

- Obtaining a sample of six transactions from Council Tax between April 2016 and January 2017 and testing them for accurate application of discounts

- Obtaining a sample of 5 transactions between April 2016 and January 2017 that are in debt recovery and testing them for sufficient action from the Council to recover payments.

This does not represent a comprehensive list of tests conducted.

3. *Detailed findings and action plan*

1. *Evidence and follow up of discounts – Operating effectiveness*

Finding
A Council Tax Discount Scheme is in place that allows tenants discounts based on their circumstances. We reviewed six council tax accounts between April 2016 and January 2017 to ensure that discounts are applied in accordance with the Scheme, are supported by sufficient evidence and applied accurately to payment requests sent to customers. From the sample of six accounts we found: • Two out of six accounts did not have the appropriate evidence to demonstrate that they were eligible for a discount • Three out of six accounts were not followed up to see if the discount was still applicable. *Eligibility evidence and follow-up* Case 1 – A representative on behalf of the customer called the Council to confirm they had been admitted to hospital in October 2016 and a note on the system confirms the Council requested to be notified when the individual returned home so the discount can stop being applied. At the time of review in February 2017, the discount was still applied on the account with no evidence of further communication between the customer and the Council to verify whether they returned home. Case 2 - A representative on behalf of the customer called the Council to confirm they had been remanded in custody in June 2014; from this point a discount was applied to the account. In August 2015 (14 months later) the Council wrote to the household to request an update on the customer's position and confirmed should no communication be received that the discount would end within 21 days. At the time of this review in February 2017 the discount was still applied to the account with no evidence of further communication between the customer and the Council to verify the position since August 2015. It is recognised that it is not possible for a Council to verify every discount to evidence but more could be done to validate and ensure action is taken to follow up. The Council's system has the ability to set an 'event date' against a case which acts as a reminder to call a customer to obtain an update however, this process is not working effectively as either event dates are not set or if they are, follow-up does not occur and the event dates are overlooked.

Risks / Implications		
The Council may be incorrectly applying discounts and under-collecting Council Tax revenue.		

Finding rating	Action Plan	
Medium	• The Council should ensure that appropriate evidence is obtained before applying discounts. Procedures should include guidance on what type of evidence to obtain, sample checks and the need for follow up when circumstances are expected to change. • Northgate has a feature that enables an event date to be set. This should be utilised to prompt the Council Tax team to follow up on accounts to ensure that discounts are still applicable.	*Responsible person / title* Debbie White – Group Manager *Target date* July 2017

2. Reporting does not capture prior year arrears – Control design

Finding
The recovery team monitors monthly collection rates for council tax and business rates which are then reported to the Strategic Finance Manager – see graphic below. Targets have been set for each month throughout the year and monitored to check if they have been achieved. The report also details the balance outstanding for the year. The reporting has improved on the prior year as it now sets a target collection rate which has been exceeded in every month during 2016-17. The Council's current performance is to recover 98-99% of bills issued, this is in line with other local authorities.

Council Tax

	May	June	July	August	September	October	November	December
Target % Collection	18.4	27.6	36.8	46	55.2	64.4	73.6	82.8
Balance Oustanding (Millions)	£89.74	£79.46	£69.34	£58.61	£ 48.46	£ 37.64	£ 27.02	£ 16.51
% Collected	20.37%	29.63%	38.83%	48.23%	57.53%	67.11%	76.52%	85.81%

The Council does not review or report on prior year arrears. After the normal debt recovery procedures have been exhausted the balance remains outstanding with no write-off procedures undertaken. As at 9 May 2017 the value of debt associated with non-payment was £4.6 million. As part of the Councils "Debt Project", an analysis has been undertaken which concludes that £1.5 million of this is deemed irrecoverable and therefore should be subject to write-off. Whilst the debts have been provided for and this is largely a "housekeeping exercise", the reason this has not been written off in the past is in-part due to lack of policy and procedures for debt write off. Once this initial write off has taken place, the Council needs to set up a write off procedure and a mechanism to monitor these balances to ensure they do not escalate to such large levels again.

Risks / Implications
Money owed to the Council may not be recovered leading to financial loss for the Council.

Finding rating	Action Plan	
Low	- Prior year arrears need to be reported and tracked by status in the monthly report with appropriate action taken when all avenues for debt recovery have been exhausted. - Write off procedures should be produced and approved for future use.	*Responsible person / title*
		Gary Wright - Rating & Recovery Manager
		Policies and procedures are in scope for the "Debt Project"
		Target date
		July 2017

3. No active monitoring of Valuation Office properties in temporary or no valuation status – Control design

Finding
For both domestic and commercial properties there is evidence of routine weekly reconciliation to the Valuation Office Agency (VOA) schedules. This process is a key control that ensures the accuracy of the database, the number of properties and their associated valuations (total rateable values). The reconciliations only include those properties that have a valuation but not those with a temporary or no valuation status (101 domestic properties with temporary status in each of the months we sampled). The VOA has 90 days in which to resolve these cases and bring them into a proper valuation but this is not actively tracked by the council tax and business rates teams. N.B This issue was raised in the previous year's audit.

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

Finding rating	Action Plan	
Low	• A process should be developed to enable both council tax and business rates teams to actively monitor the properties that have a "temporary" or "no valuation" status • Any properties that are not valued in the usual timeframe should be formally notified to the VOA.	*Responsible person / title* Gary Wright - Rating & Recovery Manager *Target date* July 2017

4. Advisory - Reconciliations and suspense accounts

Finding
Internal Audit conducted a review of the Council's General Ledger in 2016-17 and the following two findings were raised which have implications for council tax and business rates. These are noted in this report reference but the risks have been captured in the General Ledger report. **Reconciliations** We raised the issue of the reconciliations between the general ledger and council tax/business rates not being performed in the prior year audit. Improvement has been made, but they are still not performed consistently, and delays have occurred which in part are due to staff absence and reliance on key individuals. We requested reconciliation information for the period April to December 2016 for both the business rate and council tax modules within iWorld respectively. Our findings can be summarised as: • Reconciliations are often conducted 1 or 2 months later than expected • There are unreconciled items with council tax which are understood to be due to a technical issue with TechOne however, this is yet to be determined. **Suspense Accounts** A Revenues Officer oversees the Council Tax/Business Rates suspense account. On a daily basis the items in the suspense account are printed. Each item is reviewed line-by-line with an audit trail documenting action taken against each. • The process for clearing suspense accounts is not documented. This should be documented to support the continuity of the control taking place should the identified members of staff not be available. When speaking with the Revenues Officer and querying the value of items in suspense which related to the period before 31 March 2016, it was found that due to unexpected loss of staff in the past twelve months and capacity to clear these items, the balance is higher than what may be considered reasonable. • There is limited oversight by the Finance Team over the progress to clear suspense accounts. Whilst Finance have access to TechOne and can monitor progress, there is no formal review at set intervals. If Finance had oversight they would have been aware of the levels of prior year suspense account balances and could have considered whether additional resource was required to clear these items promptly.

Recommendation	
Advisory	To implement the recommendations as set out in the 2016-17 Internal Audit General Ledger report.

Appendix 1. Finding ratings and basis of classification

Report classifications

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

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

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

Individual finding ratings

Finding rating	Assessment rationale
Critical	A finding that could have a: • ***Critical*** impact on operational performance; or • ***Critical*** monetary or financial statement impact **[quantify if possible = materiality]**; or • ***Critical*** breach in laws and regulations that could result in material fines or consequences; or • ***Critical*** impact on the reputation or brand of the organisation which could threaten its future viability.
High	A finding that could have a: • ***Significant*** impact on operational performance; or • ***Significant*** monetary or financial statement impact **[quantify if possible]**; or • ***Significant*** breach in laws and regulations resulting in significant fines and consequences*; or* • ***Significant*** impact on the reputation or brand of the organisation.
Medium	A finding that could have a: • ***Moderate*** impact on operational performance; or • ***Moderate*** monetary or financial statement impact **[quantify if possible]**; or • ***Moderate*** breach in laws and regulations resulting in fines and consequences; or • ***Moderate*** impact on the reputation or brand of the organisation.
Low	A finding that could have a: • ***Minor*** impact on the organisation's operational performance; or • ***Minor*** monetary or financial statement impact **[quantify if possible]**; or • ***Minor*** breach in laws and regulations with limited consequences; or • ***Minor*** impact on the reputation of the organisation.
Advisory	A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.

Appendix 2.   Terms of Reference

The key risks and objectives agreed in the Terms of Reference are set out below.

Sub-process	Risks	Objectives
Billing and Valuation	Inaccurate billing and valuations of properties	• Properties are correctly identified, valued and accurately billed to maximise revenue. This information should reconcile to the Valuation Office Direction • All bills raised agree to the banding for the property and is correctly adjusted if necessary
Account Coding	Inaccurate banding of properties	• Property bands are correct and agree to the property type/value expected • System and procedures allow correct identification and recording of bill payer
Discounts and Exemptions	Inaccurate application of discounts	• Clear approved policies for discounts are in place • Any discounts agree to the approved policies • Billing accurately reflects evidence of meeting policy conditions
Reconciliations	Inaccurate/ incomplete financial data	• Reconciliations between the Revenues system (Northgate) and the Financials system (Tech1) are performed and reviewed on a regular basis to ensure data is accurate and complete • Reconciliations between the Revenues system and cash collection system are performed and reviewed on a regular basis to ensure data is accurate and complete
Income Collection, Recovery & Enforcement	Ineffective action against non-tax payers Loss of revenue	• Maximise income collection through effective and prompt action • Ensure arrangements with customers made are in line with expected procedures/policy
Governance	Insufficient reporting of council tax and business rate activity	• Regular monitoring and review of performance information • Information is reported at appropriate levels to provide scrutiny and support decision making
Follow up of audit recommendations	All	• External and Internal Audit recommendations have been addressed

Appendix 3. Follow-up of Previous Recommendations

#	Finding	Agreed Action	Target date	Action Taken	Complete
1	The reconciliation of council tax and business rates in iWorld (revenue) and the Technology One (T1) financial system (cash) is a key control that ensures the integrity of the iWorld database and the customer balances it holds. During 2015/16 the reconciliation process hasn't been carried out consistently and whilst this review was being undertaken the reconciliations are several months behind for both Council Tax and Business Rates. Good practice would be to reconcile these balances on a daily basis, with review at a senior level performed at least monthly. There are suspense accounts held in T1 and also iWorld that contain significant amounts of revenue that should be posted to the relevant council tax or business rate accounts. As at the end of 2015/16 there is approximately £50k in payments that are unallocated in the T1 suspense account and a further £60k on the iWorld account. We understand that there are some issues with the interface between T1 and iWorld, which Finance and the service are trying to resolve. Reconciliation and suspense clearance is the responsibility of a single officer in the revenues team with no cover during times of absence; this is a contributory factor to lack of timely suspense clearance and reconciliation during 2015/16.	Roles and responsibilities for reconciliations within the revenues team and central finance team should be clarified, this should include suitable cover to reduce reliance on one key individual. Standard procedures should be documented and implemented. Daily reconciliation of cash (T1) and council tax and business rates balances (iWorld) should be performed. The reconciliation should be reviewed (at least monthly) by a senior officer. Suspense accounts should be reviewed and cleared daily as routine. Finance and the service area will need to work together to map the processes and flow of information between the T1 and iWorld systems to ensure the interfaces are operating accurately. There may be opportunity to improve efficiency by using more automated reconciliation checks. Note - This finding and related actions have also been raised in the internal audit report for General Ledger.	-	There is no procedure document in place for reconciliations. There is only one individual who currently does reconciliations (See Detailed Finding 1). There are daily reconciliations done between Tech one and Northgate. This is signed off by the Recovery manager monthly.	No – has been raised in the 2016-17 General Ledger Internal Audit Report.

| 2 | We reviewed the processes that govern the way in which council tax and business rate refunds and write-offs are authorised, validated and actioned. These processes are not documented and there is no corporate policy on writing off debts.

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

This issue was also raised in the 2014/15 internal audit report. | The processes for council tax and business rates refunds should be clearly documented and communicated, including responsibilities for review and authorisation.

The process for council tax and business rate write off should be formally documented and communicated. Approval limits should be set in line with corporate policy and controls established to ensure that these are adhered to.

It is recognised that this is part of a wider process to review at a Corporate level the policies and procedures for debt write-off. This should be addresses as part of the Commercial AVDC Finance Process and Systems Review project.

Corporate Board / Transition Board, as a matter of routine should be made aware of the levels of current and historic debt being written off by Revenues. | - | There is a document in place that explains how to do refunds for both Council Tax and Business Rates.

However there is no corporate policy on writing off debts. | No - Finding 2. |

| 3 | Monthly reports are prepared for council tax collection, showing current and prior month collection rates, these are reviewed at director level.

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

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

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

Dec 2015 - 85.79% Feb 2016 - 96.81%

Mar 2016 - TBA

Annual 2016 - TBA

These monthly rates are lower than the prior year annual average. There is no target collection rate against which to compare actual performance. If collections levels were to decline this could have a significant impact on AVDC's resources to deliver services. | A suite of performance metrics should be agreed to enable effective monitoring of revenue collection and recovery and flag early signs that annual budgets may be at risk. This should include target annual and monthly profiled collection rates for both council tax and business rates.

Monthly performance should be monitored against target rates and reviewed by the responsible director and appear on the corporate board agenda. | June 2016 | The Council has implemented a monthly report that monitors collection performance against target set. This is reviewed by the Finance Director. | Partially – collection rates are now monitored and reported but reporting does not capture prior year arrears – Finding 2 |

| 4 | For both domestic and commercial properties there is evidence of routine weekly reconciliation to the Valuation Office Agency (VOA) schedules. This process is key control that ensures the accuracy of the database, the number of properties and their associated valuations (total rateable values).

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

Council tax and business rates may be billed incorrectly, or properties omitted if they do not agree to VOA data. | A process should be developed to enable both council tax and business rates teams to actively monitor the properties that have a "temporary" or "no valuation" status.

Any properties that are not valued in the usual timeframe should be formally notified to the VOA. | July 2016 | There is no process to monitor temporary or no valuation properties. The Council also doesn't tend to notify the VOA of delays if they take over 90 days to provide a valuation | No – see Finding 4 |

Internal Audit Report 2016/17

Contract Management

May 2017

Contents

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Distribution List

For action	Paul Marston-Weston – Partnerships and Projects Manager
	Teresa Lane – Assistant Director, Commercial Property and Regeneration
For information	Andrew Small - Director
	Audit Committee
	Cllr Angela Macpherson

1. Executive summary

Report classification*	Total number of findings				
		Critical	High	Medium	Low
Medium risk (9 points)	Control design	-	-	2	-
	Operating effectiveness	-	-	1	-
	Total	-	-	**3**	-

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

Summary of findings

This report is classified as Medium Risk. We have issued three medium findings, we have also raised three advisory findings.

This review focused on the monitoring procedures for two of the Council's contracts which are of significant importance both to the Council's reputation and finances; Everyone Active (who manage two leisure centres) and Ambassador Theatre Group (ATG) (who manage a theatre). Arrangements are in place to ensure regular contract management takes place via monthly/quarterly meetings which hold contractors to account against conditions set out in agreed contracts.

We identified three areas of weakness which need to be addressed to strengthen the contract management control environment. Actions plans from contract meetings are not documented sufficiently and there are no risk registers in place. The data provided by contractors is not sufficiently checked back to source information and greater access to this information should be set up to ensure greater scrutiny can be applied.

Summary of findings

- Action plans post contract management meetings need to be documented more clearly and performance reports for scrutiny should be timetabled to ensure the Council receive them with sufficient time to scrutinise them (Finding 1 – Medium)

- There are no documented risk registers for either contract and no shared risk register in place to clearly identify responsible owners and mitigating actions for financial and reputational risks (Finding 2 – Medium)

- There is inadequate scrutiny of contractor reported information back to source evidence and the Council currently does not receive and/or have access to information which can be readily provided by contractors (Finding 3 – Medium)

- Contractors performance packs are not as easy to digest as other approaches used across the Local Government Sector (Finding 4 – Advisory)

- The attendance of the Lead Member at a contract management meeting on an annual basis should be considered (Finding 5 – Advisory)

- The Council should work with contractors to set up an at least annual survey of customers to assess performance of the service (Finding 6 – Advisory).

Good practice noted

- The Council has staff continuity in that the Partnership and Projects Manager was involved with the tender process and now manages the contracts

- The Partnership and Projects Manager also has a number of years' experience in the area of contract management in the leisure sector

- Payments made to contractors were supported by invoices and in-line with schedules agreed

- Through observation and discussions with both parties at a contract management level, good relationships have been forged and continue to be developed

- The Everyone Active contract key performance indicators are well defined and particularly those relating to building/maintenance defect resolution, these are documented on the Helpdesk software to which the Council has access

Management comments

Recording of actions and minutes has always been undertaken from ATG monthly contract meetings. However, actions and minutes resulting from contract meetings with Everyone Active have only been routinely issued since March 2017.

The recommendations contained in this report are noted and agreed and will help strengthen contract monitoring and performance.

2. Background and Scope

Background

This review will assess the adequacy and effectiveness of contract performance monitoring and management arrangements for two of the Councils significant contracts

1. Aylesbury Waterside Theatre (AWT)
2. Two leisure centres namely, Aqua Vale Swimming and Fitness Centre and Swan Pool and Leisure Centre.

A designated Partnerships and Projects Manager is assigned to manage both of these contracts. Until December 2016, this post was supported by a Technical and Monitoring Officer but this individual no longer works for the Council and the post has not been subsequently filled. The contracts set out the performance framework in greater detail including service expectations and key performance indicators which are subject to monitoring and reporting throughout the lifetime of the contract.

Scope

The scope covered the key risks set out in the Terms of Reference (see Appendix 2), including a review of the governance arrangements on both-sides, to assess the robustness of the monitoring arrangements and consider how the respective risks are managed.

Our testing in these areas included:

- Attending a monthly contract management meeting for both contracts

- Review of key performance indicator data back to source evidence and assess whether these are applied to contracts correctly

- Attend the Overview of Scrutiny Committee in April 2017 and speak with the Lead Member.

This does not represent a comprehensive list of tests conducted.

3. Detailed findings and action plan

1. Performance reports are not issued timely for scrutiny and actions plans are not documented sufficiently – Control design

Finding
As part of the review a monthly contract management meeting was attended for each contract. Issue of papers • Everyone Active – For the 21 March 2017 monthly catch-up the papers were received 16 March 2017 (allowing two working days for review). Furthermore, additional items were presented at the meeting itself • ATG - For the May 2017 monthly catch-up the papers were provided the day before the meeting. The Partnerships and Projects Manager has previously instructed the contractors to supply all contract monitoring documents 5 days prior to the contract review meetings, but sometimes the contractors fail to supply all documentation in accordance with the agreed timescale. If suppliers do not provide papers for monthly meetings with sufficient notice it impedes the level of scrutiny the Partnership and Project Manager can apply. At other authorities it is common practice to have an agreed timetable i.e. 9 working days after the previous calendar month all agreed reports must be issued from the supplier to the Council. A contract meeting would take place 5 working days after the issue of this information. Agenda/Minutes The Everyone Active contract meetings do not have a formal agenda and minutes have only recently been routinely taken. Each meeting goes through the performance report and this becomes the agenda however, minutes should be taken or an action plan agreed. After each meeting, the minutes/actions should be written up and distributed to both parties. Each meeting should have a formal agenda and the first item should be to review and approve the prior minutes/actions. It should be noted that on 31 March 2017 the Partnership and Projects Manager circulated minutes/actions from the 21 March 2017 monthly Everyone Active

meeting to all attended – this was the first occasion that this took place.

Action plan unclear

Both monthly meetings results in a variety of actions post discussions; whilst these are captured to some extent, they are not documented to the level where each action designates the:

- Responsible individual to clear the action
- Original action start date
- Expected completion date.

The risk of not documenting these is that actions may roll from one month to the next and sufficient focus may not be given to long outstanding queries.

Scrutiny Committee

The Council's Overview and Scrutiny Committee – Finance, have the right to request suppliers in for scrutiny. In the case of Everyone Active they were instructed to attend annually with the last meeting taking place in April 2017. At this meeting it was suggested that Everyone Active return in six months (instead of annually) to present progress made in their performance. Everyone Active also offered to send a monthly performance report to all Scrutiny Committee Members to ensure transparency of performance reporting was improved.

Governance and Communication Lines - Whilst the communication lines are not complex, there would be benefit in mapping out the key personnel for each party. This would benefit those who are not involved with the day-to-day of the contract i.e. Members. This is particularly the case with Everyone Active because they underwent significant staffing change in March 2017 to support the contract. This mapping process would not only include those who attend monthly meetings but also those who have regional or national roles at the suppliers.

Risks / Implications
Lack of ability to perform effective scrutiny. Agreed actions and improvements may not be implemented.

Finding rating	Action Plan	
Medium Page 85	a) A timetable has been agreed for or the 2017-18 financial year which includes the dates of contract meetings. This should be further formalised to include dates for when papers must be provided prior to this for scrutiny. Any failures to meet this should be discussed and minuted at contract performance meetings. b) High level minutes and an action log after each monthly contract performance meeting must be updated and distributed to all relevant parties. The action log must include the action, responsible individual/party, date of action first being identified and expected completion date. c) A live document of the key personnel for both contracts should be drawn up and updated as soon as a change occurs and should be updated at least annually. d) The Council has already invited Everyone Active back to Overview and Scrutiny Committee for October 2017 and they accepted their offer of receiving the monthly performance report outside of Committee. Both these commitments should occur.	*Responsible person / title* Paul Marston-Weston - Partnerships and Projects Manager *Target date* a – c) July 2017. d) Invited to Overview and Scrutiny in October 2017.

2. There are no documented risk registers – Control design

Finding
To facilitate good contract management, the establishment, regular review and easy access to three key documents is considered important – these documents are: - Shared/non-shared risk registers - Business Continuity Plans. This review found: - Risk Register - There are no shared risk registers in place and the Council does not have a working risk register for either of the two contracts. These contracts hold significant financial and reputational importance for the Council and to safeguard this, a list of risks should be identified with clear mitigating actions set out. Importantly, these risks should be shared with and agreed with each supplier to ensure that responsibilities are agreed – best practice is for the Risk Register to be reviewed quarterly and approved by the Contract Sponsors. N.B The Council does hold risk registers for both contracts however these are two years old. These should be brought back into use and updated - Business Continuity Plan - Whilst the suppliers have continuity plans in place for their sites, these do not form part of the 'Annual Service Specification Requirements Checklist'. This Checklist sets out a range of documents the supplier must provide annually to the Council. The Council would benefit from reviewing this document for its adequacy to provide assurance that, in the event of a major incident, the suppliers have clear instructions on how to continue their activity and recover sites in the most effective manner.

Risks / Implications
Without these important documents under regular review the Council may incur unnecessary financial and reputational loss.

Finding rating	Action Plan	
Medium	a) A shared risk register should be drafted and discussed. This should receive approval from the Contract Sponsors. This should be subsequently reviewed on at least a quarterly basis	*Responsible person / title* Paul Marston-Weston *Target date*

	b) The Business Continuity Plan should be requested and reviewed immediately. This should then be added as part of the Annual Service Specification Requirements Checklist.	a) August 2017 – drafted and discussed September 2017 – approved. b) July 2017.

3. Quality and breadth of data and access to validated reported information impedes contract management – Operating effectiveness

Finding

Both contracts are designed to be 'self-monitoring contracts' – by this, the contractor is responsible for reporting against the specification to prove their compliance with the conditions set out. Whilst this is the case, the reliance the Council can place on this information must be validated to some extent to ensure comfort can continue to be gained from the information reported. Currently the Partnership and Projects Manager attends monthly contract performance meetings and undertakes ad-hoc inspections of the various sites, this acts as the Council's validation of performance.

Reported information not validated

For both contracts the suppliers provide performance packs with a variety of information ranging from customer complaints, financial performance and energy usage. Through observation of meetings and discussions with personnel, this information provided is not validated back to original reports to ensure that it is complete and accurate. For example, Everyone Active report the number of complaints each month per the below screenshot. We ask for evidence to confirm where the figures were derived – it was found that the information reported to the Council only includes complaints which come through the Everyone Active website; it does not include email, verbal or social media complaints.

Complaints	Aqua Vale	Swan Pool
100 – premises / parking	0	0
101 – equipment defects	0	0
102 – pool water temp / air defects	1	0
103 – health & safety	0	1
104 – customer care / service	0	0
105 – cleanliness / housekeeping	2	2
106 – lifeguarding / supervision	0	0

As part of this review we raised bogus complaints through the Everyone Active website and can report that these were promptly resolved within 3 hours of them being raised.

Access to information

Having read-only access to contractor systems or regular contractor system reports is important as it allows verification of contractor data at any time. It was identified that with exception to the WAM system (Everyone Active repair and maintenance system), the Council does not have access to any other contractor systems. Through discussions with contractors it was identified the following information was available and when this was raised with the Partnership and

Projects Manager, it was agreed that receiving this information would be beneficial:

- Everyone Active Footfall – the monthly performance report confirms the total footfall for each site in the last period and year-to-date. This can be a good indicator of whether the contractor is increasing its customer base or if demand is falling. The footfall is calculated based on customers who swiped in or purchased one-off tickets. Estimates are also made for events where these mechanisms are not used and this is reported to the Council. These reports should support the monthly packs the Council receives as it also provides breakdowns of genders, age-groups and whether visitors are members or non-members – this is all useful information to scrutinise when assessing the contractor performance and achievement of wider objectives (e.g. Equalities).
- Everyone Active Single Customer View Report – This is a report which downloads all the complaints raised on Everyone Actives system. It would be useful to reconcile this to what is reported to the Council. The Council could also build in ad-hoc bogus complaints to test the system and ensure these are reported. This report should support each monthly performance pack.
- Everyone Active Utilisation Report – This sets out for each part of the sites and classes run, the capacity that can be held vs. the amount of people who attended. This report should support monthly packs to allow an assessment of the success of the sites in terms of utilisation. It should be noted that the Everyone Active sites are utilised slightly above the Everyone Active national target.

Inspections

The Partnership and Projects Manager undertakes ad-hoc inspections and site visits. During these visits, if any issues are identified they are raised i.e. a health and safety issue identified. The Partnership and Projects Manager was supported by another member of staff until December 2016 however, this individual left the Council and their role will not be filled. The risks here are that when the Partnerships and Projects Manager is unavailable i.e. due to leave, no inspections of sites are undertaken. In addition to this the role of the Partnership and Projects Manager is changing and expanding to Contract Performance, Partnerships and Funding Development Manager; this will involve reviewing other contracts and therefore there will be greater pressure on their time. To manage these two contracts with one member of staff can be achieved however; the Council does need to consider new ways to hold contractors to account (as set out in this report) in order to ensure this can be achieved with reduced capacity levels. N.B In the past year when the Partnerships and Project Manager was absent due to leave sufficient arrangements were made to re-arrange meetings and should an emergency occur the Assistant Director - Commercial Property and Regeneration becomes the key liaison for the contractor.

Risks / Implications
Insufficient scrutiny to ensure that financial, operational and reputational objectives are met

Finding rating	Action Plan	
Medium Page 90	a) The monthly contractor performance packs should be reviewed and it should be determined where reported information could be supported by source reports. These reports should accompany monthly performance packs. b) Everyone Active must ensure that reported complaints includes emails, verbal and social media instances and this should be verified back to the Single Customer View Report. c) The Council should ensure they have read-only access to contractor systems (or regular reports), particularly those which record customer complaints. All contractor systems should be identified and discussions held where access would be practical and beneficial. d) The Council should undertake a self-assessment of its contract management arrangements at least annually to ensure that the current capacity, processes and controls are sufficient to hold providers to account – see appendix 3.	*Responsible person / title* Paul Marston-Weston *Target date* a) July 2017 b) July 2017 c) September 2017 d) March 2018.

4. *Performance packs are currently not presented in a user friendly way although some improvement has been made - Advisory*

Finding
The reporting packs received by the Council from both contractors are received in a variety of PDF and Excel documents. From review of packs received by other local authorities, there are more visual ways to report information such as the screenshot below. Everyone Active has developed a Performance Pack since March 2017 which brings together the variety of documents they previously provided and summarises key information. This is a good starting point and should be further developed in agreement with the Partnership and Projects Manager. Sample high level contractor report (not AVDC)
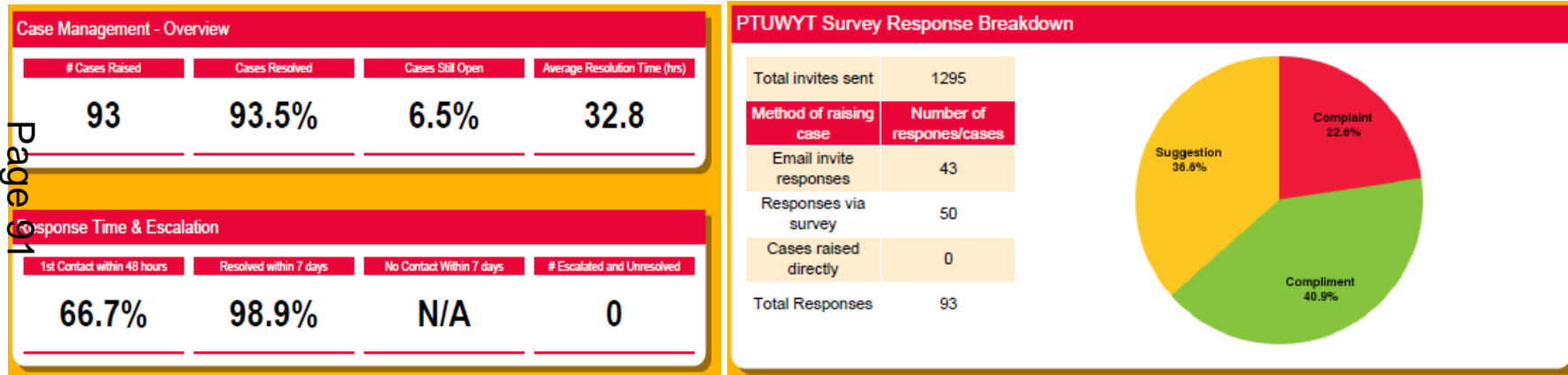
Recommendation	
Advisory	The Council should engage with contractors to move towards improving the way performance packs are presented to bring them in line with best practices seen elsewhere in the sector.

5. Lead Member engagement in contract oversight and participation in networking forum – Advisory

Finding
Members are currently involved in contract management as follows: • Designating a Lead Member for Leisure, Communities and Civic Amenities • Annual invitation to suppliers to the Overview and Scrutiny Committee (Everyone Active attended in April 2017) • Inviting Members for site tours (Members were invited in January 2017 to Aqua Vale) • Annual meeting between AVDC lead members and officers and senior ATG managers (last meeting held 18 October 2016) We reviewed the arrangements at other local authorities and identified that the Lead Member is invited annually to attend contract performance meetings – this idea was discussed with the Lead Member who considered this an appropriate suggestion. Note - in May 2017 Member portfolios were reassessed and it is expected that the portfolios will be redistributed to ensure they are smaller to allow greater oversight, engagement and scrutiny. This change alone should help improve Member engagement. Benchmarking The Council also has the opportunity to attend forums where other Council's meet who have the same contractors to discuss their perspectives on performance. This would be a good opportunity to learn about practices across the industry.

Recommendation	
Advisory	The Partnerships and Project Manager should discuss the appropriate balance for Lead Member engagement. The Partnerships and Project Manager should attend appropriate benchmarking forum.

6. An annual customer survey would benefit the assessment of how contracts are performing – Advisory

Finding
For both contracts, customer satisfaction is monitored through reports on compliments and complaints. However, within customer facing industries it is common practice to undertake an annual customer satisfaction survey. This would be a good barometer of customer interaction with the service. The Council should work with contractors to develop this process and plan to receive first results within the 2017-18 financial year.

Recommendation	
Advisory	An annual customer satisfaction survey is developed for both contracts with results obtained and reported within the current financial year.

Appendix 1. Finding ratings and basis of classification

Report classifications

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

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

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

Individual finding ratings

Finding rating	Assessment rationale
Critical	A finding that could have a: • ***Critical*** impact on operational performance; or • ***Critical*** monetary or financial statement impact **[quantify if possible = materiality]**; or • ***Critical*** breach in laws and regulations that could result in material fines or consequences; or • ***Critical*** impact on the reputation or brand of the organisation which could threaten its future viability.
High	A finding that could have a: • ***Significant*** impact on operational performance; or • ***Significant*** monetary or financial statement impact **[quantify if possible]**; or • ***Significant*** breach in laws and regulations resulting in significant fines and consequences*; or* • ***Significant*** impact on the reputation or brand of the organisation.
Medium	A finding that could have a: • ***Moderate*** impact on operational performance; or • ***Moderate*** monetary or financial statement impact **[quantify if possible]**; or • ***Moderate*** breach in laws and regulations resulting in fines and consequences; or • ***Moderate*** impact on the reputation or brand of the organisation.
Low	A finding that could have a: • ***Minor*** impact on the organisation's operational performance; or • ***Minor*** monetary or financial statement impact **[quantify if possible]**; or • ***Minor*** breach in laws and regulations with limited consequences; or • ***Minor*** impact on the reputation of the organisation.
Advisory	A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.

Appendix 2.   Terms of Reference

The key risks agreed in the Terms of Reference are set out below.

Sub-process	Risks	Objectives
Governance	Inadequate structures are in place to ensure operational, financial and reputational risks are managed	• Clear owners are set and contract governance is transparent and understood • Relationship management procedures are set out clearly with regular effective communication held.
Financial Recording	Inaccurate and/or incomplete payments made in breach of the contract	• Payments are made in line with contract agreements.
Monitoring arrangements	Failure to deliver services in accordance with contract specification, poor value for money	• Success criteria is understood, effective and clear • Success criteria is monitored effectively and contractor data is validated • Performance is discussed and reported on a regular and consistent basis involving the relevant personnel.
Risk Management	Inadequate risk management arrangements are in place to ensure financial and reputational risks are managed	• Both individual and shared risks have been identified and appropriately updated and managed.

Appendix 3.   Contract Management Self-Assessment Checklist

The below table is a contract self-assessment checklist. For each part of the checklist we have assessed the Council's position and where applicable, made reference to a relevant finding in the report.

Planning and Governance	Assessment for AVDC	Reference to Finding
There is a planned transition from the tendering/contract award phase to the contract management phase, and a handover to contract manager.	The Council have the same individual from the tender stage to the contract management phase.	N/A
Contract ownership is clear, with the budget holder, senior responsible owner (SRO), and contract manager clearly defined; there is continuity of governance as far as possible.	The contract ownership is clear and sponsors are set out in the contract. A finding however, has been raised with ensuring a live document is kept mapping out all key personnel.	Finding 1
Overall ownership of contract management across the organisation is clear, with a 'contract management senior responsible owner' with responsibility for driving organisation wide contract management performance.	Overall ownership is clear and set out in the contract; this extends to the identification of a Lead Member too.	N/A
Contract management issues and performance are reported through the governance structure with senior level engagement.	In addition to monthly contract monitoring meetings, more senior representation is made at quarterly and annual meetings from both parties. Contractors also report to Members as necessary via the Overview and Scrutiny Committee.	N/A
Regular assessment and evaluation takes place to ensure that the cost of contract management activities is justified and proportionate to the benefits obtained.	Contract management meetings take place monthly to assess this. This report has identified issues with improvements in actions plans needed to better document discussions.	Findings 1
Knowledge management is embedded, capturing key data and lessons from contract management process and experience both within the organisation and more widely.	The Partnerships and Project Manager has a strong knowledge of each contract however, should they be unavailable this knowledge would be lost.	Finding 1

People		
The contract manager has continuity (ideally through involvement during the tendering/contract award processes) and a handover from the staff responsible for the tendering/contract award.	The Council have the same individual from the tender stage to the contract management phase.	N/A
The contract manager has a detailed knowledge of the contract and other relevant issues, such as service level agreements, and ongoing supplier performance.	The Partnerships and Project Manager has a strong knowledge of each contract and many years' experience.	N/A
The contract manager has the appropriate skills (both specific contract management skills and more general commercial awareness and expertise), with access to relevant training and development. Experience contract managers are utilised on key contracts.	The Partnerships and Project Manager has a strong knowledge of each contract and many years' experience. No specific training has been identified as necessary.	N/A
Contract managers have accurate job descriptions, roles are positioned at an appropriate level and salary, and there is a career path for contract management staff.	The role and requirements of Partnership and Projects Manager is appropriate to meet the objectives of contract management.	N/A
Contract managers have clear objectives and reporting lines and their performance is managed through review and appraisals.	The Partnerships and Projects Manager has a clear reporting line to the Assistant Director of Commercial Property and Regeneration.	N/A
The contract manager has appropriate delegated authority to manage the contract effectively.	The designated individual has appropriate delegation to make decision and take action to ensure performance is adequate.	N/A
The organisation has a contract management 'community' allowing contract managers to share good practice.	The two major contracts are those managed by the Partnerships and Project Manager and therefore a 'community' within the Council is not feasible. However, contractors do provide annual forums to meet other Council's the provider is engaged with to share information – this however, has not been attended.	Advisory 5
Administration		
Hard copy contracts are stored and logged, and are easily accessible when required; for complex contracts, a summary and/or contract operations guide is	Copies of contracts were readily provided and accessible. Both Council and contractor were content with the	N/A

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produced.	conditions in the contract.	
Contract management software is used for recording key information, to give, for example, search capability; relevant ongoing contract management information and documentation is retained and managed.	There is software that contractors use to record, report and monitor contract performance. However, there are concerns around access to source contract management data.	Finding 3
There are mechanisms in place for identifying key contract 'trigger points', such as notice periods.	The contract set out clauses regarding early-exits and notice periods.	N/A
There is regular and ad hoc reporting of contract management information.	There is monthly reporting of performance information which is supported by monthly meetings. Ad-hoc reporting also takes place post on-site inspections.	N/A
Managing Relationships		
The contract manager understands his/her own role and has clear visibility of well-structured roles and responsibilities on the supplier side.	The contract ownership is clear and sponsors are set out in the contract. A finding however, has been raised with ensuring a live document is kept mapping out all key personnel.	Finding 1
The respective responsibilities of the contract manager and the supplier are clear, and potentially defined in a 'joint statement of intent' or similar document.	There is no joint statement of intent however; the report identifies the lack of a shared risk register for either contract which should be developed.	Finding 2
Continuity of key supplier staff is desirable (ideally through involvement during the sales process); where this cannot be achieved, there is a handover from the staff responsible for the tendering process.	There has not been continuity of key supplier staff particularly with Everyone Active. This report has therefore raised a finding to ensure a live document is kept mapping out all key personnel.	Finding 1
Both regular structured and informal communication routes between the contract manager and supplier are open and used; customer and supplier staff are co-located where appropriate.	There is no co-location however; this is not considered appropriate in this arrangement. Regular structured and information communication routes are in place.	N/A
Users are given clear expectations and an understanding of the contract and the services/performance to be delivered (for example, through newsletters or briefings).	There is communication with users regarding the service and this is reported to the Council i.e. with ATG Theatre this involves the Annual Programme. However, this report	Advisory 6

	does note greater engagement with customers would benefit from an annual survey.	
Problem resolution processes are well defined and used, and are designed to ensure minor problems do not escalate and cause relationship issues; a 'blame culture' is avoided (for example, through the use of a 'relationships charter' or similar document).	Such a document is not in place but dispute resolution is set out in the contract. From observations and even through difficulties, a blame culture does not appear to be present. However, if contractors make regular financial losses on the contracts this could surface.	N/A
Managing Performance		
Service management is well structured; baselines are understood by both parties, and suppliers understand the service they are required to deliver. The contract manager ensures that the customer organisation provides the supplier with the information and contacts needed to deliver the service.	There is a defined performance management framework.	N/A
A performance management framework is in place when the contract is signed. The framework is comprehensive, objective and provides incentives for the supplier to meet or exceed agreed performance standards	There is a defined performance management framework.	N/A
Service levels agreements are in place, and are linked to business needs, understood by the supplier, and monitored by the contract manager and/or end users.	This is not applicable.	N/A
Supplier performance is assessed using clear, objective and meaningful metrics, aligned to the organisation's priorities and goals.	There is a defined performance management framework.	N/A
Reporting is as far as possible on a focused, 'by exception' basis, with supplier self measurement and reporting where appropriate but with independent checking mechanisms to alert the customer to performance issues (for example, user feedback).	The level of independent checking is a challenge as this rests with one individual. This report concludes that other methods could be used to receive greater source information to support independent checking.	Finding 3
Clear processes are in place to handle operational problem resolution and resolve issues as quickly as possible.	The relationships in place from observations are good and disputes are discussed openly. The contracts also set out dispute resolution processes.	N/A
Where appropriate, user compliance with the contract is monitored and managed to ensure maximum operational effectiveness and value for money.	There is a defined performance management framework.	N/A

Regular and routine feedback is given to suppliers on their performance.	Monthly performance meetings take place in addition to ad-hoc meetings which meets the definition of regular and routine.	N/A
Changes in user requirements are captured and considered as part of formal change and contract management processes.	There have been no requirements thus far to amend contracts.	N/A
There are formal performance reviews with suppliers, with documented improvement plans agreed where necessary, covering both operational issues and adherence to key contractual requirements, for example, on data security.	Formal performance reviews occur every month. A finding has been raised about the methods to capture actions and monitor these.	Finding 1
Payments and Incentives		
The costs of the services delivered and contract management costs are mapped against budgets and allocated appropriately.	There are no issues with the services delivered against and payments made. These are set against specific codes on the ledger.	N/A
Payment changes after the contract is let, for example from contract variations or benchmarking/market testing, are made using contractual provisions and demonstrated to provide value for money.	There have been no contract variations for payments.	N/A
Incentive structures (financial or non-financial) relate clearly to desired outcomes, and are well managed and governed, with appropriate checks and approval mechanisms.	The contracts are considered to be structured appropriately to safeguard the Council's risk (as they receive money) and contractors are incentivised to make a profit and therefore retain profit share amounts.	N/A
Service credits or equivalent mechanisms are well managed and governed, and proportionate to supplier profitability.	These are set out in the contract.	N/A
Where open-book or similar financial/pricing mechanisms are used, the process is managed professionally and fairly.	The access to information could be strengthened alongside the provision of more source reports.	Finding 3
Risks		
Risks are formally identified, assessed for importance and monitored regularly, with mitigating actions developed and implemented where possible, and 'obsolete' risks removed from consideration where appropriate.	There is no risk register or shared risk register in place.	Finding 2

Escalation and reporting routes are in place for risk governance.	Escalation routes are clear and contractors do attend Overview and Scrutiny Committee.	N/A
Contingency plans are developed to handle supplier failure (temporary or long-term failure/default); exit strategies are developed and updated through the life of the contract.	The Council do not receive or assess the contractor's contingency plan. There is no risk register or shared risk register in place to pick up the Council's contingency plan.	Finding 1 and 2
Contractual terms around termination are understood and monitored by the contract manager.	The contract terms are clear surrounding termination.	N/A
Dispute resolution processes are in place, including agreed adjudication procedures, mediation, and arbitration.	Dispute resolution processes are in place.	N/A
The contract manager monitors the supplier's compliance with contractual 'non performance' issues (for example, on tax and sustainability targets).	Annual request for these types of documents is made and assessed.	N/A
Contract Development		
The contract is regularly reviewed (with a view to updating where necessary) to ensure it meets evolving business needs.	The contracts have built in review dates which often involve the Council commissioning the services of specialist consultants to assess contractors.	N/A
Processes are in place that clearly lay out the governance of contractual change – who needs to approve what and how it will happen – with a focus on effective and prompt change implementation.	Contractual conditions surrounding this are in place.	N/A
There are clear processes for the management of minor changes and contract variations, with a focus on the cost/effort being proportionate to the importance and value of the change.	The relationships in place are good and discussions around minor changes occur.	N/A
There are more rigorous processes to handle major contractual changes, including clear approval mechanisms and accountabilities, and controls to demonstrate that changes offer value for money.	There are clear contract conditions around this however; it has not been required thus far.	N/A
Where appropriate, value for money testing of existing services takes place through benchmarking or other processes.	There is a forum for Council's to meet to discuss contractors they share however, this is not attended.	Advisory 5
There are processes to cover the introduction of new services under the contract,	These are set out in the contract however, thus far have	N/A

including market testing where necessary.	not been required.	
Price changes are managed fairly and effectively with the use of mechanisms such as benchmarking, competitive tendering (for example, for major additional works), or other techniques such as open book pricing as appropriate, to test value for money.	This has not been required thus far.	N/A

Internal Audit Report 2016/17

Safeguarding

May 2017

Contents

This report has been prepared only for Aylesbury Vale District Council (the Council), in accordance with the agreed terms of reference. The findings should not be relied upon by any other organisation.

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Distribution List

For action   Will Rysdale – Assistant Director and Safeguarding Lead

                    Chris Oliver – Community Safety Officer

                    Ella Palmer – HR Manager

For information   Tracey Aldworth - Director

                    Cllr Angela McPherson – Member Lead for Safeguarding

                    Audit Committee

1. Executive summary

Report classification*	Total number of findings				
		Critical	High	Medium	Low
Medium risk (14 points)	Control design	-	-	1	1
	Operating effectiveness	-	1	-	-
	Total	-	1	1	1

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

Summary of findings

This report is classified as Medium Risk. We have issued one high, one medium and one low risk finding.

The compliance rate for completion of the mandatory level 1 e-learning module during the past five years is 13% which, compares poorly to other councils with compliance rates above 90%. It should be noted that the Council's system has not been correctly recording when a staff member has completed their e-learning module so the actual completion rate is likely to be higher, but it is still expected to be low and has not been monitored. Also note the compliance rates are particularly low for casual staff and Members.

The Council's safeguarding team previously discussed safeguarding matters in regular internal meetings but these meetings have not taken place for over a year, this is in part due to the Council restructure and staff changes. We also noted that many of the safeguarding related policies such as Whistle-blowing, Safeguarding Guidance, and Disciplinary policies have not been reviewed for more than three years.

There have been changes to the Safeguarding Lead and Officer in the past six months and therefore the requirements of these roles are new. Now that the Council has these staff in place and along with this report, new impetus should ensure the control environment can significantly improve by the end of year.

The Section 11 document that was submitted to Buckinghamshire County Council in April 2017 is now not reflective of the Council's position post this review; this should be updated and re-submitted in the spirit of openness and transparency.

Key Findings

- The Safeguarding Awareness Training compliance rates are low and are not monitored. Furthermore, Council policies which have links to safeguarding are not updated and monitored regularly (Finding 1 – High)

- A previously established internal safeguarding group who met to discuss safeguarding issues and share good practices, no longer meets. Also the Council's self-assessment section 11 submission no longer reflects the Council's position given the outcome of this report (Finding 2 – Medium)

- There are inconsistencies over whether background checks are undertaken during the recruitment process for identical roles. The central log to record and follow-up background checks undertaken does not record important data such as when the background check was undertaken (Finding 3 – Low).

Good practice noted

- The Council discusses safeguarding matters externally in the Community Safety Partnership meetings with presence of Bucks County Council, Bucks Fire and Rescue, Thames Valley Police, and Aylesbury Vale Clinical Commissioning Group

- The Council has a good relationship with the Thames Valley Police.

Management comments

We welcome this timely review and are committed to implementing the recommendations raised. Since the findings of this report have been shared, action has been taken to include Safeguarding awareness in the training day for all Managers on 20 June 2017.

2. *Background and Scope*

Background

District Councils have a duty to promote and safeguard the wellbeing of Children, Young People and Vulnerable Adults. The Council has a nominated 'Designated Senior Manager' for safeguarding; this role is discharged to Will Rysdale - Assistant Director Community Fulfilment.

The Council is represented on the Buckinghamshire Safeguarding Children Board (BSCB) and Buckinghamshire Safeguarding Adults Board (BSAB) and also works with other District Councils in Buckinghamshire on a shared basis by actively participating in relevant sub committees.

These Buckinghamshire wide safeguarding boards oversee and coordinate the effectiveness of the safeguarding work of its member and partner agencies which include the Council. In accordance with the Children's Act 2004, the Council is subject to a regular 'Section 11 Audit' which is reported to BSCB. It is a self-assessment tool which focuses on senior management commitment to the importance of safeguarding, to the establishment of policies, training programmes and effective vetting of staff and volunteers.

The purpose of this audit is to assess and review the design of controls and their operating effectiveness with regards to safeguarding controls during the period April 2016 to date.

Scope

The scope covered the key risks set out in the Terms of Reference (see Appendix 2). We reviewed the Council's safeguarding arrangements by reviewing the existing policies and procedures and also discussions with staff. Our testing in this area and others included:

- Reviewing Council's Safeguarding, Whistle-blowing, and volunteer policies

- Determining the compliance rate on completion of the safeguarding e-training for the past two, three, and five years

- Comparing the Council's safeguarding framework and approach to other local authorities.

This does not represent a comprehensive list of tests conducted.

3. Detailed findings and action plan

1. Inadequate monitoring of safeguarding awareness training and review of policies – Operating effectiveness

Finding
The Council has established a process whereby employees with different levels of exposure to vulnerable adults and children are required to undertake and complete up to 4 different levels of training. Each employee is required to complete a refresher training every three years. • All staff (permanent or casual) are required to complete a mandatory safeguarding e-learning module around signs of abuse, neglect and exploitation • All staff are also required to complete a mandatory equality and diversity e-learning module • Staff working more closely with children and vulnerable adults "Level 4 Exposure" category and are required to complete four different safeguarding trainings • Workshop to Raise Awareness of Prevent (WRAP) is provided for all frontline staff. Low Compliance of Level 1 safeguarding training The Safeguarding awareness training is mandatory for all staff and refresher trainings are needed to be completed every three years according to the Council's guidelines. We compared a list of all employees as of 10 March 2017 to the employees that have completed the awareness online training. We found that the compliance rate (see diagram below) over the past five years was 13%; for the past three and two years compliance was 8.3%, and 2.7% respectively.
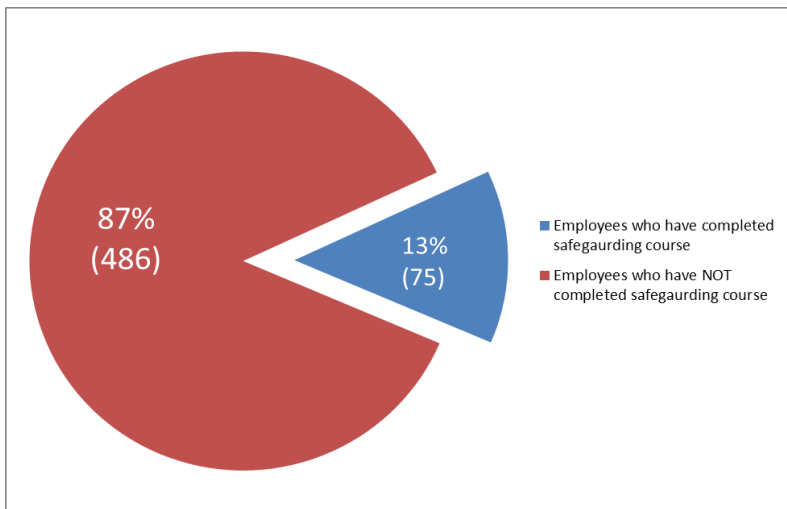
It is understood that compliance rates may be higher than the data presented. When an individual starts the e-learning module it will only show as complete if they click the 'print certificate' prompt at the end of the training. Therefore it may be the case that more people have started and completed the e-learning training however, they have not clicked the print certificate prompt and therefore it appears incomplete.

Without requesting every individual to click the 'print certificate' prompt, it is not possible to obtain a more accurate figure at the time of this review. It should be noted that even once this process is run, it is expected the compliance rate to still be low i.e. less than 50%.

It must also be noted that our analysis showed that all seven full time employees working at communities centres (as a high risk area) have completed their e-learning module in the last three years. However, the two casual employees working at these centres are yet to complete their training course.

<u>Level 4 refresher training frequency</u>

Particular staff working more closely with children and vulnerable adults within AVDC including those that sit on the AVDC Safeguarding Group and Sector Leads are placed in the "Level 4 Exposure" category and are required to complete four different safeguarding trainings and to repeat them every 3 years. Given that they have the highest exposure to children and adults at risk, and also based on the routine/best practice at other Councils, we believe the Council would benefit from requiring Level 4 staff to undertake their refresher training every two years.

<u>Safeguarding training for casual staff and Members.</u>

According to the Safeguarding Policy, all staff including casual workers are required to complete the safeguarding e-learning module and to receive refresher training every three years. We noted that over the past five years only three casual employees (out of 105) have completed the module. It was also identified that Members have not undertaken this training and given they interact with vulnerable people, they should do so.

<u>Outdated Policies</u>

We reviewed some of the Council's policy documents where safeguarding features. The below table sets out the date each policy was last revised and updated on Council's website as well as the associated concern with it.

Policy Type	Date Last Updated	Concerning Issue
1. Guidance for Safeguarding and Protecting Children & Venerable Adults	Amendments in April 2014	The latest Care Act was introduced in October 2014 and needs to be reflected in Council's safeguarding policy. The latest version of the policy on website was dated January 2012
2. Disciplinary Policy	January 2011	The policy has not reviewed for over six years
3. Whistle-Blowing Policy	March 2014	The Policy is three years old
4. Safe Recruitment Practice	N/A	The Council does not have a Recruitment Policy. It has a Safe Recruitment Practice which was created in March 2009 whereas BSAB & BSCB safer recruitment toolkit was published later in October 2014
5. Volunteer Policy	N/A	The Council currently does not have a Volunteer Policy. It instead has a "volunteering agreement" that is sent to the volunteers via emails.

Risks / Implications

Staff are not trained to understand and deliver safeguarding standards and insufficient monitoring/updating of policies is being undertaken

Finding rating	Action Plan	
High	a) The Council should improve its compliance rate to at least 75% by September 2017 b) The training records for each employee and their safeguarding level should be linked to their profile in the HR system. Moreover monthly reports should be generated and sent to managers to raise awareness of the compliance rate of each unit	*Responsible person / title* Ella Palmer – HR Manager – b) e) and f) Will Rysdale – Safeguarding Lead – a), c) d) and f) *Target date* December 2017

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c) The Council should ensure that casual employees and Members have access to the training materials and that they complete them in a timely manner
d) Employees in the Level 4 Exposure list are advised to receive refresher trainings on a more frequent basis (every two years)
e) Non-compliance with training should be noted in individuals' performance appraisal discussions.
f) Policies should be reviewed and updated to reflect the latest guidance.

2. *Inadequate internal communication and recommunication of section 11 submission needed – Control design*

Finding
Internal communication

The Council previously had an Internal Safeguarding Group consisting of safeguarding leads representing: Communities, Licensing, Housing, Human Resources and LEAP. The group met regularly to receive safeguarding updates, discuss and share issues, and good practice with the relevant teams. From discussions with representatives of this meeting, it was seen as an important discussion point and forum. Lack of communications between the different teams at the Council can result in limited communication of important safeguarding issues and national/regional review cases that may be going on within the Council as well as the County. The Council should go back to establishing a well-organised safeguarding meeting schedule.

Moreover, Buckinghamshire County Council (BCC) is proactive in reducing/removing safeguarding risks (please refer to Appendix 3) and this methodology, outcomes, and lessons learnt should be shared with Council's different services through these internal meetings.

Section 11 submission

Section 11 of the Children Act 2004 places duties on a range of organisations and individuals to ensure their functions, and any services that they contract out to others, are discharged having regard to the need to safeguard and promote the welfare of children. As a result, the Council should have in place arrangements that reflect the importance of safeguarding and promoting the welfare of children.

We reviewed the latest Section 11 self assessment that the Council submitted to the BCC in April 2017. As summarised in the table below, we have recorded what we believe the revised rating should be with references the findings of this report.

Section 11 Requirement	Council's Rating	Audit Rating	Rational/Finding
1. Inadequate responsibility defined and ineffective oversight	🟢 (green)	🟡 (amber)	The internal safeguarding meeting have not been held for more than a year. **Finding 2**
2, 6, 8. Inadequate policies and/or procedures which are not followed/and learning from reviews	🟡 (amber)	🔴 (red)	Safeguarding, Volunteers and Whistle-Blowing policies as well as Recruitment Practice of the Council are all outdated. **Finding 1**
3. inadequate recording and reporting	🟡 (amber)	🔴 (red)	Inconsistency in DS/DBS checks was noted in 14 positions. **Finding 3**
4-5. Insufficient arrangements to vet, monitor and supervise staff/volunteers and Staff not trained to understand and deliver safeguarding standards	4 🟢 (green) 5 🟡 (amber)	🔴 (red)	Level 1 e-learning compliance rate of 8.3% for the last three years. **Finding 1**

The Council is currently undergoing major restructuring and a number of staff have left or changed roles, this helps explain the discrepancies in the Section 11. It is advised that different services in the Council contribute to completion of the form at least 8 weeks before its submission. The Council should also consider making each member of the Internal Safeguarding Group, and others, 'safeguarding champions' to help promote and communicate safeguarding across the Council.

Risks / Implications

Without regular safeguarding meetings of Council staff from key departments, sufficient safeguarding discussions will not take place to review and take action against safeguarding risks

Finding rating	Action Plan	
Medium	a) The Council should re-establish its internal safeguarding meetings at least quarterly with representation from: safeguarding leads, Communities, Licensing, Housing and Human Resources as a minimum b) The Section 11 should be amended to reflect this report and resubmitted c) Based on best and common practice at councils with strong safeguarding controls, the Council should assign safeguarding "champions" who take part in completing the Section 11 and communicate safeguarding matters to their respective teams.	*Responsible person / title* Ella Palmer- HR Manager – a) Will Rysdale – Safeguarding Lead – b) and c) *Target date* December 2017

3. Inconsistent recruitment checks – Control design

Finding
The Council performs security checks (both Disclosure Scotland and Disclosure and Barring Service) on employees who are considered to come into contact and communicate with children and adults at risk. Disclosure Scotland (DS) is a basic disclosure certificate that shows any 'unspent' criminal convictions a given person may have in the UK. On the other hand, Disclosure and Barring Service (DBS) is a more in-depth check which helps employers make safer recruitment decisions and prevent unsuitable people from working with vulnerable groups, including children. We analysed the consistency of these checks across a range of positions. We considered 606 people in 303 different positions and noticed that there was variation in the DS and DBS checks that were performed in 14 positions. Although our enquiry with the HR team suggests that these variations stem from the fact that not all employees do exactly the same job even though they are given the same job title, we strongly recommend that the Council sets out clear guidelines about the criteria for a DBS check and how often it needs to be re-performed for a given job role. The employees may be assigned to a given "exposure level" (similar to that for training) that would dictate the type of security check that needs to be carried out for them. We also noted that the DS/DBS records we reviewed lacked the date on which the checks were carried out.

Risks / Implications
Insufficient arrangements to vet, monitor and supervise staff/volunteers

Finding rating		
Low	a) The Council should define the DS/DBS check criteria for a given job role and ensure it is consistently applied in the 'new structure' b) The DS/DBS check records should include the date of each check and the date it needs to be re-checked.	*Responsible person / title* Ella Palmer – HR Manager *Target date* September 2017

4. Implementation of a Countywide rejection list and raising awareness at community centres– Advisory

Finding
Local database

Local database

A recent "Serious Case Review" into child sexual exploitation in Buckinghamshire has examined all reports of incidents in the county between 1998 and 2016. It said a number of cases involved taxi drivers who "picked young people up from schools and children's homes and some drivers were directly involved in the abuse of young people". However, the review said complaints about drivers were not always shared with licensing officers and Bucks' four district councils, including South Bucks, should improve information sharing with Thames Valley Police, with a specific point of contact. Finally the review says: "Currently information is not shared well between the four district councils and the county council" and mentions that although creation of a national database of all licensed drivers is recommended - to pick up any record of past wrongdoing – it is unlikely to happen.

The Council currently performs verification checks with other councils where the taxi licencing applicant resides however, the Council would not have any information about any previous applications and the outcomes at adjacent councils. If this information was shared the Council could develop a list of individuals rejected from other councils to support their decision making process when assessing applications.

The Council should contribute to the creation of a countywide database where local records are shared and accessed with ease by the district councils, with appropriate regard to data protection and sharing protocols.

More details can be found at http://www.bucks-lscb.org.uk/wp-content/uploads/Serious_Case_Reviews/CSE-Serious-Case-Review.pdf

Raising awareness

Through our discussions with the community centres lead, we noted that the centres could circulate additional safeguarding information (on the notice boards for instance) to help raise awareness for the children, adults at risk, and other people who may be in a position to help when needed.

Taxi licencing policy

Based on the latest taxi licensing policy (October 2016) and our discussion with the Licensing Team, we identified the following minor errors that need to be rectified:

- The applicants are required to hold a valid UK driving license whereas on Council's website it is stated that both UK and EU licenses are acceptable.

DBS disclosures will not include detail of any foreign convictions or cautions unless they have been recorded on the UK National Computer. According to the taxi licensing policy, any applicant who has resided outside the UK for period longer than 3 months within the preceding three years will be required to

produce a certificate of good conduct from the relevant countries which details any cautions or convictions arising against the applicant while resident in that country. Our enquiry with the taxi licensing team revealed that this is currently not being followed (as it is difficult to know whether the applicant has resided outside UK for longer than three months) and requires further clarifications in the policy.

Recommendation	
Advisory	The above matters should be considered and addressed appropriately.

Appendix 1. Finding ratings and basis of classification

Report classifications

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

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

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

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Individual finding ratings

Finding rating	Assessment rationale
Critical	A finding that could have a: • ***Critical*** impact on operational performance; or • ***Critical*** monetary or financial statement impact **[quantify if possible = materiality]**; or • ***Critical*** breach in laws and regulations that could result in material fines or consequences; or • ***Critical*** impact on the reputation or brand of the organisation which could threaten its future viability.
High	A finding that could have a: • ***Significant*** impact on operational performance; or • ***Significant*** monetary or financial statement impact **[quantify if possible]**; or • ***Significant*** breach in laws and regulations resulting in significant fines and consequences*; or* • ***Significant*** impact on the reputation or brand of the organisation.
Medium	A finding that could have a: • ***Moderate*** impact on operational performance; or • ***Moderate*** monetary or financial statement impact **[quantify if possible]**; or • ***Moderate*** breach in laws and regulations resulting in fines and consequences; or • ***Moderate*** impact on the reputation or brand of the organisation.
Low	A finding that could have a: • ***Minor*** impact on the organisation's operational performance; or • ***Minor*** monetary or financial statement impact **[quantify if possible]**; or • ***Minor*** breach in laws and regulations with limited consequences; or • ***Minor*** impact on the reputation of the organisation.
Advisory	A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.

Appendix 2. Terms of Reference

The objectives and key risks agreed in the Terms of Reference are set out below.

Sub-process	Risks	Objectives
Governance	Inadequate responsibility defined and ineffective oversight	• Clearly identified lead for safeguarding with responsibility for arrangements • Clear accountability framework which enables all staff to understand their role in safeguarding • The Council takes an active part in BSCB/BSAB meetings and sub groups • Safeguarding issues are routinely discussed at relevant internal meetings.
Policies and Procedures	Inadequate policies and/or procedures which are not followed	• Approved policies in place disseminated effectively, easily accessible and understood on how to recognise and respond to possible abuse or neglect • There are clear written procedures for dealing with situations where allegations of abuse are made against someone working within the organisation
Recording & reporting	Inadequate recording and reporting	• Allegations are escalated and referred in line with procedures • There are processes for recording incidents, concerns and allegations.
Recruitment and Vetting	Insufficient arrangements to vet, monitor and supervise staff/volunteers	• Safe recruitment practices are in line with the advice set out in the BSCB Safer Recruitment Toolkit to ensure the proper selection of staff who will have regular contact with children • If an individual (paid worker or volunteer) is removed from work which involves children then a referral is made to the Disclosure and Barring Service (DBS) • The organisation has a register of all volunteers including a clear record of all those who require DBS checks • Supervision arrangements are in place for all volunteers working with children and young people.
Training	Staff not trained to understand and deliver safeguarding standards	• Mandatory training in place for all staff/volunteers working with children and vulnerable adults • Training records are maintained and can be monitored / audited on request • Training and its impact on safeguarding is evaluated • Appropriate supervision and support is available for staff working with children and vulnerable adults
Contracting	Inadequate contract arrangements	• Safeguarding is integrated into all contractual processes with clear expectations and reporting requirements to prevent abuse and neglect.

Data Protection	Ineffective arrangements to share and store data	• Arrangements which set out clearly the processes for sharing information with other professionals to protect children and vulnerable adults from harm • Records are stored securely and safely and there are clear processes in place to ensure that records are retained as required.
Service Specific Processes	Inadequate oversight arrangements to identify and manage high risks	• A framework is in place to ensure high risk activities are identified, and that there are sufficient oversight arrangements to ensure that higher risk areas have adequate process in place (e.g. taxi licensing)
Lessons Learned	Learning from reviews	• There are clear processes for taking part in review of cases; including gathering evidence, completing action plans and embedding any learning.

Appendix 3. BCC Safeguarding Risk Reduction/Removal 2015-16

For benchmarking measures, we used the data in "Safeguarding Adults 2015-16 England Experimental Statistics" document published by the government which reports on councils safeguarding activity in the period of 1 April 2015 to 31 March 2016. We compared the position of the Buckinghamshire County Council (BCC) in England with respect to the actions and results of risks that were reduced or fully removed (Section 42 Enquiries were used). The BCC is compared to the nearest 13 councils that are selected according to the Chartered Institute of Public Finance and Accountancy (CIPFA) Nearest Neighbour Model, which identifies similarities between councils based on a range of socio-economic indicators. As can be seen from the chart below, BCC has performed very well and has managed to reduce/remove 92% of safeguarding risks, performing well above the national average of 67%.

Given the pro-activeness of the BCC in reducing and removing safeguarding risks, it is important that the information and lessons learnt are well communicated with different services within the District Council.
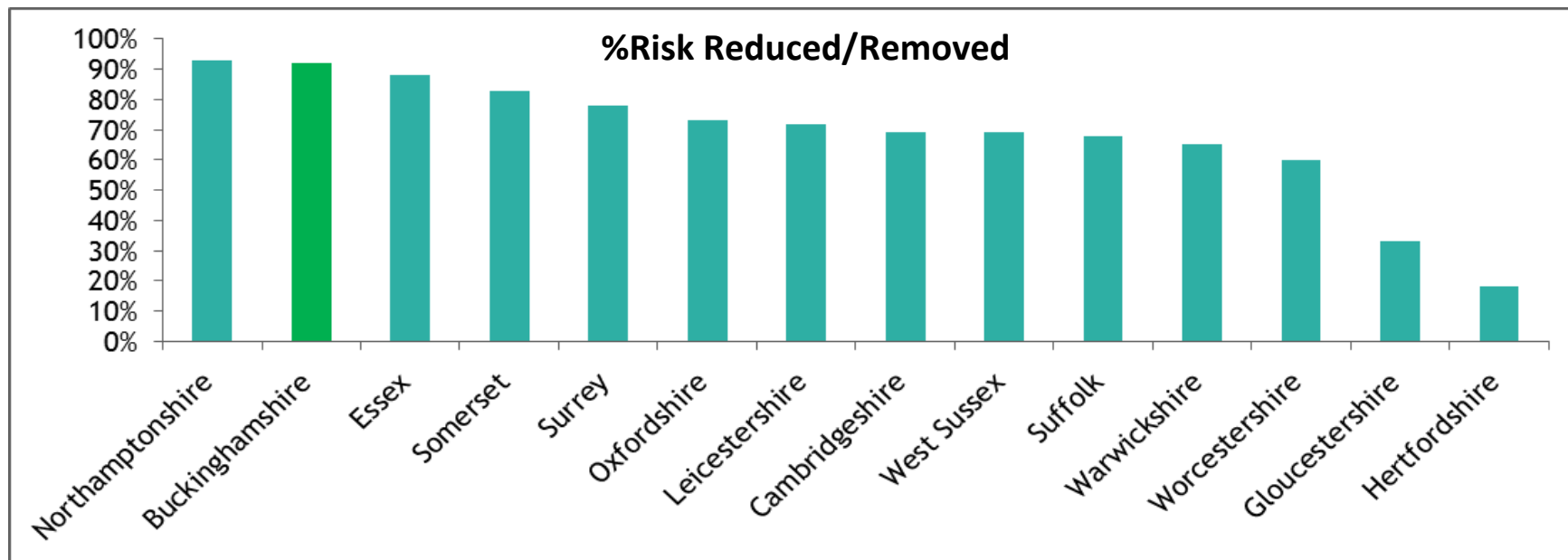
%Risk Reduced/Removed

CIPFA DELIVERING GOOD GOVERNANCE IN LOCAL GOVERNMENT FRAMEWORK AND THE ANNUAL GOVERNANCE STATEMENT

1 Purpose

1.1 To update the Committee on changes to 'proper practice' with regard to corporate governance and introduce the CIPFA Delivering Good Governance in Local Government Framework (2016).

2 Recommendations

2.1 Note the attached report and Appendix, "Delivering good governance in Local Government Framework (2016)".

2.2 Note the purpose of the Annual Governance Statement and the responsibility of the Audit Committee for its review and approval.

3 Supporting Information

3.1 The "Delivering Good Governance in Local Government: Framework", published by CIPFA in association with Solace[1] in 2007, set the standard for local authority governance in the UK. CIPFA and Solace reviewed the Framework in 2015 to ensure it remains 'fit for purpose' and published a revised edition in spring 2016.

3.2 The new Delivering Good Governance in Local Government: Framework (CIPFA/Solace, 2016) applies to annual governance statements prepared for the financial year 2016/17 onwards.

3.3 The concept underpinning the Framework is that it is helping local government in taking responsibility for developing and shaping an informed approach to governance, aimed at achieving the highest standards in a measured and proportionate way. The overall aim is to ensure that:
- resources are directed in accordance with agreed policy and according to priorities
- there is sound and inclusive decision making
- there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities.

3.4 It is up to each local authority to:
- set out its commitment to the principles of good governance included in the Framework
- determine its own governance structure, or local code, underpinned by these principles
- ensure that it operates effectively in practice.

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[1] *CIPFA (Chartered Institute of Public Finance & Accountancy) in association with Solace (Society of Local Authority Chief Executives)*

3.5 The new Framework sets out seven governance principles, summarised below, and details the approach that should be taken to preparing the Annual Governance Statement (AGS). A copy of the Framework is attached as Appendix 1.

Principles of good governance in the public sector:

A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
B. Ensuring openness and comprehensive stakeholder engagement.
C. Defining outcomes in terms of sustainable economic, social, and environmental benefits.
D. Determining the interventions necessary to optimise the achievement of the intended outcomes.
E. Developing the entity's capacity, including the capability of its leadership and the individuals within it.
F. Managing risks and performance through robust internal control and strong public financial management.
G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

3.1 Both the Accounts and Audit Regulations 2015 and the national Code of Practice on Local Authority Accounting in the United Kingdom 2016 require that the Framework be adopted as 'proper practice'.

3.2 Local authorities are required to prepare an annual governance statement in order to report publicly on the extent to which they comply with the good governance principles in the Framework. This includes how they have monitored and evaluated the effectiveness of their governance arrangements in the year, and on any planned changes in the coming period.

3.3 The annual governance statement is a valuable means of communication. It enables an authority to explain to the community, service users, tax payers and other stakeholders its governance arrangements and how the controls it has in place manage risks of failure in delivering its outcomes. It should reflect an individual authority's particular features and challenges.

3.4 The annual governance statement should provide a meaningful but brief communication regarding the review of governance that has taken place, including the role of the governance structures involved (such as the authority, the audit and other committees). It should be high level, strategic and written in an open and readable style.

3.5 The annual governance statement should be focused on outcomes and value for money and relate to the authority's vision for the area. It should provide an assessment of the effectiveness of the authority's governance arrangements in supporting the planned outcomes – not simply a description of them.

3.6 The annual governance statement should be approved at a meeting of the authority or delegated committee. Local authorities are required to include the annual governance statement with their statement of accounts.

3.7 The AGS 2016/17 is currently being prepared and a draft will be shared at the July meeting of the Audit Committee.

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, Corporate Governance Manager 01296 585724
Background papers: none

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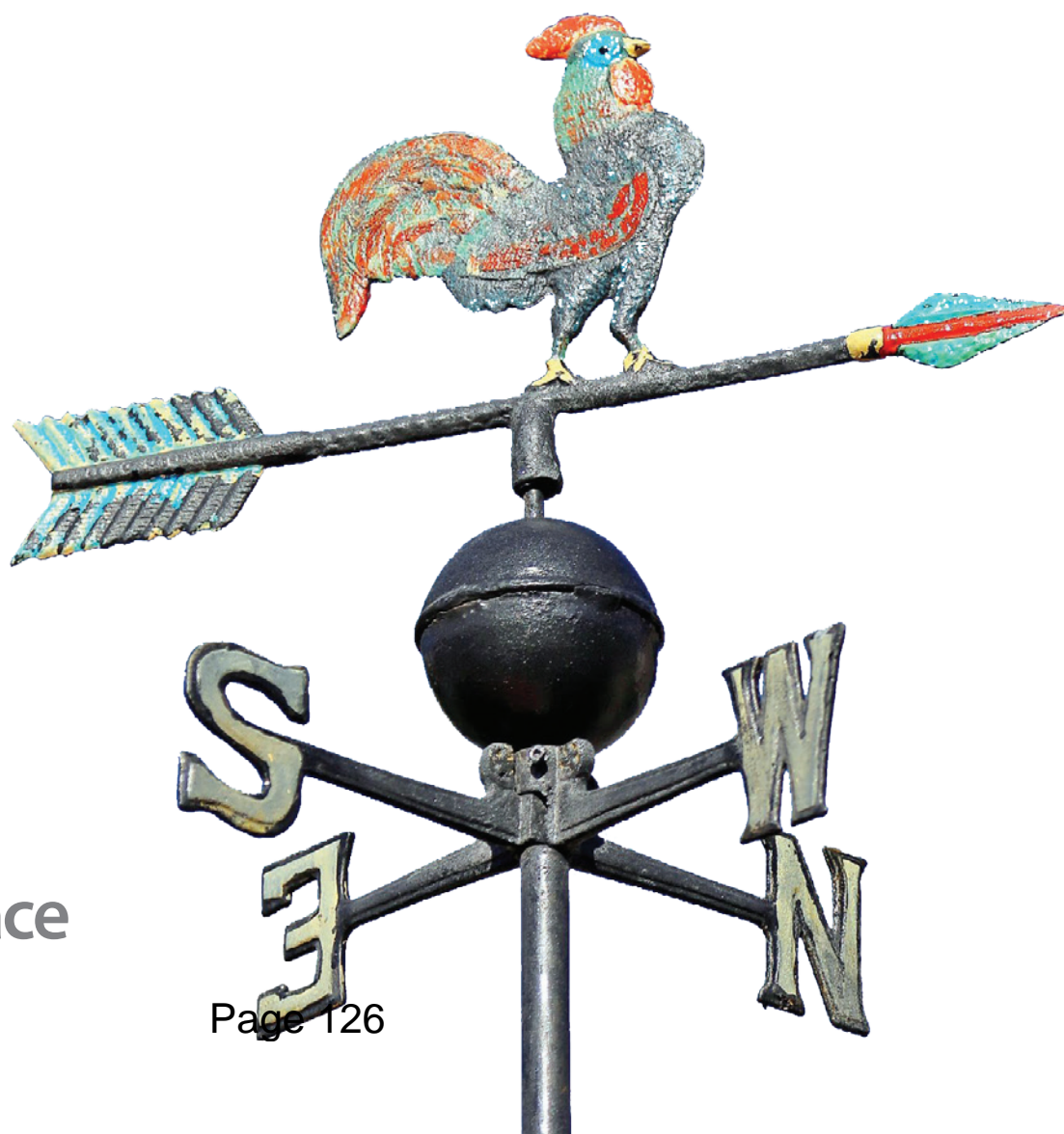
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Acknowledgements

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Introduction

1.1 Governance arrangements in the public services are keenly observed and sometimes criticised. Significant governance failings attract huge attention – as they should – and one significant failing can taint a whole sector. Local government organisations are big business and are vitally important to tax payers and service users. They need to ensure that they meet the highest standards and that governance arrangements are not only sound but are seen to be sound.

1.2 It is crucial that leaders and chief executives keep their governance arrangements up to date and relevant. The main principle underpinning the development of the new *Delivering Good Governance in Local Government: Framework* (CIPFA/Solace, 2016) ('the Framework') continues to be that local government is developing and shaping its own approach to governance, taking account of the environment in which it now operates. The Framework is intended to assist authorities individually in reviewing and accounting for their own unique approach. The overall aim is to ensure that resources are directed in accordance with agreed policy and according to priorities, that there is sound and inclusive decision making and that there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities.

1.3 The Framework positions the attainment of sustainable economic, societal, and environmental outcomes as a key focus of governance processes and structures. Outcomes give the role of local government its meaning and importance, and it is fitting that they have this central role in the sector's governance. Furthermore, the focus on sustainability and the links between governance and public financial management are crucial – local authorities must recognise the need to focus on the long term. Local authorities have responsibilities to more than their current electors as they must take account of the impact of current decisions and actions on future generations.

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Status

2.1   Section 3.7 of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 notes:

Regulation 6(1)(a) of the Accounts and Audit Regulations 2015, Regulation 4(2) of the Local Government (Accounts and Audit) Regulations (Northern Ireland) 2015, Regulation 5(2) of the Local Authority Accounts (Scotland) Regulations 2014 and Regulation 5(2) of the Accounts and Audit (Wales) Regulations 2014 require an authority to conduct a review at least once in a year of the effectiveness of its system of internal control and include a statement reporting on the review with any published Statement of Accounts (England) (as a part of the Annual Accounts (Scotland)). Regulation 6(1)(b) of the Accounts and Audit Regulations 2015, Regulation 4(4) of the Local Government (Accounts and Audit) Regulations (Northern Ireland) 2015 and Regulation 5(4) of the Local Authority Accounts (Scotland) Regulations 2014 require that for a local authority in England, Northern Ireland and Scotland the statement is an Annual Governance Statement.

The preparation and publication of an Annual Governance Statement in accordance with Delivering Good Governance in Local Government: Framework (2016) would fulfil the statutory requirements across the United Kingdom for a local authority to conduct a review at least once in each financial year of the effectiveness of its system of internal control and to include a statement reporting on the review with its Statement of Accounts. In England the Accounts and Audit Regulations 2015 stipulate that the Annual Governance Statement must be "prepared in accordance with proper practices in relation to accounts". Therefore a local authority in England shall provide this statement in accordance with Delivering Good Governance in Local Government: Framework (2016) and this section of the Code.

2.2   This Framework applies to annual governance statements prepared for the financial year 2016/17 onwards.

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Requirements

3.1 The Framework defines the principles that should underpin the governance of each local government organisation. It provides a structure to help individual authorities with their approach to governance. Whatever form of arrangements are in place, authorities should therefore test their governance structures and partnerships against the principles contained in the Framework by:

- reviewing existing governance arrangements

- developing and maintaining an up-to-date local code of governance, including arrangements for ensuring ongoing effectiveness

- reporting publicly on compliance with their own code on an annual basis and on how they have monitored the effectiveness of their governance arrangements in the year and on planned changes.

3.2 The term 'local code' essentially refers to the governance structure in place as there is an expectation that a formally set out local structure should exist, although in practice it may consist of a number of local codes or documents.

3.3 To achieve good governance, each local authority should be able to demonstrate that its governance structures comply with the core and sub-principles contained in this Framework. It should therefore develop and maintain a local code of governance/governance arrangements reflecting the principles set out.

3.4 It is also crucial that the Framework is applied in a way that demonstrates the spirit and ethos of good governance which cannot be achieved by rules and procedures alone. Shared values that are integrated into the culture of an organisation, and are reflected in behaviour and policy, are hallmarks of good governance.

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Applicability and terminology

APPLICABILITY

4.1   The Framework is for all parts of local government and its partnerships, including:

- county councils

- district, borough and city councils

- metropolitan and unitary councils

- the Greater London Authority and functional bodies

- combined authorities, city regions, devolved structures

- the City of London Corporation

- combined fire authorities

- joint authorities

- police authorities, which for these purposes since 2012 includes both the police and crime commissioner (PCC) and the chief constable

- national park authorities.

4.2   The Framework is applicable to a system involving a group of local government organisations as well as to each of them individually. The Framework principles are therefore intended to be relevant to all organisations and systems associated with local authorities, ie joint boards, partnerships and other vehicles through which authorities now work. However, a one-size-fits-all approach to governance is inappropriate. Not all parts of the Framework will be directly applicable to all types and size of such structures, and it is therefore up to different authorities and associated organisations to put the Framework into practice in a way that reflects their structures and is proportionate to their size.

TERMINOLOGY

4.3   The terms 'authorities', 'local government organisations' and 'organisations' are used throughout this Framework and should be taken to cover any partnerships and joint working arrangements in operation.

4.4   In the police service, where the accountabilities rest with designated individuals rather than a group of members, terms such as 'leader' should be interpreted as relating to the PCC or the chief constable as appropriate.

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Guidance notes

5.1   In recognition of the separate legislation applicable to different parts of local government, guidance notes to accompany the Framework have been developed for:

- local government in England (excluding police)
- local government in Wales (excluding police)
- police in England and Wales
- local government in Scotland.

5.2   The guidance notes, which should be used in conjunction with the Framework, are intended to assist authorities across their governance systems, structures and partnerships in reviewing their governance arrangements. It will also help them in interpreting the overarching principles and terminology contained in the Framework in a way that is appropriate for their governance structures, taking account of the legislative and constitutional arrangements that underpin them.

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The principles of good governance – application

DEFINING THE CORE PRINCIPLES AND SUB-PRINCIPLES OF GOOD GOVERNANCE

6.1   The diagram below, taken from the International Framework: Good Governance in the Public Sector (CIPFA/IFAC, 2014) (the 'International Framework'), illustrates the various principles of good governance in the public sector and how they relate to each other.

Achieving the Intended Outcomes While Acting in the Public Interest at all Times
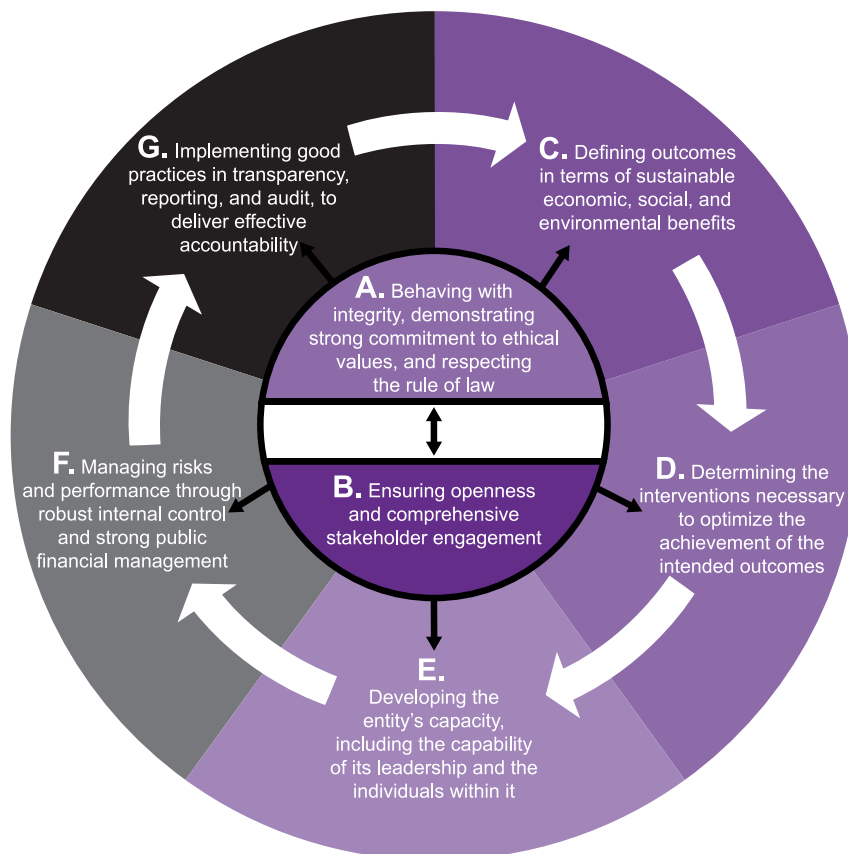
The International Framework notes that:

Principles A and B permeate implementation of principles C to G. The diagram also illustrates that good governance is dynamic, and that an entity as a whole should be committed to improving governance on a continuing basis through a process of evaluation and review.

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DEFINING GOVERNANCE

6.2   The International Framework defines governance as follows:

Governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved.

The International Framework also states that:

To deliver good governance in the public sector, both governing bodies and individuals working for public sector entities must try to achieve their entity's objectives while acting in the public interest at all times.

Acting in the public interest implies primary consideration of the benefits for society, which should result in positive outcomes for service users and other stakeholders.

6.3   In local government, the governing body is the full council or authority. In the police, PCCs and chief constables are corporations sole and are jointly responsible for governance. The many references to 'members' in the tables which follow should be read in the context that the principles set out apply equally in the police.

PRINCIPLES OF GOOD GOVERNANCE IN LOCAL GOVERNMENT

6.4   The core principles and sub-principles of good governance set out in the table below are taken from the International Framework. In turn they have been interpreted for a local government context.

It is up to each local authority or local government organisation to:

■   set out its commitment to the principles of good governance included in this Framework

■   determine its own governance structure, or local code, underpinned by these principles

■   ensure that it operates effectively in practice.

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Core principles and sub-principles of good governance

Core principles (shown in bold)	Sub-principles (shown in bold)
Acting in the public interest requires a commitment to and effective arrangements for:	Behaviours and actions that demonstrate good governance in practice are illustrated in the bullet points.
A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law Local government organisations are accountable not only for how much they spend, but also for how they use the resources under their stewardship. This includes accountability for outputs, both positive and negative, and for the outcomes they have achieved. In addition, they have an overarching responsibility to serve the public interest in adhering to the requirements of legislation and government policies. It is essential that, as a whole, they can demonstrate the appropriateness of all their actions across all activities and have mechanisms in place to encourage and enforce adherence to ethical values and to respect the rule of law.	**Behaving with integrity** ■ Ensuring members and officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the organisation ■ Ensuring members take the lead in establishing specific standard operating principles or values for the organisation and its staff and that they are communicated and understood. These should build on the Seven Principles of Public Life (the Nolan Principles) ■ Leading by example and using the above standard operating principles or values as a framework for decision making and other actions ■ Demonstrating, communicating and embedding the standard operating principles or values through appropriate policies and processes which are reviewed on a regular basis to ensure that they are operating effectively **Demonstrating strong commitment to ethical values** ■ Seeking to establish, monitor and maintain the organisation's ethical standards and performance ■ Underpinning personal behaviour with ethical values and ensuring they permeate all aspects of the organisation's culture and operation ■ Developing and maintaining robust policies and procedures which place emphasis on agreed ethical values ■ Ensuring that external providers of services on behalf of the organisation are required to act with integrity and in compliance with ethical standards expected by the organisation

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Core principles (shown in bold)	Sub-principles (shown in bold)
	Respecting the rule of law ■ Ensuring members and staff demonstrate a strong commitment to the rule of the law as well as adhering to relevant laws and regulations ■ Creating the conditions to ensure that the statutory officers, other key post holders, and members, are able to fulfil their responsibilities in accordance with legislative and regulatory requirements ■ Striving to optimise the use of the full powers available for the benefit of citizens, communities and other stakeholders ■ Dealing with breaches of legal and regulatory provisions effectively ■ Ensuring corruption and misuse of power are dealt with effectively
B. Ensuring openness and comprehensive stakeholder engagement Local government is run for the public good, organisations therefore should ensure openness in their activities. Clear, trusted channels of communication and consultation should be used to engage effectively with all groups of stakeholders, such as individual citizens and service users, as well as institutional stakeholders.	**Openness** ■ Ensuring an open culture through demonstrating, documenting and communicating the organisation's commitment to openness ■ Making decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes. The presumption is for openness. If that is not the case, a justification for the reasoning for keeping a decision confidential should be provided ■ Providing clear reasoning and evidence for decisions in both public records and explanations to stakeholders and being explicit about the criteria, rationale and considerations used. In due course, ensuring that the impact and consequences of those decisions are clear ■ Using formal and informal consultation and engagement to determine the most appropriate and effective interventions/ courses of action **Engaging comprehensively with institutional stakeholders** NB institutional stakeholders are the other organisations that local government needs to work with to improve services and outcomes (such as commercial partners and suppliers as well as other public or third sector organisations) or organisations to which they are accountable. ■ Effectively engaging with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so that outcomes are achieved successfully and sustainably

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Core principles (shown in bold)	Sub-principles (shown in bold)
	■ Developing formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively
	■ Ensuring that partnerships are based on:
	− trust
	− a shared commitment to change
	− a culture that promotes and accepts challenge among partners
	and that the added value of partnership working is explicit
	Engaging with individual citizens and service users effectively
	■ Establishing a clear policy on the type of issues that the organisation will meaningfully consult with or involve communities, individual citizens, service users and other stakeholders to ensure that service (or other) provision is contributing towards the achievement of intended outcomes
	■ Ensuring that communication methods are effective and that members and officers are clear about their roles with regard to community engagement
	■ Encouraging, collecting and evaluating the views and experiences of communities, citizens, service users and organisations of different backgrounds including reference to future needs
	■ Implementing effective feedback mechanisms in order to demonstrate how views have been taken into account
	■ Balancing feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity
	■ Taking account of the impact of decisions on future generations of tax payers and service users

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Principles (shown in bold)	Sub-principles (shown in bold)
In addition to the overarching requirements for acting in the public interest in principles A and B, achieving good governance also requires a commitment to and effective arrangements for:	Behaviours and actions that demonstrate good governance in practice are illustrated in the bullet points.
C. Defining outcomes in terms of sustainable economic, social, and environmental benefits The long-term nature and impact of many of local government's responsibilities mean that it should define and plan outcomes and that these should be sustainable. Decisions should further the organisation's purpose, contribute to intended benefits and outcomes, and remain within the limits of authority and resources. Input from all groups of stakeholders, including citizens, service users, and institutional stakeholders, is vital to the success of this process and in balancing competing demands when determining priorities for the finite resources available.	**Defining outcomes** ■ Having a clear vision, which is an agreed formal statement of the organisation's purpose and intended outcomes containing appropriate performance indicators, which provide the basis for the organisation's overall strategy, planning and other decisions ■ Specifying the intended impact on, or changes for, stakeholders including citizens and service users. It could be immediately or over the course of a year or longer ■ Delivering defined outcomes on a sustainable basis within the resources that will be available ■ Identifying and managing risks to the achievement of outcomes ■ Managing service users' expectations effectively with regard to determining priorities and making the best use of the resources available **Sustainable economic, social and environmental benefits** ■ Considering and balancing the combined economic, social and environmental impact of policies and plans when taking decisions about service provision ■ Taking a longer-term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the organisation's intended outcomes and short-term factors such as the political cycle or financial constraints ■ Determining the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation where possible, in order to ensure appropriate trade-offs ■ Ensuring fair access to services

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Principles (shown in bold)	Sub-principles (shown in bold)
D. Determining the interventions necessary to optimise the achievement of the intended outcomes Local government achieves its intended outcomes by providing a mixture of legal, regulatory, and practical interventions (courses of action). Determining the right mix of these courses of action is a critically important strategic choice that local government has to make to ensure intended outcomes are achieved. They need robust decision-making mechanisms to ensure that their defined outcomes can be achieved in a way that provides the best trade-off between the various types of resource inputs while still enabling effective and efficient operations. Decisions made need to be reviewed frequently to ensure that achievement of outcomes is optimised.	**Determining interventions** ■ Ensuring decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and associated risks. Therefore ensuring best value is achieved however services are provided ■ Considering feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available including people, skills, land and assets and bearing in mind future impacts **Planning interventions** ■ Establishing and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets ■ Engaging with internal and external stakeholders in determining how services and other courses of action should be planned and delivered ■ Considering and monitoring risks facing each partner when working collaboratively, including shared risks ■ Ensuring arrangements are flexible and agile so that the mechanisms for delivering goods and services can be adapted to changing circumstances ■ Establishing appropriate key performance indicators (KPIs) as part of the planning process in order to identify how the performance of services and projects is to be measured ■ Ensuring capacity exists to generate the information required to review service quality regularly ■ Preparing budgets in accordance with objectives, strategies and the medium term financial plan ■ Informing medium and long term resource planning by drawing up realistic estimates of revenue and capital expenditure aimed at developing a sustainable funding strategy

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Principles (shown in bold)	Sub-principles (shown in bold)
	Optimising achievement of intended outcomes ■ Ensuring the medium term financial strategy integrates and balances service priorities, affordability and other resource constraints ■ Ensuring the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term ■ Ensuring the medium term financial strategy sets the context for ongoing decisions on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while optimising resource usage ■ Ensuring the achievement of 'social value' through service planning and commissioning
E. Developing the entity's capacity, including the capability of its leadership and the individuals within it Local government needs appropriate structures and leadership, as well as people with the right skills, appropriate qualifications and mindset, to operate efficiently and effectively and achieve intended outcomes within the specified periods. A local government organisation must ensure that it has both the capacity to fulfil its own mandate and to make certain that there are policies in place to guarantee that its management has the operational capacity for the organisation as a whole. Because both individuals and the environment in which an organisation operates will change over time, there will be a continuous need to develop its capacity as well as the skills and experience of individual staff members. Leadership in local government is strengthened by the participation of people with many different types of backgrounds, reflecting the structure and diversity of communities.	**Developing the entity's capacity** ■ Reviewing operations, performance and use of assets on a regular basis to ensure their continuing effectiveness ■ Improving resource use through appropriate application of techniques such as benchmarking and other options in order to determine how resources are allocated so that defined outcomes are achieved effectively and efficiently ■ Recognising the benefits of partnerships and collaborative working where added value can be achieved ■ Developing and maintaining an effective workforce plan to enhance the strategic allocation of resources **Developing the capability of the entity's leadership and other individuals** ■ Developing protocols to ensure that elected and appointed leaders negotiate with each other regarding their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained ■ Publishing a statement that specifies the types of decisions that are delegated and those reserved for the collective decision making of the governing body ■ Ensuring the leader and the chief executive have clearly defined and distinctive leadership roles within a structure whereby the chief executive leads in implementing strategy and managing the delivery of services and other outputs set by members and each provides a check and a balance for each other's authority

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Principles (shown in bold)	Sub-principles (shown in bold)
	■ Developing the capabilities of members and senior management to achieve effective leadership and to enable the organisation to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risks by:
	– ensuring members and staff have access to appropriate induction tailored to their role and that ongoing training and development matching individual and organisational requirements is available and encouraged
	– ensuring members and officers have the appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities and ensuring that they are able to update their knowledge on a continuing basis
	– ensuring personal, organisational and system-wide development through shared learning, including lessons learnt from governance weaknesses both internal and external
	■ Ensuring that there are structures in place to encourage public participation
	■ Taking steps to consider the leadership's own effectiveness and ensuring leaders are open to constructive feedback from peer review and inspections
	■ Holding staff to account through regular performance reviews which take account of training or development needs
	■ Ensuring arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing

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Principles (shown in bold)	Sub-principles (shown in bold)
F. Managing risks and performance through robust internal control and strong public financial management Local government needs to ensure that the organisations and governance structures that it oversees have implemented, and can sustain, an effective performance management system that facilitates effective and efficient delivery of planned services. Risk management and internal control are important and integral parts of a performance management system and are crucial to the achievement of outcomes. Risk should be considered and addressed as part of all decision making activities. A strong system of financial management is essential for the implementation of policies and the achievement of intended outcomes, as it will enforce financial discipline, strategic allocation of resources, efficient service delivery and accountability. It is also essential that a culture and structure for scrutiny are in place as a key part of accountable decision making, policy making and review. A positive working culture that accepts, promotes and encourages constructive challenge is critical to successful scrutiny and successful service delivery. Importantly, this culture does not happen automatically, it requires repeated public commitment from those in authority.	**Managing risk** ■ Recognising that risk management is an integral part of all activities and must be considered in all aspects of decision making ■ Implementing robust and integrated risk management arrangements and ensuring that they are working effectively ■ Ensuring that responsibilities for managing individual risks are clearly allocated **Managing performance** ■ Monitoring service delivery effectively including planning, specification, execution and independent post implementation review ■ Making decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the organisation's financial, social and environmental position and outlook ■ Ensuring an effective scrutiny or oversight function is in place which provides constructive challenge and debate on policies and objectives before, during and after decisions are made thereby enhancing the organisation's performance and that of any organisation for which it is responsible (Or, for a committee system) Encouraging effective and constructive challenge and debate on policies and objectives to support balanced and effective decision making ■ Providing members and senior management with regular reports on service delivery plans and on progress towards outcome achievement ■ Ensuring there is consistency between specification stages (such as budgets) and post implementation reporting (eg financial statements)

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Principles (shown in bold)	Sub-principles (shown in bold)

	Robust internal control
	
	■ Aligning the risk management strategy and policies on internal control with achieving objectives
	
	■ Evaluating and monitoring risk management and internal control on a regular basis
	
	■ Ensuring effective counter fraud and anti-corruption arrangements are in place
	
	■ Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor
	
	■ Ensuring an audit committee or equivalent group/function, which is independent of the executive and accountable to the governing body:
	
	   – provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment
	
	   – that its recommendations are listened to and acted upon
	
	Managing data
	
	■ Ensuring effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data
	
	■ Ensuring effective arrangements are in place and operating effectively when sharing data with other bodies
	
	■ Reviewing and auditing regularly the quality and accuracy of data used in decision making and performance monitoring
	
	Strong public financial management
	
	■ Ensuring financial management supports both long term achievement of outcomes and short-term financial and operational performance
	
	■ Ensuring well-developed financial management is integrated at all levels of planning and control, including management of financial risks and controls

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Principles (shown in bold)	Sub-principles (shown in bold)
G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability Accountability is about ensuring that those making decisions and delivering services are answerable for them. Effective accountability is concerned not only with reporting on actions completed, but also ensuring that stakeholders are able to understand and respond as the organisation plans and carries out its activities in a transparent manner. Both external and internal audit contribute to effective accountability.	**Implementing good practice in transparency** ■ Writing and communicating reports for the public and other stakeholders in a fair, balanced and understandable style appropriate to the intended audience and ensuring that they are easy to access and interrogate ■ Striking a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny while not being too onerous to provide and for users to understand **Implementing good practices in reporting** ■ Reporting at least annually on performance, value for money and stewardship of resources to stakeholders in a timely and understandable way ■ Ensuring members and senior management own the results reported ■ Ensuring robust arrangements for assessing the extent to which the principles contained in this Framework have been applied and publishing the results on this assessment, including an action plan for improvement and evidence to demonstrate good governance (the annual governance statement) ■ Ensuring that this Framework is applied to jointly managed or shared service organisations as appropriate ■ Ensuring the performance information that accompanies the financial statements is prepared on a consistent and timely basis and the statements allow for comparison with other, similar organisations **Assurance and effective accountability** ■ Ensuring that recommendations for corrective action made by external audit are acted upon ■ Ensuring an effective internal audit service with direct access to members is in place, providing assurance with regard to governance arrangements and that recommendations are acted upon ■ Welcoming peer challenge, reviews and inspections from regulatory bodies and implementing recommendations ■ Gaining assurance on risks associated with delivering services through third parties and that this is evidenced in the annual governance statement ■ Ensuring that when working in partnership, arrangements for accountability are clear and the need for wider public accountability has been recognised and met

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Annual review and reporting

THE ANNUAL GOVERNANCE STATEMENT

7.1   Local authorities are required to prepare an annual governance statement (see Chapter two) in order to report publicly on the extent to which they comply with their own code of governance, which in turn is consistent with the good governance principles in this Framework. This includes how they have monitored and evaluated the effectiveness of their governance arrangements in the year, and on any planned changes in the coming period. The process of preparing the governance statement should itself add value to the effectiveness of the governance and internal control framework.

7.2   The annual governance statement is a valuable means of communication. It enables an authority to explain to the community, service users, tax payers and other stakeholders its governance arrangements and how the controls it has in place manage risks of failure in delivering its outcomes. It should reflect an individual authority's particular features and challenges.

7.3   The annual governance statement should provide a meaningful but brief communication regarding the review of governance that has taken place, including the role of the governance structures involved (such as the authority, the audit and other committees). It should be high level, strategic and written in an open and readable style.

7.4   The annual governance statement should be focused on outcomes and value for money and relate to the authority's vision for the area. It should provide an assessment of the effectiveness of the authority's governance arrangements in supporting the planned outcomes – not simply a description of them. Key elements of an authority's governance arrangements are summarised in the next section.

7.5   The annual governance statement should include:

- an acknowledgement of responsibility for ensuring that there is a sound system of governance (incorporating the system of internal control) and reference to the authority's code of governance

- reference to and assessment of the effectiveness of key elements of the governance framework and the role of those responsible for the development and maintenance of the governance environment, such as the authority, the executive, the audit committee, internal audit and others as appropriate

- an opinion on the level of assurance that the governance arrangements can provide and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework

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- an agreed action plan showing actions taken, or proposed, to deal with significant governance issues

- reference to how issues raised in the previous year's annual governance statement have been resolved

- a conclusion – a commitment to monitoring implementation as part of the next annual review.

7.6   The annual governance statement should be signed by the leading member (or equivalent) and chief executive (or equivalent) on behalf of the authority.

7.7   The annual governance statement should be approved at a meeting of the authority or delegated committee (in Scotland, the authority or a committee with a remit including audit or governance).

7.8   Local authorities are required to include the annual governance statement with their statement of accounts. As the annual governance statement provides a commentary on all aspects of the authority's performance, it is appropriate for it to be published, either in full or as a summary, in the annual report, where one is published. It is important that it is kept up to date at time of publication.

GOVERNANCE ARRANGEMENTS

7.9   Key elements of the structures and processes that comprise an authority's governance arrangements are summarised below. They do not need to be described in detail in the annual governance statement if they are already easily accessible by the public, for example through the authority's code of governance.

- Developing codes of conduct which define standards of behaviour for members and staff, and policies dealing with whistleblowing and conflicts of interest and that these codes and policies are communicated effectively.

- Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful.

- Documenting a commitment to openness and acting in the public interest.

- Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.

- Developing and communicating a vision which specifies intended outcomes for citizens and service users and is used as a basis for planning.

- Translating the vision into courses of action for the authority, its partnerships and collaborations.

- Reviewing the effectiveness of the decision-making framework, including delegation arrangements, decision-making in partnerships, information provided to decision makers and robustness of data quality.

- Measuring the performance of services and related projects and ensuring that they are delivered in accordance with defined outcomes and that they represent the best use of resources and value for money.

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- Defining and documenting the roles and responsibilities of members and management, with clear protocols for effective communication in respect of the authority and partnership arrangements.

- Ensuring that financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2015) or CIPFA Statement on the Role of the Chief Financial Officer of the Police and Crime Commissioner and the Chief Financial Officer of the Chief Constable (2014) as appropriate and, where they do not, explain why and how they deliver the same impact.

- Ensuring effective arrangements are in place for the discharge of the monitoring officer function.

- Ensuring effective arrangements are in place for the discharge of the head of paid service function.

- Providing induction and identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training.

- Reviewing the effectiveness of the framework for identifying and managing risks and for performance and demonstrating clear accountability.

- Ensuring effective counter fraud and anti-corruption arrangements are developed and maintained in accordance with the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014).

- Ensuring an effective scrutiny function is in place.

- Ensuring that assurance arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010) and, where they do not, explain why and how they deliver the same impact.

- Undertaking the core functions of an audit committee, as identified in Audit Committees: Practical Guidance for Local Authorities and Police (CIPFA, 2013).

- Ensuring that the authority provides timely support, information and responses to external auditors and properly considers audit findings and recommendations.

- Incorporating good governance arrangements in respect of partnerships and other joint working and ensuring that they are reflected across the authority's overall governance structures.

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INVESTORS
IN PEOPLE

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Audit Committee
12 June 2017

AUDIT COMMITTEE WORK PROGRAMME – JUNE 2017

1.   Purpose

1.1   To discuss, amend and approve the future work programme for 2017/18 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 – Corporate Governance Manager
                           Tel: 01296 585724
Background Documents   None

AUDIT COMMITTEE WORK PROGRAMME 2017-18

Item	Contact Officer	27 Mar 2017	12 June* 2017	24 July 2017	25 Sep 2017	13 Nov 2017	22 Jan 2018	26 Mar 2018
Audit Committee Work Programme	Kate Mulhearn	X	X	X	X	X	X	X
Member Training / Briefing Sessions (TBC)	Kate Mulhearn	X		X	X	X	X	X
Audit Committee Annual Report	Kate Mulhearn			X				
Audit Committee Review of Effectiveness	Kate Mulhearn			X				
External Audit Plan & fee letter	Adrian Balmer (EY)						X	
External Audit - Audit Results Report (ISA 260)	Adrian Balmer (EY)				X			
External Audit Annual Letter	Adrian Balmer (EY)				X			
External Audit AGR for Grant Claims	Adrian Balmer (EY)						X	
External Audit Update / Progress Report	Adrian Balmer (EY)	X		X		X		X
Annual Internal Audit Strategy and Plan	Kate Mulhearn	X		X				X
Internal Audit Progress Report & Internal Audit Review Reports	Kate Mulhearn	X	X	X	X	X	X	X
Risk Management Report	Kate Mulhearn	X	X	X	X	X	X	X
Fraud Update Report	Kate Mulhearn				X			
Internal Audit Annual Report	Kate Mulhearn			X				
Company Governance	Kate Mulhearn	X		X	X			
(Draft) Annual Governance Statement	Kate Mulhearn		(X)	X				X
Statement of Accounts	Andrew Small			X				
Post Audit Statement of Accounts	Andrew Small				X			
Working Balances	Andrew Small	X						X

*Additional meeting agreed in March 2017

Audit Committee
12 June 2017

CORPORATE RISK REGISTER – JUNE 2017

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 regularly by Commercial 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 – Corporate Governance 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 Commercial Board following detailed review and updating by the risk owners.

The CRR was last reviewed and updated by Commercial Board as a whole at their meeting on 15 March 2017 and subsequently updated for changes in May. Since the previous Audit Committee meeting in March 2017 no changes have been made to residual risk ratings and one new risk has been added:

Risk Ref	Change	Comment
21) Failure to deliver the Connected Knowledge Strategy and achieve the Council's Digital objectives. Speed of implementation does not allow for adequate due diligence e.g. supplier/contract procedures, information risk assessments	New - High	The Connected Knowledge Programme has been added to the risk register due to its strategic importance and potential financial, operational and reputational impact. Programme governance arrangements are in place, including Steering Group and regular reporting to CAVDC Board, to oversee risk management.

Note on 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 **21 risks** on the corporate risk register. The residual risk rating is summarised as follows:

Residual Risk Rating			
Low risk	**Moderate risk**	**High Risk**	**Extreme risk**
3	**4**	**12**	**2**
11) Safeguarding arrangements, internal policies and processes are not adequate to address concerns about /protect vulnerable adults & children. 14) Fraud, corruption, malpractice by internal or external threats. 15) Equalities is not considered in decisions resulting in Judicial Review and other litigation	6) Fail to manage and deliver major capital projects - Waterside North 9) Business Continuity - Major or large scale incident causes business interruption affecting the Council's resources and its ability to deliver critical services. 13) Failure to manage a major partnership or a significant council contractor. 16) Failure to manage and deliver the requirements of the SLA for HS2.	1) Commercial AVDC programme does not deliver the required savings and efficiency gains 2) The Council's approach to commercialisation does not produce the income needed. 3) Organisational culture fails to support the strategy. 4) Partnership with AVE fails to deliver or hinders the achievement of the Council's objectives 5) Depot & workshop development project fails to address H&S and Environmental concerns and achieve commercial objectives. 7) Fail to Deliver the new Vale of Aylesbury Local Plan 8) Health & Safety - Non-compliance with Fire and Health and Safety legislation (excl. depot /waste services). 10) Information Governance - A significant data breach, Inappropriate access, corruption or loss of data 12) Business Intelligence (Customer insight & performance data) is not sufficiently robust to support effective decisions. 19) Failure to effectively engage with members and the community around the Council's vision and strategy. 20) Failure to identify and respond to current and potential changes in legislative/regulatory environment. 21) Failure to deliver the Connected Knowledge Strategy and achieve the Council's Digital objectives.	17) Loss of key staff / failure to recruit has negative impact on service delivery during time of change 18) Modernising Local Government agenda: i) fails to achieve an outcome that addresses community needs ii) disruption to service delivery due to resource detraction from day-job and ongoing uncertainty

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
			Rare	Unlikely	Possible	Likely	Very Likely
Score			1	2	3	4	5
			Likelihood				

	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.

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