



AYLESBURY VALE DISTRICT COUNCIL

Democratic Services

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16 November 2017

AUDIT COMMITTEE

A meeting of the **Audit Committee** will be held at **6.30 pm** on **Monday 27 November 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), C Adams, M Collins, A Harrison, P Irwin, R Newcombe, R Stuchbury, D Town, A Waite and H Mordue (ex-Officio)

AGENDA

1. APOLOGIES

2. PERMANENT CHANGES TO MEMBERSHIP

To inform the Committee that there has been a change to the Conservative Group membership of the Committee, with Councillors M Collins and A Waite replacing Councillors C Branston and B Chapple OBE.

3. TEMPORARY CHANGES TO MEMBERSHIP

Any changes will be reported at the meeting.

4. ELECTION OF VICE CHAIRMAN

To elect a Vice Chairman of the Audit Committee for the remainder of the municipal year.

5. MINUTES (Pages 3 - 14)

To approve as a correct record the Minutes of the meeting held on 25 September, 2017, copy attached.

6. DECLARATION OF INTEREST

Members to declare any interests.

7. EXTERNAL AUDIT UPDATE

To receive a verbal update on the Housing Benefit Certification work.

Contact: Adrian Balmer (Ernst and Young LLP)

8. INTERNAL AUDIT PROGRESS REPORT (Pages 15 - 60)

To consider the attached report.

Contact Officer: Kate Mulhearn (01296) 585724

9. WORK PROGRAMME (Pages 61 - 62)

To consider the Committee's work programme, as detailed in the attached report.

Contact Officer: Kate Mulhearn (01296) 585724

10. RISK MANAGEMENT (Pages 63 - 70)

To consider the attached report.

Contact Officer: Kate Mulhearn (01296) 585724

11. 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. 12 – 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.

12. RISK MANAGEMENT REPORT (Pages 71 - 74)

To consider the attached confidential report.

Contact Officer: Kate Mulhearn (01296) 585724

AUDIT COMMITTEE

25 SEPTEMBER 2017

PRESENT: Councillors C Adams, C Branston, A Harrison, P Irwin, R Newcombe, C Poll (in place of K Hewson), R Stuchbury, D Town, A Waite (in place of B Chapple OBE) and H Mordue (ex-Officio).

APOLOGIES: Councillors B Chapple OBE and Hewson.

1. ELECTION OF CHAIRMAN

RESOLVED –

That Councillor Branston be elected Chairman for this meeting only.

2. MINUTES

Minute 3 (Internal Audit Progress Report) – at (iii) – Members asked for the last sentence before the recommendation to be updated as follows to clarify their concerns:

“Members commented that in these circumstances it should be for the line manager to approve requests, rather than delegating approval authority to another person who was at the same level”.

An undertaking was given by the Director with responsibility for finance to review this matter.

RESOLVED –

That, subject to the above clarification, the minutes of the meeting held on 24 July 2017 be approved as a correct record.

3. EXTERNAL AUDIT - AUDIT RESULTS (ISA 260) AND LETTER OF REPRESENTATION

The Committee had received a report on the current position with the draft Statement of Accounts for 2016-17 to the July meeting, prior to the accounts being submitted to the external auditors.

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

The Committee received a report summarising the auditors findings from the 2016-17 audit which had been substantially completed. Subject to the satisfactory completion of the outstanding matters listed in the auditors’ report, it was expected to issue an unqualified audit opinion on the financial statements before the 30 September 2017 deadline. The auditors had not identified any matters on the arrangements to secure economy, efficiency and effectiveness in the use of resources that needed to be reported to the Committee. The report highlighted the following key findings:-

- (i) Financial Statements – it was expected to issue an unqualified opinion, subject to the satisfactory clearance of any outstanding work. The audit results demonstrated that the Council had adequately prepared the financial statements.

One difference had been identified in the draft financial statements which management had chosen not to adjust. The auditors requested that it be corrected or a rationale be given as to why it had not been corrected and included in the Letter of Representation. The aggravated impact of the unadjusted audit differences was £650,000, although it had been assessed that the impact was not material.

- (ii) Value for Money – it was expected to conclude that the Council had put in place appropriate arrangements to secure economy, efficiency and effectiveness in the use of resources.
- (iii) Whole of Government accounts – it was expected to issue an unqualified confirmation to the National Audit Office regarding the Whole of Government accounts submission. It had been found that AVDC was under the threshold for detailed testing.
- (iv) Control Observations – no significant deficiencies had been identified in the design or operation of an internal control that might result in a material misstatement in the financial statements. A fully substantive approach had been taken to make these observations, which had not involved detailed testing on the operation of controls.

Members were informed that an issue had been identified where the advertisement in respect of the public inspection period had covered 30 working days but had not fully included the mandatory period of 3-14 as per National Audit Office guidelines.

The areas that had been focussed on during the audit work included:-

- Revenue and Expenditure Recognition – testing had not identified any material misstatements, issues or unusual transactions that might indicate any misreporting of the Authority's financial position.
- Management Override – audit work had not identified any material weaknesses in controls or evidence of material management override. No other transactions had been identified which might appear to be unusual or outside the Authority's normal course of business.
- Reliance on Experts (Pensions Valuation and Property Valuation) – the auditors had relied on the advice of experts in these two major areas in their Audit Plan. No issues had been identified in either area that needed to be reported to the Audit Committee.

Audit Differences – as part of their work the auditors identified misstatements between amounts that they believed should be recorded in the financial statements and disclosures and amounts actually recorded. These differences were classified as 'known' or 'judgemental' and generally involved estimation and related to facts or circumstances there were uncertain or open to interpretation. All known amounts greater than £1.433m relating to AVDC had been included in the summary of misstatement table, which included:-

- the revised revaluation figures had been incorrectly input into the Fixed Asset Register. The values should have been input split in line with their asset category, i.e. land or building. Instead they had been input as either land or building. All revaluations, total value of approximately £37.5m, had been removed and corrected re-input.

- a number of assets which should have been revalued were identified. These had subsequently revalued after the balance sheet date and revalued at an increased value. The total value of assets revalued had been £9.729 m. The asset classification of these assets had also changed from Surplus Assets to Other Land and Buildings.
- an overstatement of car parking assets post valuation because of an incorrect entry on revaluations. The value of the error (£650,000) had involved the land element of a number of car parks being overstated post revaluation. In line with statutory requirements, the Council's management and the Audit Committee had been asked to specify the reason(s) for non-adjustment in the Letter of Representation.

The audit findings also included a number of appendices which Members considered as part of their deliberations:-

- Appendix B – Required communications with the Audit Committee.
- Appendix C – Outstanding matters.
- Appendix D – Accounting and regulatory update.
- Appendix E – Management representation letter.

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

- (a) that the unadjusted audit difference of £650,000 mentioned in the Executive Summary (agenda page 19) was the same matter as the Audit Differences (overstatement of car parking assets post revaluation) that was explained at agenda page 33.
- (b) it was explained that there were two measures of the Council's pension liabilities. One was an actuarial valuation that took a long term view and was used to calculate the Council's contributions to the pension fund. This measure showed that the Council's position had improved in the last year. The second measure was a current valuation (£105.9m as at 31 March 2017), and based on international accounting standards, which showed that the Council's pension deficit administered by Bucks County Council had increased from £82.9m, as at 31 March 2016. However, this second measure was influenced by market factors and could vary in value from day-to-day.
- (c) that following the re-structuring in the Finance team, Officers were confident that the accuracy of PPE / asset valuations and in reclassifying existing financial instruments assets would be improved in the future. A thorough review of assets and the treatment of PPE would be done when the accounts closed for the current year.

RESOLVED –

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

4. EXTERNAL AUDIT ANNUAL AUDIT LETTER

The external auditors were required to issue an Annual Audit Letter (AAL) to AVDC following completion of their audit procedures for the year ending 31 March 2017.

The Committee received, for information, the external auditors' AAL which provided an overall summary of the external auditors' assessment of the Council. The letter drew on the findings of audit work carried out on the Council's financial statements for 2016/17. These key findings on the Financial Statements audit, the Value for Money conclusion, Whole of Government Accounts, Annual Governance Statement, and control themes and observations had already been reported to the Audit Committee, so were very briefly summarised in the AAL.

The external auditors were anticipating issuing the Annual Certification Report of grant claims and returns for 2016/17 in January 2018. Members attention was also drawn to the following issues that the auditors had concluded were of sufficient importance to merit being reported:-

- 5 Year Valuation Policy: a 5 year valuation plan should be prepared and reviewed to ensure that all assets were scheduled to be revalued within a 5 year cycle. The auditors had noted this year that a number of assets that had been outside this cycle had needed to be reviewed on an ad hoc basis during the summer.
- Valuation Postings: valuation adjustments should be checked by an appropriately qualified member of staff to ensure that postings had been completed and could be agreed back to the valuer's report. This would be particularly important as the Council moved towards the Faster Close Arrangements for the 2017/18 audit.
- Economic Lives: an issue had been raised in relation to how useful lives were being used to calculate depreciation. Depreciation had been incorrectly treated regarding updating asset lives which had resulted in extra work having to be done to re-assess them.

The auditor's report also included summary information on new accounting standards and interpretations that had been issued since the date of the last report, and which had the potential to have the most significant impact.

RESOLVED –

That the contents of the External Auditor's Annual Audit Letter for 2016/17 be noted.

5. INTERNAL AUDIT PROGRESS REPORT

The Committee received a progress report on assurance work activity undertaken against the 2017/18 Assurance Plan that had been approved by the Audit Committee in July 2017. The following matters were highlighted:-

Final Reports issued since the previous Committee Meeting

The Commercial AVDC – Financial Commitments tracking had been completed. This had been a non assurance review to support the Council in ensuring that financial commitments made as part of the Commercial AVDC transformation programme can be readily tracked and reported. The review had found that the Council had a clear and coherent process for tracking delivery of Commercial AVDC commitments. However, the review had highlighted several changes which the Council should make so that the process worked better. As the Council was switching to implementation of Commercial AVDC, with a new Programme Management Office (PMO) Lead recently in place, and ahead of the budget cycle for the 2018/19 financial year, it was an ideal time to implement these recommendations.

The recommendations raised had been agreed with management and would be implemented as part of the ongoing programme management and budget setting processes.

2017/18 Internal Audit Plan work in progress

The terms of reference for the Planning and Planning Enforcement review had been agreed and the review was progressing. The Committee was informed that Members had been involved in putting together the review's terms of reference.

Overdue Recommendations and Follow Up Work

The Committee routinely monitored the implementation of actions and recommendations raised by internal audit reviews to ensure that the control weaknesses identified had been satisfactorily addressed.

No internal audit follow up work had been completed since the last Audit Committee.

2017/18 Internal Audit Resource

The Committee was informed that the tender for the internal audit contract had been evaluated and awarded to BDO UK for the next 3.5 years. Working arrangements for the contract were currently being finalised.

Internal Audit Plan and progress tracker

Progress and changes against the approved 2017/18 Annual Internal Audit Plan were detailed at Appendix 2 to the Committee report.

RESOLVED –

That the progress report be noted.

6. REVIEWS OF COMPANY GOVERNANCE - AYLESBURY VALE BROADBAND UPDATE ON IMPLEMENTATION OF RECOMMENDATIONS

In March 2017 an internal audit review had been undertaken to assess the adequacy of the Council's governance arrangements relating to Aylesbury Vale Broadband Ltd (AVB). AVDC had a 95% shareholding in AVB; a company set up to deliver super-fast broadband to rural areas of Aylesbury Vale. Using the "Guide to creation and working with companies" as a reference, the review evaluated the adequacy and effectiveness of key governance arrangements, including:

- Start up.
- Roles of Members and staff.
- Role of Scrutiny Committee.
- Appointment of Directors.
- Adequacy of effectiveness of reporting and performance monitoring including:
 - Quarterly financials and performance compared to business plan.
 - Annual report and business plan.
- Loans.

The findings highlighted in the March 2017 report had required urgent attention to strengthen the governance arrangements over the Council's investment in AVB. The findings had also been communicated to the Directors of AVB in a letter dated 11 May

2017, along with a proposed set of actions for the consideration of AVB Directors that would support the achievement of the recommendations.

It had been agreed that a further review be undertaken in six months time to assess the implementation of recommendations and the progress made was set out for each of the agreed recommendations identified in the Internal Audit Report that formed part of the agenda for the meeting.

Members requested additional information and were informed:-

- (i) that the recommendation follow-up review had identified that there were still some weaknesses in AVB's governance arrangements, as set out in the report.
- (ii) that, as explained to Members at the full Council meeting on 13 September, there had been a delay in AVB reporting on its Business Plan to scrutiny and Cabinet. Members had also been informed that the Council had received expressions of interest in purchasing AVB and these were currently being assessed.

RESOLVED –

That the update report and progress made by Aylesbury Vale Broadband in implementing the agreed recommendations be noted.

7. POST AUDIT STATEMENT OF ACCOUNTS

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

Following on from the report on the draft accounts to the July meeting, Members received a report updating them on the audit process and the changes made to the accounts in accordance with the external auditor's recommendations. The auditors' comments and findings from their work on the 2016/17 accounts had already been reported to Members earlier in the meeting.

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

A number of adjustments had been made to the core statements presented in the draft accounts and these had been amended in the Statement of Accounts submitted to the meeting. These adjustments were reported as follows:-

- Housing Benefit and associated grant – the closing position on the level of short term debtors in the draft accounts had been overstated, requiring correction to properly reflect the true position.
- LEAP funding – the level of balances carried forward into 2016/17 had been overstated, requiring correction to accurately reflect the true position.
- Council Assets – the value of a number of assets had been reported incorrectly, requiring subsequent revaluation and restatement in the final accounts.

- Expenditure and Funding Analysis Statement – this had been moved from the Core Financial Statements to the notes section (page 23), based on the auditor's recommendation.
- Narrative Statement (page 3) – casting errors in the General Fund Revenue 2016/17 Budget in the draft 2016/17 accounts had been corrected.
- Comprehensive Income and Expenditure statement (page 7) – cross-referencing of note numbers had been adjusted to correctly align with the final document.
- Note 1.14 (page 17) – had been amended to remove reference to SeRCOP.
- Note 1.16.2 (page 18) – had been redrafted to add a bullet-point confirming the valuation method for Heritage Assets.
- Notes in 1.16.2 and 13.1 (pages 18 and 32) – had been redrafted to confirm consistency of the asset measurement basis applied.
- Note 2 (page 20) – had been redrafted to remove reference to changes in accounting standards that had already been disclosed in the 2015/16 accounts.
- Notes 11 and 12 (page 32) – cross-referencing of note numbers had been adjusted to correctly align with the 2016/17 final accounts.
- Note 32 (page 48) – grant figures had been misstated, requiring correction in the 2016/17 final accounts document.
- Note 35.2 (page 50) – the number of officers reported in each pay banding for 2016/17 has been adjusted to reflect the correct position.
- Note 38 (page 53) – the second table had removed reference to 'increase' in the total rows, as both years reflected a decrease.
- Note 39.7 (page 57) – the difference between the expected and actual return on assets had been adjusted to 14.24% for 2016/17 to reflect the accurate position.
- Note C3 (page 64) – in the final paragraph, the value of total non-domestic rateable value at 31/03/2017 had been marginally understated in the draft accounts. This had been corrected, with additional alignment of dates in the final note.

Members were also informed that there had been two changes to the accounts to correct typographical errors:-

- Note 40.1 (page 59) – the amount on the top line had been corrected from £4,824,000 to £4,841,000.
- Note C4 to the supplementary financial statements (page 65) – the first dot point at the top of the page had been corrected to 'Aylesbury Vale District Council and Group Movement in Reserves Statement'.

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

The Committee was also informed that Inconsistencies had been identified in the valuation and presentation of AVDC's car parks as part of the Property, Plant and Equipment (PPE) asset register review of the draft 2016/17 accounts. In consultation with AVDC, the external auditor had agreed that this did not need to be adjusted in the 2016/17 accounts as it does not represent a material issue. However, it was agreed that the 2017/18 accounts would be adjusted for this issue, based on consistent valuation of land and buildings of the Council's car parks.

Members sought additional information and were informed:-

- (i) that the Council's management had decided not to adjust one audit difference (misstatement) identified by the external auditors which related to the overstatement of car park assets post revaluation. It had been agreed with the external auditors that the impact of doing this was not material. As such, an adjustment would not be made to the accounts in 2016/17.

- (ii) Note 40.1 (page 59) – an explanation was provided on the monies owed to the Council and group and that it covered a full range of issues. It was acknowledged that this amount had increased slightly since last year. Some of this debt related to housing benefit overpayments which were always difficult to recover. Members were informed that the Council had a current project looking at how this position could be improved.
- (iii) that information on debt provision for short term debtors was included at Note 20 to the core financial statements (page 42).
- (iv) Top 5 Under Budget / Top 5 Over Budget (page 3) – a discussion was held on the causal links between Housing Benefits underspend and Housing Benefits Administration being overspent. The overspend related to high employee costs following redundancies, agency staff and salesforce costs. Now that the Council's staff structure were settling it was not anticipated that these same costs would be incurred next year.
- (v) Portfolio spending forecasts (page 4) – it was explained that the main reason for forecasting inaccuracies for the last year was due to no provision having been made for redundancy costs. An assurance was given to Members that portfolio spending forecasts would improve for the next year.
- (vi) Note 6 – Brief note explaining significance of any pension liability or asset (page 4) – an explanation on the two measures of the Council's pension liabilities had been discussed earlier in the meeting, including that the two valuations were carried out on different bases and were likely to differ.

Having considered the final Statement of Accounts for 2016/17, it was –

RESOLVED –

- (1) That the final outturn position of the Council's Statement of Accounts 2016/17 be noted.
- (2) That approval be given to the Chairman of the Audit Committee to sign off the Statement of Accounts for 2016/17 on the Committee's behalf.
- (3) That approval be given to the Director with responsibility for Finance, in consultation with the Chairman or Vice Chairman, to make such changes as considered necessary to achieve sign off by the statutory 30 September deadline.

8. WORK PROGRAMME

The Committee considered the future Work Programme 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 were informed that the newly approved Corporate Health and Safety policy/strategy would be given time to embed before being considered as part of future annual Internal Audit Plan of work.

RESOLVED –

That the future Work Programme as submitted to the meeting be approved.

9. RISK MANAGEMENT

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 Commercial Board. Some of the risks were not dissimilar to those faced across other local authorities.

The risk register had been reviewed by Cabinet on 28 June 2017 and then updated by Commercial Board on 11 September 2017. Since the previous Audit Committee meeting in June 2017 the following risks had changed, as detailed in the table below

Risk Reference	Change	Comment
5) Depot & workshop development project fails to address H&S and Environmental concerns and achieve commercial objectives.	High Risk – removed	The depot redevelopment plan is now in place and the Corporate H&S Manager is working alongside the depot. The risk has been incorporated into 6) Major Projects and 8) Health and Safety
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	Extreme → High	There has been no further indication on likely timing of decision.
7) Fail to Deliver the new Vale of Aylesbury Local Plan	High → Moderate	Plan is drafted and due for Scrutiny in September.
9) Fail to plan for a major or large scale incident. Risk to safety of public & staff. Business interruption affecting the Council's resources and its ability to deliver critical services.	Moderate → High	Business Continuity plans need to be revised following restructure. Emergency plan is now part of Community Safety, work is ongoing to reengage with local partners and ensure robust plans are in place and fully resourced. Risk will reduce when internal procedures have been embedded.
11) Safeguarding arrangements, internal policies and processes are not adequate to address concerns about /protect vulnerable adults & children.	Low → Moderate	Risk increased to reflect findings from May2017 internal audit report. Work is ongoing to fully address actions, the risk will then reduce.
20) Failure to identify and respond to current and potential changes in	High → Moderate	Assistant Directors are now in post for each sector and vacant manager positions

legislative/regulatory environment.		being filled. As new structures embed, this becomes part of business as usual.
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Members were informed that management was continuing to consider the Brexit related risks with there still too much uncertainty about the specific implications on the strategic objectives and day-to-day operations of the council to put anything meaningful into the Risk Register.

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 21 risks on the CRR (3 low risk, 4 moderate risk, 12 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.

Members requested further information and were informed:-

- (i) Risk 9 – that a Community Safety Manager had been appointed in April 2017, who had responsibility for emergency planning and community resilience. The Council’s Emergency Plan and business continuity arrangements across all areas were currently being updated.

Members commented that Parish Councils had been contacted about creating their own emergency plans but any impetus had lost momentum due to a lack of support from principal Councils. An undertaking was given to clarify what role the County and District Council had in supporting the Parishes to draw up these plans.

- (ii) Risk 9 – that a report on the Council’s response to the Grenfell Tower disaster in regard to fire safety management of buildings managed or owned, as well as the actions being taken to mitigate the risk of any similar disaster occurring in the Vale, had recently been reported to the Environment and Living Scrutiny Committee.
- (iii) Risk 11 – an undertaking was given to provide information on whether London overspill and people resultantly moving into the area was leading to any additional safeguarding issues.
- (iv) Risk 17 – that the Council had successfully recruited to a number of vacant senior posts over the last few months, including appointing a new senior accountant. However, it was still difficult to recruit planners due to a national shortage. The Council had recently appointed 3 graduate planners.

Members were informed that the Council still had 20-30 vacant posts to fill in the new structure. Some agency staff were being employed in these posts and their number would reduce as more staff were appointed.

As mentioned at the Audit Committee on 12 June 2017, Members again commented that the CRR should include mention of major external factors/risks – e.g. HS2, East West rail, Oxford-MK-Cambridge expressway, future of RAF Halton – and consider possible future impacts on the Council. Members were informed that this matter had been considered by Directors after the June audit meeting and it had been decided that these were external factors and largely beyond the control of the Council to mitigate. AVDCs role in these major infrastructure projects was as part of the strategic planning process. Risks associated with the VALP and HS2 had been captured and reviewed at CRR numbers 7 and 16 respectively, as part of the risk management process.

RESOLVED –

- (1) That the current position of the Corporate Risk Register be noted.
- (2) That Commercial Board and Cabinet be recommended to split Corporate Risk number 2 (Commercialisation and Income Generation) into two separate risks – one in relation to the Commercial Property Investment Strategy and another relating to other commercial activities.

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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INTERNAL AUDIT PROGRESS REPORT – NOVEMBER 2017

1 Purpose

- 1.1 To receive the Internal Audit Progress Report of activity undertaken since March 2017.

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 2017/18 Internal Audit Plan and includes information on:
- Summary of internal audit reviews completed and in progress
 - Overdue recommendations and follow up work
 - Internal audit resource
- 3.2 The Committee requested that all internal audit reports are presented in full. These are included in Appendix 4.

4. Reasons for Recommendations

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

5. Resource Implications

- 5.1 There are no resource implications to report.

Contact Officer: Kate Mulhearn, Corporate Governance Manager 01296 585724

Background papers: none



Internal Audit Progress Report

November 2017





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1. Activity and progress

The 2017/18 internal audit plan was approved by the Audit Committee in July 2017. A summary of the plan is included in Appendix 2. We monitor progress against the plan during the year and advise the Audit Committee of any changes.

Final reports issued since the previous Committee meeting

Name of review	Conclusion*	Date of final report	No of recommendations made*			
			 Critical	 High	 Medium	 Low
Planning & Planning Enforcement	Medium	10 November	-	-	2	3
<i>2016/17 Internal Audit Plan:</i>						
Commercial Property Service Charges	Medium	14 November	-	1	1	2

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

The full reports are attached in Appendix 4 and summarised below:

Planning & Planning Enforcement

This review assessed the design of controls and their effectiveness with regards to planning applications and planning enforcement including adherence to national and local guidance. Based on the testing performed, we found the processes and controls to be operating effectively and have set out some areas of good practice below. Action is required in some areas to further improve the overall planning and enforcement processes.

The report is classified as Medium Risk with key findings summarised as follows:

- There is no local formal monitoring of comments, compliments and complaints and a process needs to be created (Medium)
- Proactive planning enforcement is not taking place (Medium)
- A formal Member/Officer engagement session needs to be developed including input to the creation of the new planning system (Low)
- Improvements to the oversight of the effectiveness of the Planning Liaison Officer role are needed (Low)
- Pre application advice costs are benchmarked as reasonable but are not fully substantiated (Low)

A number of areas of good practice were noted, including:

- The Quarterly Performance Report issued to the Development Management Committee confirms the 13 week deadline for major applications was met in every month except one for the 12 months to June 2017. Performance for both Minor and Other applications was compliant with Government deadlines to make decisions for the period April to June 2017 and the average for the year also being compliant. We tested the information which feeds into these reports and are content the data reported is sound.
- Through a benchmarking exercise of over 20 Councils we found that the presentation of a formal Quarterly Performance Report to Members via a Planning Committee (or equivalent) is rare. Agenda items are almost without exception only focussed on applications and no other business. The Quarterly Performance Report the Council uses is therefore, good practice and demonstrates openness and transparency with Members and the public.
- The three applications tested were all approved in line with the Council's delegated powers. Through a further sample of 15 cases we confirmed that the Council was compliant with advertising applications, involving statutory consultees and documenting the weighting placed on certain criteria. All of the key processes are held in a process document which was considered reasonable to support legislative compliance.

The Development Management Team has undergone structural change in the last 12 months. AVDC, like other councils across the county, is facing challenges around recruiting planning officers. There are a large number of consultants supporting delivery and current vacancies are for 1 Principal and 4.5 Senior officers.

New planning software is currently being developed with a move from Uniform to a Salesforce platform. This is intended to go live in 2018 and will change how staff, Members and the public interact with the planning process.

Commercial Property Service Charges

Commercial service charges form part of property lease agreements as a means to recover from tenants the cost of maintaining and repairing the building and providing certain services. Our report highlights the need for a full review of service charges and commercial property accounting structures to be undertaken by management.

The report is classified as Medium Risk and key findings are summarised as follows:

- It was found that some service charges are not levied where they should be and examples of costs being applied to service charges incorrectly were identified (High)
- Account codes on the ledger for each property are not sufficiently established to understand service charge costs (Medium)

- There is a lack of robust monitoring of arrangements for tenants at Council sites over certain lease rights such as car park spaces (Low)
- Some minor instances were identified where service charge costs applied were stated as “not applicable” (excluded) cost in contracts with tenants and therefore the Council has applied costs which are in breach of contracts held (Low)

A project has recently begun to create a property asset management database to integrate with the general ledger and a review of commercial property charges will be completed by end of January 2018. Once completed, this should address many of the issues highlighted in the report.

2017/18 internal audit plan work in progress

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

<i>Name of review</i>	<i>Update on progress</i>
Building Control	Audit scope being developed
Licensing	Audit scope being developed

2. Implementation of agreed audit actions

We monitor the implementation of actions and recommendations raised by internal audit reviews to ensure that the control weaknesses identified have been satisfactorily addressed. Actions arising from low risk audit findings are followed up by management and reviewed, but not validated by internal audit.

The overall progress and detail of those actions which are considered due is set out in Appendix 3. At the end of November 2017, there were 37 recommendations due of which 23 are still outstanding and have been given a revised date of implementation. New appointments to key positions and post organisational restructure changes have been the main drivers leading to delays in implementation of actions.

3. 2017/18 internal audit resource

Since the last Audit Committee meeting a contract has been awarded to BDO LLP to provide co-sourced internal audit services for the period 1 October 2017 to 31 March 2021, with an option to extend for a further two years.

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

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

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

Appendix 2: Internal audit plan and progress tracker




The 2017/18 Annual Internal Audit Plan was approved by members of the Audit Committee in July 2017. Progress and changes are reported below.

Review	Description	Status/Comment	Overall Risk Rating
General Ledger	Assurance over control design and operating effectiveness of key financial processes.		
Debtors			
Creditors			
Payroll			
ITGC for TechOne	Review T1 application controls to ensure the data is complete, accurate and valid.		
Budget Management			
Governance & Risk Management	Review of compliance with CIPFA framework.		
Housing Benefits			
Council Tax & Business Rates			
Planning & Planning Enforcement	Processes for applications/appeals, data validation and enforcement.	Complete	Medium
Building Control	Include fire safety checks.		
Licensing	Focus on taxi licensing and safeguarding controls.		
Commercial AVDC Programme Assurance	Focus on structures and processes to monitor and report savings & income commitments.	Complete	Advisory
Aylesbury Vale Estates	Assess governance arrangements for the Council's wholly or partly owned companies.		
Vale Commerce			
Aylesbury Vale Broadband (follow up)		Complete	Advisory
Follow up audit actions	Validation that agreed internal audit actions have been implemented.	Ongoing	
Disabled Facilities Grant	Grant compliance requirements	Complete	N/A

Appendix 3: Overdue audit actions and follow up work

We monitor the implementation of actions and recommendations raised in internal audit reviews for all critical, high and medium actions to ensure that the control weaknesses identified have been satisfactorily addressed. We report the overall progress and detail of those which are considered due. Actions arising from low risk audit findings are followed up by management and reviewed, but not validated by internal audit.

At the end of November 2017, there were 37 recommendations due of which 23 are still outstanding and have been given a revised date of implementation. New appointments to key positions and post organisational restructure changes have been the main drivers leading to delays in implementation of actions.

Name of review	Agreed actions due	Outstanding			Completed actions
		 High	 Medium	 Low	
Housing Benefits	6	2	2	-	2
Budget Management	4	-	1	3	-
Council Tax and Business Rates	3	-	1	1	1
Fixed Assets	6	-	1	3	2
General Ledger	6	-	2	2	2
Accounts Payable	3	-	-	2	1
Payroll	4	-	-	1	3
Safeguarding	1	-	-	1	-
Treasury Management	4	-	-	1	3
Total	37	2	7	14	14

Overdue recommendations

<i>Name of review</i>	<i>Action</i>	<i>Finding risk rating</i>	<i>Update</i>	<i>Revised Date</i>
Housing Benefits	<ul style="list-style-type: none"> • The structure of the Customer Relationship Team and the impact this has on supervision, training and team resilience needs to be reviewed as part of the restructure process, and regularly thereafter – also see Finding 3. • A periodic review of training needs should be performed with an action plan set out to implement the training required on a one-off and on-going basis, this includes: <ul style="list-style-type: none"> o A clear programme of training for new starters o One-off training courses delivered internally or procured from external parties o Approach to regular periodic review of team training needs, drawing on results of quality assessments. 	High	Good progress has been made. Training was undertaken in April 2017 over a number of days and further training is being organised. Some training around Customer Relationships has already taken place however; there have been delays in recruitment to this area which has led to delays in organising training. The view, which is considered prudent, is that it makes sense to train everyone together once the full complement of staff is in place (post recruitment) to avoid undertaking two large training exercises. Also considering the use of an external consultant for training which will help with the organisation and speed of delivery once staff are in place.	28 February 2018
Housing Benefits	<ul style="list-style-type: none"> • Monthly KPI reports should be produced and reviewed by management • A quarterly a meeting should take place involving the Group Manager, Assistant Director for Customer Fulfilment and with escalation to the Director of Finance as needed • The purpose of this group should be agreed and outcomes of the meeting should be minuted. 	High	<p>This is not yet in place however, discussions around this have begun. The Benefits Team have focussed on ensuring the basics around quality checking are embedded. Now this has been developed, they will be aiming to set up a quarterly meeting covering the areas set out in this recommendation.</p> <p>A new Group Manager was appointed in September 2017 and once they have bedded into the role this will be given greater consideration.</p>	1 February 2018
Housing Benefits	<ul style="list-style-type: none"> • Continue the recently established weekly process of the Duty Officer to follow-up benefit case reminders until such time a new approach is devised 	Medium	Information at Work software was due to be implemented in November 2017 however this has been delayed until January 2018. It has taken greater	1 February 2018

Name of review	Action	Finding risk rating	Update	Revised Date
	<ul style="list-style-type: none"> • To promptly implement the Information at Work software onto Northgate. If delays continue beyond the revised implementation date, the risks need to be assessed and alternative solutions considered. • Monthly review of misallocated Salesforce emails should take place to identify any unallocated emails. 		time to set up users as requirements are for data training and checks to be undertaken before access is given.	
Housing Benefits	<ul style="list-style-type: none"> • Understand the current position on overpayments and whether sufficient resource is in place to reconcile the two systems data and then take appropriate action to improve the control environment. These issues are being addressed through the Corporate Debt Project but need to be overseen and actioned by the Housing Benefit Team. • As part of Quality Checks undertaken, the Council should review whether Case Officers are flagging overpayment cases effectively and taking appropriate action. 	Medium	<p>The Council recognise that this is a significant project. At a meeting on 4 July 2017 to discuss this area it was clear that additional work was needed; the meeting discussed:</p> <ul style="list-style-type: none"> • Filling additional posts to clear debts currently held on Tech1 • Discussing how Tech1 can be better used to manage overpayment debt • Discussing how the debtors module on Northgate could be implemented. <p>The Accounts Receivable Report dated 2017 supersedes this finding. Progress on the “debt project” is ongoing with oversight from Finance Steering Group.</p>	31 March 2018
Budget Management	<ul style="list-style-type: none"> • In the Quarterly Digest, each portfolio area should be expanded to include an overall summary of the financial position in that area. • As part of the ongoing Business Intelligence project, plans should be developed to move towards integrated reporting, for example: <ul style="list-style-type: none"> o The extension of non-financial information to 	Medium	Providing timely and accurate financial information to Members and Officers is an important part of ensuring an adequate financial management environment. This recommendation recognises that the information produced needs to be more timely and provide not financial information. Recognising the time conflict between providing corporate	31 May 2018

Name of review	Action	Finding risk rating	Update	Revised Date
	<p>support the Quarterly Digest</p> <ul style="list-style-type: none"> o The incorporation of corporate key performance indicators o The incorporation of corporate / portfolio risks. • Quarterly Digest must be issued within 6 weeks of the quarter ending and promptly be issued to Members for scrutiny. Ideally Members scrutiny occurs within 8 weeks of the quarter ending. 		<p>accounting/reporting and preparing management information in appropriate timeframes has prompted a further review of the Strategic Finance structure, resulting in the creation of the additional post of Corporate Accountant. This role is responsible for preparing the Quarterly Digest, drawing on inputs from the Finance Business Partners, enabling the Quarterly Digest to be compiled more promptly after the end of each quarter.</p> <p>As a separate process, a high level corporate dashboard has been produced as an output from the Business Intelligence project. Meetings have been held with all ADs and Directors to discuss and agree reporting requirements. The Sector level Dashboard is being piloted in Customer Fulfilment, which is planned to be in place by the end of September.</p> <p>Separate work is being undertaken with HR, Connected Knowledge and Strategy and Partnership team. Corporate risks uploaded to BI system and corporate risk reports produced.</p> <p>Once the various elements of Corporate reporting have been developed, further action will be required to integrate the various outputs.</p>	
Council Tax and Business Rates	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.	Medium	<p>Application forms for all our discounts and exceptions have been put on our website, customers are directed to use these and the appropriate evidence is requested.</p> <p>A timetable for review of the various discounts and</p>	28 February 2018

Name of review	Action	Finding risk rating	Update	Revised Date
	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.		exemptions, the Single Persons Discount is flagged up by the NFI data, last week the data was dropped into the NFI platform so Council expect the match to take place very soon.	
Fixed Assets	<p>When the fixed asset register is updated annually in April the following steps should be taken:</p> <ul style="list-style-type: none"> • Sample checks should be conducted to verify the correct calculation of depreciation in line with the Council's Accounting Policy • A review of the draft fixed asset register should be performed by the Finance Manager to identify any anomalies such as those identified as part of this review and these should then be investigated and corrected • The above tasks should be recorded on a template to identify that one member of the Finance Team conducted the sample checks and another member of the Finance Team (i.e. the Finance Manager) reviewed these checks. The template should be signed and dated by the two separate members of the Finance Team. 	Medium	<p>The steps outlined were not followed in terms of documenting the checks undertaken on a template.</p> <p>This will be discussed with the newly appointed Strategic Finance Manager with appropriate action taken for the 31 March 2018 Balance Sheet.</p>	31 March 2018
General Ledger	<p>The Finance Team need to:</p> <ul style="list-style-type: none"> • Revisit each individual area process notes and decide whether a reconciliation is required • Issue a standard reconciliation document to each area where a reconciliation is required – see appendix 3 as an example 	Medium	Work on delivering this regular and full reconciliation of all Council sub-systems to the Council finance system is in process, but further work is required to complete this. A number of factors are relevant to current progress:	31 March 2018

Name of review	Action	Finding risk rating	Update	Revised Date
	<ul style="list-style-type: none"> • Establish a central shared electronic document which records the expected frequency for each reconciliation and a record of when all reconciliations took place. This central record should also note the balance of any unreconciled items along with an explanation • Reissue the revised system notes to areas and ensure these are agreed with the key lead from the area; a central log should be held for when the area should be revisited to review the process notes, at least annually. 		<p>Much progress has been made. A specialist consultant has undertaken process mapping to agree key reconciliations, Further work is required to finalise the documentation and embed processes.</p> <p>Oversight by Financial Steering Group.</p>	
General Ledger	<p>As part of implementing the actions agreed in Finding 1, all systems including Uniform and Waste should be included to ensure appropriate reconciliation is performed. Thereafter escalation should take place as needed.</p> <p>iWorld reconciliations</p> <p>a) Reconciliations must occur on a monthly basis</p> <p>b) Reconciliations not occurring on a monthly basis and significant unreconciled balances must be escalated to the Strategic Finance Manager.</p>	Medium	As per above.	31 March 2018

Appendix 4: Internal audit reports

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

1. Planning & Planning Enforcement
2. Commercial Property Service Charges



Internal Audit Report 2017/18

Planning and Planning Enforcement

November 2017



Contents

1. Executive summary	2	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.
2. Background and Scope	5	
3. Detailed findings and action plan	6	
Appendix 1. Finding ratings and basis of classification	13	
Appendix 2. Terms of Reference	15	

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Distribution List

For action	Henry Allmand, Group Manager - Planning
	Lindsey Vallis, Group Manager – Regulatory Services
For information	Jeff Membery, Assistant Director, Customer Fulfilment
	Tracey Aldworth, Director
	Audit Committee

1. Executive summary

Report classification*	Total number of findings				
	Critical	High	Medium	Low	
Medium risk (9 points)	Control design	-	-	1	3
	Operating effectiveness	-	-	1	-
	Total	-	-	2	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 Medium Risk. We have issued two medium and three low risk findings.

The Development Management Team has undergone structural change in the last 12 months. This has resulted in a Group Manager who oversees 3 Team Managers, 2 Principals, 2 Senior Officers, 12 Junior Officers and 14 Consultants. Nationally, there are challenges around recruiting planning officers, current vacancies are 1 Principal and 4.5 Seniors.

New planning software is currently being developed with a move from Uniform to a Salesforce platform. This is intended to go live in 2018 and will change how staff, Members and the public interact with the planning process.

Based on the testing performed, we found the processes and controls to be operating effectively and have set out some areas of good practice below. Action is required in some areas to further improve the overall planning and enforcement processes.

We found that there are insufficient arrangements in place to analyse trends and lessons learned from complaints received. Furthermore, greater engagement with other stakeholders such as Members and Parish Councils should be supported, for example involving Members in demo sessions for the new

planning software and assessing the effectiveness of the new role of Planning Liaison Officer. We do recognise significant work has started with regards to engagement with stakeholders via workshops and invitations to new system specification meetings.

With regards to planning enforcement, whilst a methodology for this was created in November 2016, thus far no proactive enforcement has taken place and this needs to be addressed.

Summary of findings

- There is no local formal monitoring of comments, compliments and complaints and a process needs to be created (Finding 1 – Medium)
- Proactive planning enforcement is not taking place (Finding 2 – Medium)
- A formal Member/Officer engagement session needs to be developed including input to the creation of the new planning system (Finding 3 – Low)
- Improvements to the oversight of the effectiveness of the Planning Liaison Officer role are needed (Finding 4 – Low)
- Pre application advice costs are not fully substantiated and this needs to be created as part of the upcoming Project Brief already started (Finding 5 – Low).

Good practice noted

- The Quarterly Performance Report issued to the Development Management Committee confirms the 13 week deadline for major applications was met in every month except one for the 12 months to June 2017. Performance on Minor and Other applications was also positive with compliance on Government deadlines to make decisions for both being met for the period April to June 2017 and the average for the year also being compliant and therefore the direction of travel is positive. We tested the information which feeds into these reports and are content the data reported is sound
- Through a benchmarking exercise of over 20 Councils we found that the presentation of a formal Quarterly Performance Report to Members via a Planning Committee (or equivalent) is rare. Agenda items are almost without exception only focussed on applications and no other business – therefore, the Quarterly Performance Report the Council uses is good practice and demonstrates openness and transparency with Members and the public
- The three applications tested were all approved in line with the Council's delegated powers. Through a further sample of 15 cases we confirmed that the Council were compliant with advertising applications, involving statutory consultees and documenting the weighting placed on certain criteria. All of the key processes are also held in a process document which was considered reasonable to support legislative compliance.

Management comments

We welcome the audit report and the opportunity to look in detail at our services on the back of a significant restructure. We support the findings as they are in line with projects that are already under way to improve our service. For example, the built environment module in Salesforce (replacement of Uniform) is expected to provide significant improvement for Officers, Members and Consultees in their engagement with the Planning Service. We absolutely agree that the opportunity to engage with Members and Parishes around the creation of the new system is fundamental and steps are underway to set this up.

As the report recognises we have a large number of Consultants supporting our delivery currently and it is our intention to reduce this reliance over time and by the end of the year we intend to be down to single figures for Consultants in line with Corporate Policy.

While the Parish Liaison Officer role is in its infancy and we are still learning about how this role can best be utilised we believe this introduction is a positive step to improve communication and transparency for the Parishes.

We are reviewing our costs as a service and pre-application advice is within scope of this cost review but we should note that the costs we are currently charging is considered reasonable by the Internal Audit benchmarking exercise.

We accept that there are current high volumes of enforcement complaints which mean that our focus has been reactive rather than proactive. It would be beneficial to put in place steps to address this and an action plan will be developed to improve this.

2. Background and Scope

Background

Most new buildings or major changes to existing buildings or the local environment require planning permission. The Aylesbury Vale District Council (the Council) is responsible for deciding whether a development, anything from an extension on a house to a new shopping centre, should go ahead. Planning Policy is supported by legislation; this mainly takes the form of Acts of Parliament and Statutory Instruments. Planning authorities appoint planning officers to assist with assessing planning applications. Most minor and uncontroversial planning applications, around 90% received by most local planning authorities, will be decided through delegated decision-taking powers, which mean they are dealt with by local planning authority officers. Larger and more controversial developments are decided by the Development Management Committee, informed by officers' recommendations. The Council also has a Strategic Development Management Committee.

The purpose of this audit is to assess and review the design of controls and their effectiveness with regards to planning applications and planning enforcement including controls around adherence to national/local guidance, consistent application and whether the costs charged can be easily and clearly attributed to applications.

Scope

The scope covered the key risks set out in the Terms of Reference (see Appendix 2). Our testing included:

- Attendance at the 25 September 2017 Development Management Committee
- A sample of 5 complaints, 5 pre-planning applications, 3 planning applications including an additional sample of 15 cases to check compliance with delegated approval and consultation legislation
- Review of process documents in place including planning enforcement and the role of Parish Liaison Officers.

This does not represent a comprehensive list of tests conducted.

3. Detailed findings and action plan

1. There is no local formal monitoring of comments, compliments and complaints– Control Design

Finding		
<p>There is an established comments, compliments and complaints system at the Council. These are routed into a central system and then passed onto the Planning Team via a Liaison Officer who oversees many regulatory services – the key performance targets are to issue acknowledgment letters within 5 working days and provide formal responses to complainants within 15 working days from the acknowledgment letter. We picked a sample of 5 cases over the period April to September 2017 and found:</p> <ul style="list-style-type: none"> In 1 case the formal response was sent after 18 days. Through further investigation of formal responses it was found that there were many other cases where the formal response time was not met and therefore this is not considered a one-off In the same case, the complainant was not informed that the response date would be later than the original 15 working days set out in the acknowledgement letter and again this was not considered a one-off. <p>There is no formal management oversight on comments, compliments or complaints with regards to planning i.e. number of cases and trend analysis, lessons learned from feedback received or monitoring of performance indicators for issuing formal responses in time. It should be noted that due to the timing of the review that the samples tested were selected when the Council was undergoing significant change; from discussion and high level review of cases after this period, improvement has been made and is expected to continue.</p>		
Risks / Implications		
Without formal management oversight of comments, compliments and complaints, lessons learned may not be identified and acted upon		
Finding rating	Action Plan	
Medium	a) An internal report should be produced that as a minimum reviews the number of cases received (total/percentage) and	<i>Responsible person / title</i> Henry Allmand, Group Manager - Planning

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performance against letter responses on a quarterly basis.

Target date

- b) The internal process should also identify lessons learned from the types of feedback received and set actions to change processes – this should be documented.

31 January 2018

2. Proactive planning enforcement is not taking place – Operating Effectiveness

Finding

The Council created a Planning Enforcement plan in November 2016 and within this a section sets out the methodology and approach for how proactive planning enforcement will be undertaken. This includes steps such as: monitoring and compliance with section 106 agreements, where significant works to listed buildings are involved, monitoring discharge of conditions and where there has been a history of non-compliance.

Whilst the Planning Enforcement Plan is in use, so far no proactive enforcement has been undertaken. We concluded in discussion with Officers:

- Due to significant reorganisation that took place at the Council since the Planning Enforcement Plan was put into place, ambitions over proactive enforcement were not realised
- The Enforcement Team have been working through a backlog of cases. These have been substantially cleared and now discussion and action can be undertaken on how to make proactive enforcement a reality.

It was also identified that there is currently no monitoring of planning enforcement activity in terms of number of reactive/proactive cases, when the case was notified, investigated and closed. It is recognised enforcement cases can be complex but oversight over timeliness and lessons learned is required.

Risks / Implications

Without undertaking proactive enforcement the Council are not maximising the use of staff time, nor reducing the case load of future enforcement or identifying breaches in work subject to planning conditions

Finding rating

Action Plan

Medium	a) Proactive planning enforcement needs to be undertaken per the Planning Enforcement Plan. Formal reporting to the Group Manager/Assistant Director on a quarterly basis is needed to assess the effectiveness with action taken thereafter	<i>Responsible person / title</i>
		Lindsey Vallis, Group Manager – Regulatory Services
		<i>Target date</i>
	b) Oversight on statistics covering, as a minimum, the number of cases/timing and lessons learned on at least a six-month basis.	31 March 2018 – first quarterly report completed

3. Member/Officer engagement sessions– Control Design

Finding

Through a review of the planning system and discussion with Members we identified a number of Member frustrations either with the planning systems or processes:

- There can be difficulties using the 'map' system leading to difficulties identifying the actual site where the planning application applies
- Tree Preservation Orders cannot be easily identified on the 'map' system with associated details such as number and type
- The 'Track' system sends out notification of updates when nothing has been added.

Other non-system comments were identified as follows:

- Planning applications cannot be identified via a search on the system especially where there is not a post-code. We understand that a post-code cannot always be assigned to an account especially where it relates to an open area of land
- Planning application information is posted via Royal Mail which is often bulky and would be more conveniently received electronically if the option was available
- Members raised questions over the processes followed, such as, "*consultation dates, are responded to, however residual frustrations are not closed off*".

We recognise that Officers have already engaged with Members, for example, by holding a discussion with Cabinet to talk about the new system and provide a planning update, set up workshops about the new system, and will be inviting Parish Council representatives to be involved with the specification for the new system.

A formal Member/Officer engagement session needs to be developed including input to creation of new system. It should be noted that the Council will need to separate out, and reach the right balance, with limited resources, between, what is legislatively required and what are Member preferences.

Risks / Implications

Insufficient action on system frustrations and Member feedback lead to strained relationships and suboptimal use of everyone's time.
Reputational damage.

Finding rating	Action Plan	
Low	a) Members of the Council are invited to demo sessions of the new planning system. Attempts are made to implement feedback and findings are built into solutions for the new software	<i>Responsible person / title</i>
		Henry Allmand, Group Manager - Planning
	b) Twice yearly Member/Officer engagement sessions are held where concerns regarding process or systems are discussed openly with jointly agreed actions made.	<i>Target date</i>
		a) 31 March 2018 b) 31 May 2018 – to have arranged engagement sessions and for 1 to have been undertaken

4. Improvements to the oversight of the effectiveness of the Planning Liaison Officer role– Control Design

Finding

The Council invested in creating the role of Planning Liaison Officer (PLO) in August 2017. Their role is to deal with key concerns of a Parish Council and develop relationships with them in order to support the process through to decision on a planning application. This role is new and therefore a full assessment of the effectiveness cannot be judged, however early conclusions are:

- There needs to be clear expectations set with Parish Councils and Members of Aylesbury Vale District Council of the purpose of the PLO role. The PLOs are not planning experts and are there to administer queries through a central email inbox and ensure they are monitored and filtered to the right staff to provide a response
- There are no procedures set up yet to monitor the effectiveness of the PLO role in terms of: how many cases are dealt with on a weekly basis or feedback from Parish Councils and others on whether relationships have improved since the role was created.

It should be noted that the Council had created 3 PLO roles however through the recruitment process only one suitable applicant was recruited. However, since the new recruit started it is considered that 1 PLO may be sufficient and this is being monitored.

Risks / Implications

If the PLO role is ineffective it could have a negative impact on the relationship with Parish Councils leading to delays/incorrect decisions.

Finding rating

Action Plan

Low	a) The email traffic to the inbox needs to be monitored to assess the level of cases coming in. Ideally these would also be classified into type. Appropriate action based on the analysis should then be taken	<i>Responsible person / title</i> Henry Allmand, Group Manager - Planning
	b) Send all Parish Councils a survey to assess the effectiveness of the PLO with clear actions set based on the results.	<i>Target date</i> a) 31 January 2018 b) 31 March 2018

5. Pre application advice costs are not fully substantiated and need to be created – Control Design

Finding

The Council introduced new pre application charges from 1 April 2016 to cover the cost of providing this service. The fees and charges for these services are available on the Council website.

Supporting these figures are details of the hours per activity and hourly charge out rates. We tested a sample of 5 and found that the rates charged agreed to those set out on the Council website and to the internal calculations the Council has set. We compared the internal hourly costs applied by AVDC with 3 other councils and found those applied by AVDC fell within the lower and upper ranges and therefore could be considered reasonable.

However, there is currently no detail held by the Council that substantiates the hourly costs applied and this needs to be developed. Management recognise this and has created a Project Brief on pre application projects; this is at the early stages and the aim is to refine hourly charges and substantiate how the costs are built up.

Risks / Implications

The Council applies unacceptable costs to the hourly charges for pre applications leading to recovering profit and not only costs. Allowable costs may not be fully recovered.

Finding rating	Action Plan		
Low	a) Pre application costs need to be substantiated to set out how hourly costs have been calculated and specifically setting out the recovery of any administration costs <table border="1" data-bbox="1442 943 2188 1082"> <tr> <td data-bbox="1442 943 2188 1002"><i>Responsible person / title</i></td> </tr> <tr> <td data-bbox="1442 1002 2188 1082">Henry Allmand, Group Manager - Planning</td> </tr> </table>	<i>Responsible person / title</i>	Henry Allmand, Group Manager - Planning
	<i>Responsible person / title</i>		
Henry Allmand, Group Manager - Planning			
b) Pre application costs need to also cover the use of consultants (temporary staff) specifically identifying and applying their costs. <table border="1" data-bbox="1442 1082 2188 1212"> <tr> <td data-bbox="1442 1082 2188 1141"><i>Target date</i></td> </tr> <tr> <td data-bbox="1442 1141 2188 1212">31 March 2018</td> </tr> </table>	<i>Target date</i>	31 March 2018	
<i>Target date</i>			
31 March 2018			

Appendix 1. Finding ratings and basis of classification

Report classifications

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

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

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

Individual finding ratings

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

Appendix 2. Terms of Reference

The key risks agreed in the Terms of Reference are set out below. Each finding in the report is linked to a key risk from the Terms of Reference.

Sub-process	Risks	Objectives
Pre-application advice	Stakeholders are inadequately engaged and requests are not responded to promptly	<ul style="list-style-type: none"> Pre-application advice request are responded to appropriately Required stakeholders are engaged and appropriate consultations take place, in pre-application discussions, including members
Processing applications	Records, including rationale and evidence to support decisions made by the Council, are incomplete or inaccurate	<ul style="list-style-type: none"> Applications are received and reviewed in a timely manner within agreed timescales Evidence is recorded in the assessments of each case in line with legislation Documentation is made publicly available in line with rules
Discharge of conditions	Discharge of conditions are not followed up resulting in invalid completion of planning applications	<ul style="list-style-type: none"> Processes are in place and appropriate checks are preformed to ensure that all the conditions attached to a planning decision are complied with
Legislation and planning policy	Breach of legislation resulting in reputational and financial loss	<ul style="list-style-type: none"> Documented planning procedures are up to date and consistent with prevailing legislation Local planning policy is in place and operational decisions made in compliance with this
Roles and responsibilities	Roles and responsibilities, including delegated authorities, are not clearly defined, understood and embedded into processes	<ul style="list-style-type: none"> Segregation of duties in process and decision making are clear and followed Applications are reviewed and approved by appropriate Staffing capacity and skill set is sufficient to meet the objectives of the service
Stakeholder Engagement	Arrangements are inadequate to liaise effectively with parish councils	<ul style="list-style-type: none"> Officers are assigned with clear remits to liaise with parish councils Requests from these councils are identified and responded to

		<p>effectively and promptly</p> <ul style="list-style-type: none"> • Key challenges around training and communication between the parties are managed.
Management information	Management information is not reported, available or assessed to support the identification of inappropriate activity	<ul style="list-style-type: none"> • Performance of planning activities is captured and reported appropriately with relevant action taken with themes identified • Statutory reporting data is validated and reported timely.
Complaints & appeals	Complaints and appeals are not identified, managed and/or communicated appropriately	<ul style="list-style-type: none"> • Complaints are acknowledged within 3 days and appropriate progress communicated to applicants • Investigations are undertaken, evidenced and outcomes communicated to applicants • Feedback from complainants is received to assess the effectiveness of the process.
Discretionary income	Income charged for discretionary services are not costed/priced sufficiently to adhere to cost recovery principles	<ul style="list-style-type: none"> • Costs can be attributed to individual discretionary services with assumptions documented • Any income over and above costs attributed can be easily identified.
Planning enforcement	Planning enforcement is not targeted, appropriate and effective	<ul style="list-style-type: none"> • Processes are effective to address the volume of enforcement queries received and respond appropriately • Planning enforcement is targeted to areas of known risk • Enforcement activity is evidenced and complies with legislation.



Internal Audit Report 2016/17

Commercial Property Service Charges

November 2017



Contents

1. Executive summary	2	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.
2. Background and Scope	4	
3. Detailed findings and action plan	5	
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Distribution List

For action	Teresa Lane – Assistant Director Commercial Property and Regeneration
	Peter Beer – Commercial Property Manager
	Denise Martin – Property and Estates Manager
For information	Andrew Small – Director of Finance
	Audit Committee

1. Executive summary

Report classification*	Total number of findings				
	Critical	High	Medium	Low	
Medium risk (15 points)	Control design	-	1	-	1
	Operating effectiveness	-	-	1	1
	Total	-	1	1	2

Page 5

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 two low risk findings.

This review highlights the need for a full review of service charges and commercial property accounting structures. A project has recently begun to create a module within the general ledger to develop this and a full review of commercial property charges will be completed by management by the end of January 2018.

Looking ahead, the Council has reorganised its main offices, The Gateway, to free up more space to rent out. Therefore the total number of tenants and total value of service charges levied will increase. The Council needs to action the changes recommended otherwise the risk level assigned in this report will increase.

Summary of findings

- Some service charges are not levied where they should be and examples of costs applied to service charges incorrectly were identified (Finding 1 – High)

- Account codes on the ledger for each property are not sufficiently established to understand service charge costs (Finding 2 – Medium)
- There is a lack of robust monitoring of arrangements for tenants at Council sites over certain lease rights such as car park spaces (Finding 3 – Low)
- Some minor instances were identified where service charge costs applied were stated as “not applicable” (excluded) cost in contracts with tenants and therefore the Council has applied costs which are in breach of contracts held (Finding 4 – Low).

Good practice noted

- There is an annual reconciliation process in place which ensures that the Excel Workbook of service charge calculations agrees back to ledger transaction listings and invoices issued. The Excel Workbook operates effectively and our testing did not identify any incorrectly calculated formulas or data error.
- The Council adheres to its Financial Instructions when identifying organisations to provide the services applicable, demonstrating value for money.

Management comments

Having reviewed the recommendations of this audit, I agree with the summary of findings. A project is now underway to review the service charge accounts and budgets as detailed in the actions set out in this report. Once this project has completed it will provide a solid basis for the council's service charge accounting going forward. Whilst the dates set out in the action plan should be achievable, there may need to be some flex dependent upon the scale of the problems unearthed.

2. Background and Scope

Background

Commercial service charges form part of the lease agreements as a means to recover from tenants the cost of maintaining and repairing the building and providing certain services. Estimated bills are based on several factors depending on the particular service and the most up to date information the Council has on the expected costs.

The Council should be in a position to validate to tenants the charges applied and ensure it does not levy unjustified amounts.

The purpose of this audit is to assess and review the design of controls and their effectiveness with regards to commercial property service charges across the Council's property portfolio to assess adherence to national/local guidance, consistent application and whether the costs charged can be easily and clearly attributed to the charges based on sound assumptions. We will also consider whether the Council is achieving value for money from the delivery method of the services offered.

Scope

The scope covered the key risks set out in the Terms of Reference (see Appendix 2). Our testing included:

- Reviewing the calculations in the Excel Workbooks for consistency, accuracy and completeness
- Reviewing the methodology and apportionment of service charges in line with guidance and contracts agreed
- Assessing the reconciliation and approval processes and reviewing lease documents, contract conditions and assumptions to service charges applied
- Testing a sample of 15 invoices to verify agreement to the Excel Workbooks.

This does not represent a comprehensive list of tests conducted.

3. Detailed findings and action plan

1. Service charges are not all substantiated– Control design

Finding	
Page 53	<p>When evaluating the service charge applied to the tenants of Council owned properties the following issues were identified:</p> <ul style="list-style-type: none">• For some properties where charges should be applied to a number of different tenants, not all tenants have been included in the apportionment of costs and therefore no service charge has been levied• Furthermore, the proportion of the split in these properties found an instance where 100% had been charged to one tenant• For a larger value site where service charges are applied it was found that whilst the Council instructed an Independent Surveyor, this advice was superseded by an internal assessment• The allocation of office management costs at one site includes salary costs of Council employed facility managers, receptionists and post room staff. However, these individuals do not solely work on activities relating to this site and therefore it would be inappropriate to apportion their total costs to the annual service charge. For example:<ul style="list-style-type: none">○ The facility managers also support operations on other Council sites○ The reception staff take AVDC and general queries which is time that is not applicable to the tenant and therefore these costs should not be passed on○ The post room staff also support the activities of the Council’s companies (Vale Commerce).• The RICS Service Charges Code states that applying a <i>“Percentage is no longer appropriate, and is considered to be a disincentive to the delivery of value for money. The management fee should therefore be a fixed fee subject to annual review or indexation”</i>. The Council are currently charging a percentage of total costs without justification behind how this is derived therefore this is not in line with the RICS Service Charge Code.
	Risks / Implications
	<p>Costs may be under or over charged to tenants. Any challenge made to assumptions if not substantiated, could result in financial repayment, loss of staff time and reputational damage.</p>

Finding rating	Action Plan	
<p>High</p> <p>Page 54</p>	<p>a) A full review of all service charges is required. Service charges relating to current/future tenants premises must be justified and proportions set and agreed. These must be agreed by an independent surveyors report for larger sites</p>	<p><i>Responsible person / title</i></p> <p>Teresa Lane - Assistant Director Commercial Property and Regeneration</p>
	<p>b) Where proportions are agreed, the Council needs to retain the methodology as to how it was determined and this should be reviewed annually</p>	<p><i>Target date</i></p> <p>a – d) 31 January 2018</p>
	<p>c) Service charges which may be identified as being passed inappropriately need to be reviewed and assessed to determine how any potential past over charging and future adjustments are communicated to tenants and dealt with.</p>	
	<p>d) The Council should whether consider an ‘admin fee’ should be applied, this should be a fixed fee and the Council need to retain a breakdown of how the fixed fee has been calculated i.e. a breakdown of direct costs or evidence for how proportions of staff time are clearly linked to administration activities.</p>	

2. Inadequate accounting structures – Control design

Finding

The current functionality on the general ledger has not been constructed to provide sufficient level of detail on service charges and service charge types for each property. Therefore the Council cannot identify and analyse sufficiently service charges applied via their general ledger system.

A project is underway to build a module in the general ledger system with an objective around creating coding of service charges in more detail.

Risks / Implications

Contractual compliance cannot be easily identified and Council held data is not maximised to generate financial benefits.

Finding rating

Action Plan

Page 55
Medium

There needs to be a separate ledger code created for each property where service charges are applied. There should be sub-codes beneath this which sets out each type of service charge for each property.

Responsible person / title

Denise Martin – Property and Estates Manager

Target date

28 February 2018

3. Lack of monitoring of arrangements for tenants at Council sites – Operating effectiveness

Finding		
<p>Tenants at Council sites are entitled to certain privileges of the site to reflect their usage. For example, one tenant receives 15 car parking spaces at The Gateway (a right in the lease). However, this is not monitored by the Council to assess whether the allocation is reasonable. No action is taken in the event the tenant regularly exceeds this level.</p> <p>The car parking spaces are worth c. £400-£600 a year and therefore it is beneficial to review this and ensure that the correct allocations are given to tenants or any spaces/values are re-negotiated.</p>		
Risks / Implications		
<p>The Council does not receive the correct financial compensation for the value of the site that tenants utilise resulting in financial loss.</p>		
Finding rating	Action Plan	
Page 56 Low	a) Identify all rights contained in the lease, such as car parking spaces to tenants, and record centrally	<i>Responsible person / title</i> Denise Martin – Property and Estates Manager
	b) These should then be reviewed on an at least annual basis to assess if allocations are reasonable	<i>Target date</i> 31 January 2018
	c) Establish a monitoring system for these services to ensure that allocated spaces provided are correct or escalate any levels which are exceeded to the Assistant Director for review.	

4. Some “not applicable costs” were included in service charges – Control design

<i>Finding</i>		
<p>We assessed the contract conditions to ensure they were specific in terms of the service charges that can/cannot be applied.</p> <p>Overall the costs applied were allowable however, some minor exceptions were identified. For example, in one lease document it states that ‘no charges can be applied for security or CCTV related activity’. However, we identified that a monthly charge totalling £120 over the year was applied to the service charge costs.</p>		
<i>Risks / Implications</i>		
<p>Any challenge made to allocated costs if not contractually allowed, could result in financial repayment, legal costs and reputational damage.</p>		
<i>Finding rating</i>	<i>Action Plan</i>	
<div style="background-color: #92d050; padding: 5px; writing-mode: vertical-rl; transform: rotate(180deg);"> Page 57 of 57 </div>	<p>Before the end of every financial year, a review of transactions allocated should be undertaken against the allowable/non-allowable costs in each lease. Any changes should then be reflected in any final charges for the year.</p>	<i>Responsible person / title</i>
		Denise Martin – Property and Estates Manager
		<i>Target date</i>
		31 March 2018

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
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● Critical risk	40 points and over
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● Low risk	6 points or less

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Individual finding ratings

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

Appendix 2. Terms of Reference

The key risks agreed in the Terms of Reference are set out below. Each finding in the report is linked to a key risk from the Terms of Reference.

Sub-process	Risks	Objectives
Approval	Fees and charges levied are not justified by sound assumptions and are incorrectly calculated. Fees charged cannot be easily attributable to costs with a clear and transparent and consistent approach applied. Costs may not adequately be covered.	<ul style="list-style-type: none"> Approval by management and/or Committee has been obtained at sufficient intervals
Fees and charges establishment		<ul style="list-style-type: none"> There is clear justification behind each assumption with an evidenced based approach as to how the level of fees and charges was reached Application of Service Charges are reasonable and sound i.e. use of charge per square foot etc. The level set is in line with the objectives and remit of the Council's powers
Billing	Fees and charges are levied incorrectly. Damage to relationship with tenant.	<ul style="list-style-type: none"> Bills raised are accurate and complete and agree to Council agreed rates
Value for Money	Delivery method of the service is not optimal, does not demonstrate value for money and does not cover all associated costs	<ul style="list-style-type: none"> Council deliver services demonstrating value for money and charges cover associated costs to mitigate losses Council is adjusting charges as necessary where charges do not need to be passed onto tenants
Governance	Reporting and management information for fees and charges is insufficient and ineffective to support decision making.	<ul style="list-style-type: none"> Reports on activity are produced which are effective and issued to the correct individuals/groups for scrutiny at sufficient intervals to support decision making
Policies and Procedures	There are inadequate policies and procedures to ensure consistent and correct application of Service Charges	<ul style="list-style-type: none"> The Council approach is set out and understood by those who apply Service Charges to ensure compliance with national/local guidance

Audit Committee
27 November 2017

AUDIT COMMITTEE WORK PROGRAMME

1 Purpose

- 1.1 To discuss, amend and approve the future work programme for 2017/18 and 2018/19 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
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Background Documents	None
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AUDIT COMMITTEE WORK PROGRAMME 2017-18 & 2018-19

Item	Contact Officer	25 Sep	27 Nov	22 Jan	26 Mar	26 Jun	23 July	8 Oct	28 Jan	25 Mar
		2017	2017	2018	2018	2018	2018	2018	2019	2019
Audit Committee Work Programme	Kate Mulhearn	X	X	X	X	X	X	X	X	X
Member Training / Briefing Sessions (TBC)	Kate Mulhearn	X		X	X	X	X	X	X	X
Audit Committee Annual Report	Kate Mulhearn			X				X		
Audit Committee Review of Effectiveness	Kate Mulhearn	X						X		
External Audit Plan & fee letter	Strategic Finance Manager *			X					X	
External Audit - Audit Results Report (ISA 260)	Strategic Finance Manager *	X					X			
External Audit Annual Letter	Strategic Finance Manager *	X					X			
External Audit AGR for Grant Claims	Strategic Finance Manager *			X					X	
External Audit Update / Progress Report	Strategic Finance Manager *				X	X				
Annual Internal Audit Strategy and Plan	Kate Mulhearn				X					X
Internal Audit Annual Report	Kate Mulhearn					X				
(Draft) Annual Governance Statement	Kate Mulhearn				(X)	X				
Internal Audit Progress Report & Internal Audit Review Reports	Kate Mulhearn	X	X	X	X	X	X	X	X	X
Risk Management Report	Kate Mulhearn	X	X	X	X	X	X	X	X	X
Fraud Update Report	Kate Mulhearn							X		
Reviews of Company Governance	Kate Mulhearn	X		X						
Statement of Accounts	Andrew Small					X				
Post Audit Statement of Accounts	Andrew Small	X					X			
Working Balances	Andrew Small				X					X

* Reports will be prepared and presented by External Audit Manager, Adrian Balmer (EY)

**Audit Committee
27 November 2017**

CORPORATE RISK REGISTER (NOVEMBER 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 at Appendix 2 (confidential part of the agenda) 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 Strategic Board. Some of them are not dissimilar to those faced across other local authorities.
- 3.3 The risk register is reviewed regularly by Strategic 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 Strategic Board following detailed review and updating by the risk owners.

Since the previous Audit Committee meeting in September 2017 the following risks have changed:

Risk Ref	Change	Comment
Sectors do not deliver the required savings and efficiencies identified in the Commercial AVDC programme.	Closed	The Commercial AVDC programme closed at the end of September 2017. Subsequently a sector by sector review of planned savings, achieved to date and forecast for future years has been undertaken. Structures are in place to exceed the £6m target set for the programme by 2020 – achieving £2.2m in 2017/18 and delivery of £3.8m by 2021. This includes headcount reduction from 471 to 426 (around 10%). Future savings targets will form the basis of the MTFP and annual budget setting and therefore captured in MTFP (risk #1).
The Council's approach to commercialisation and income generation does not produce the income needed.	Closed	The structure is now in place to support commercial/income generating activity and income / cost recovery targets are factored into the MTFP and annual budget process, therefore included in MTFP (risk #1)
Loss of key staff / failure to recruit / reliance on agency staff has negative impact on service delivery during time of change	Closed	To date, 88 people have left the Council during the course of the Commercial AVDC Programme, comprising 25 settlements, 38 voluntary redundancies, 23 compulsory redundancies and 2 resignations. This left 110 roles to fill externally (around a third of all posts in the new structure, excluding drivers and loaders). The majority of these posts have now been recruited; however at the time of writing there are still 14 Technical Specialist vacancies, of which 8 are in Planning, which are proving challenging to fill. This has been captured in a new specific risk (#8).
Business Intelligence (customer insight & performance data) is not sufficiently robust to support effective decisions.	Closed	The Business Intelligence team is in place and progress being made on reporting Connected Vision, Financial, Sector and operational dashboards. Focus is currently on management information with a “roadmap” in place to deliver more strategic business insight overtime. No longer considered a corporate level risk, progress is being monitored at an operational level.

1) Fail to achieve the Medium Term Financial Plan. Annual sector budgets are not delivered.	New (High)	Savings, efficiencies and income identified through the Commercial AVDC programme have been factored into sector budgets and will form the basis of the MTFP. Monitoring is through established processes with oversight at Strategic Board and Cabinet level. Risk remains high due to ongoing austerity measures and budget pressures.
8) Fail to recruit Technical Professional Specialists (Planning, IT, Property). Reliance on use of consultants/agency and not effectively managed.	New (High)	In key specialist areas there is risk of negative impact on service delivery. Ongoing financial cost of agency staff. This replaces the general risk of loss of staff throughout the restructure programme, with mitigating actions specific to the business areas affected.
4) Fail to deliver the Property Investment Strategy	New (TBA)	Work has started to develop processes to deliver the strategy. Recruitment of Commercial Property Manager is ongoing. Risk added as a placeholder. Assessment will be updated as the team and processes develop.
6) Waste Transformation Project fails to deliver commercial, customer, H&S, Environmental objectives	New (High)	This is a significant, high profile piece of work to support efficient delivery of services and income generation into the future. Financial and reputation risks if project fails to deliver key objectives, whilst day to day operational activities need to ensure H&S and Environmental compliance.
10) Health & Safety - Non-compliance with Fire and Health and Safety legislation	High → Moderate	Revised H&S Policy & Strategy was approved Sept 2017, corporate oversight board in place and staff H&S consultative committee established post restructure.
20) Failure to effectively engage with members and the community around the Council's vision and strategy	High → Moderate	Project started around Member engagement. Connected Vision will support this. Communications strategy in development.

Note on impact of Brexit – Management continue to 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.

There are **19 risks** on the corporate risk register. The residual risk rating is summarised as follows:

Residual Risk Rating			
Low risk 2	Moderate risk 8	High Risk 9	Extreme risk 0
<p>15) Fraud, corruption, malpractice by internal or external threats.</p> <p>16) Equalities is not considered in decisions resulting in Judicial Review and other litigation.</p>	<p>7) Fail to manage and deliver major capital projects - Waterside North, Pembroke Road.</p> <p>9) Fail to deliver a sound Vale of Aylesbury Local Plan.</p> <p>10) Health & Safety - Non-compliance with Fire and Health and Safety legislation.</p> <p>13) Safeguarding arrangements, internal policies and processes are not adequate to address concerns about /protect vulnerable adults & children.</p> <p>14) Failure to manage a major partnership or a significant council contractor.</p> <p>17) Failure to manage and deliver the requirements of the SLA for HS2.</p> <p>19) Failure to effectively engage with members and the community around the Council's vision and strategy.</p> <p>20) Failure to identify and respond to current and potential changes in legislative/regulatory environment.</p>	<p>1) Fail to achieve the Medium Term Financial Plan. Annual sector budgets are not delivered. Approach to commercialisation and income/profit generation does not produce the income needed.</p> <p>2) Organisational culture does not enable the strategy.</p> <p>3) Failure to deliver the Connected Knowledge Strategy and achieve the Council's Digital objectives.</p> <p>5) Council owned or partly owned companies (VC, AVE & AVB) fail to achieve the Council's objectives. Inadequate governance arrangements.</p> <p>6) Waste Transformation Project fails to deliver commercial, customer, H&S, Environmental objectives.</p> <p>8) Fail to recruit Technical Professional Specialists (Planning, IT, Property). Reliance on use of consultants / agency and not effectively managed.</p> <p>11) Fail to plan for a major or large scale incident. Risk to safety of public & staff. Business interruption affecting the Council's resources and its ability to deliver critical services.</p> <p>12) Information Governance - A significant data breach, Inappropriate access, corruption or loss of data</p> <p>18) Modernising Local Government agenda: i) fails to achieve an outcome that addresses community needs ii) disruption to service delivery due to resource detracting from day-job and ongoing uncertainty</p>	

Note: Risk "4) Fail to deliver the Property Investment Strategy and achieve planned return on investment" has not yet been fully assessed and rated.

Risk Matrix

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

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






Risk Ratings - Impact

Score	Descriptor	Compliance	Finance	Health and safety	Internal Control	Political	Reputational	Staffing & Culture
1	Negligible	No or minimal impact or breach of guidance/ statutory duty	Small loss risk of claim remote	Minor injury; Cuts, bruises, etc.; Unlikely to result in sick leave	Control is in place with strong evidence to support	Parties work positively together with occasional differences; Members & executive work co-operatively	Rumours; Potential for public concern	Short-term low staffing level that temporarily reduces service quality (<1 day)
2	Minor	Breach of statutory legislation; Reduced performance rating from external/internal inspector	Loss of 0.1-0.25 per cent of budget; Claim less than £20k	Moderate injuries; Likely to result in 1-7 days sick leave	Control in place with tentative evidence	Parties have minor differences of opinion on key policies; Members and executive have minor issues	Local media coverage short term reduction in public confidence; Elements of public expectation not met	Low staffing level that reduces the service quality
3	Moderate	Single breach in statutory duty; Challenging external or internal recommendations or improvement notice	Loss of 0.25-0.5 per cent of budget; Claims between £20k - £150k.	Major injuries; More than 7 days sick leave – notifiable to HSE	Control in place with no evidence to support	Members begin to be ineffective in role; Members and Executive at times do not work positively together	Local media coverage – long term reduction in public confidence	Late delivery of key objective/service due to the lack of staff; Low staff morale; Poor staff attendance for mandatory/key training
4	Major	Enforcement action; Multiple breaches of statutory duty; Improvement notices; Low performance ratings	Uncertain delivery of key objectives/loss of 0.5 – 1.0 percent of budget; Claims between £150k to £1m	Death; Single fatality	Partial control in place with no evidence	Members raise questions to officers over and above that amount tolerable; Strained relationships between Executive and Members	National media coverage with key directorates performing well below reasonable public expectation	Uncertain delivery of key objective/service due to lack of staff; Unsafe staffing level or competence; Loss of key staff; Very low staff morale; No staff attending training
5	Catastrophic	Multiple breaches in statutory duty; Prosecution; Complete system changes required; Zero performance against key priorities and targets	Non delivery of key objective/loss of >1 percent of budget; Failure to meet specification/slippage; Loss of major income contract	Multiple deaths; More than one Fatality	No control in place	Internal issues within parties which prevent collaborative working; Que from members shift resources away from corporate priorities	National media coverage, public confidence eroded; Member intervention/action	Non-delivery of key objective/service due to lack of staff; Ongoing unsafe staffing levels or competence; Loss of several key staff; Staff not attending training on ongoing basis

Risk Rating – Likelihood

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

Capacity to Manage

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

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

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