



AYLESBURY VALE DISTRICT COUNCIL

Democratic Services

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Text Relay Prefix your telephone number with 18001

16 March 2018

AUDIT COMMITTEE

A meeting of the **Audit Committee** will be held at **6.30 pm** on **Monday 26 March 2018** 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: P Irwin (Vice-Chairman), C Adams, M Collins, A Harrison, R Newcombe, R Stuchbury, D Town, A Waite and H Mordue (ex-Officio)

AGENDA

1. ELECTION OF CHAIRMAN

2. APOLOGIES

3. TEMPORARY CHANGES TO MEMBERSHIP

Any changes will be reported at the meeting.

4. MINUTES (Pages 3 - 12)

To approve as correct records the Minutes of the meeting held on 22 January, 2018, attached as an appendix.

5. DECLARATION OF INTEREST

Members to declare any interests.

6. WORK PROGRAMME (Pages 13 - 16)

To consider the future work programme.

Contact Officer: Kate Mulhearn (01296) 585724

7. EXTERNAL AUDIT - AUDIT PLAN AND FEE LETTER (Pages 17 - 56)

To consider the attached report.

Contact Officer: Nuala Donnelly (01296) 585164

8. INTERNAL AUDIT PROGRESS REPORT (Pages 57 - 122)

To consider the attached report, which includes the following completed internal audit reports:-

- General Ledger
- Housing Benefits
- Taxi Licensing
- Building Control “to follow”

Contact Officer: Kate Mulhearn (01296) 585724

9. CORPORATE RISK REGISTER (Pages 123 - 132)

To consider the attached report.

Contact Officer: Kate Mulhearn (01296) 585724

10. REVIEW OF GENERAL FUND BALANCES 2018-19 (Pages 133 - 136)

To consider the attached report.

Contact Officer: Nuala Donnelly (01296) 585164

AUDIT COMMITTEE

22 JANUARY 2018

PRESENT: Councillor K Hewson (Chairman); Councillors P Irwin (Vice-Chairman), M Collins, P Cooper (in place of C Adams), B Everitt (in place of A Waite), A Harrison, R Newcombe, D Town and H Mordue (ex-Officio). Councillor L Monger attended also.

APOLOGIES: Councillors C Adams, M Bateman, R Stuchbury and A Waite.

GENERAL DATA PROTECTION REGULATION

Prior to the commencement of the formal business of the meeting, Members received a presentation from Data Governance Officer on General Data Protection Regulation (GDPR) and the work/actions being undertaken by Council Officers and Members in response.

1. MINUTES

RESOLVED –

That the minutes of the meeting held on 27 November, 2017, be approved as a correct record.

2. EXTERNAL AUDIT AGR FOR GRANT CLAIMS

The Committee received a report from the External Auditors on their work associated with the certification of grant claims for 2016/17 submitted by AVDC.

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

For 2016-17, these arrangements required only the certification of the housing benefits subsidy claim. In certifying this the external auditors had followed a methodology determined by the Department for Work and Pensions and had not undertaken an audit of the claim. Instead, the work involved executing prescribed tests which were designed to give reasonable assurance that claims and returns were fairly stated and in accordance with specified terms and conditions. Where initial testing errors in the calculation of benefit or compilation of the claim were found, the certification guidance required the auditors to complete more extensive '40+' or extended testing.

The external auditors reported that they had checked and certified the housing benefits subsidy claim with a total value of £44,887,809. This had allowed them to meet the submission deadline. A qualification letter had been issued, details of which were included in section 1 of the report.

The certification work had found errors which the Council had corrected. These amendments had increased the claim by £20,585 to £44,908,394, that was a marginal effect on the grant due. With the history of the clawback in 2015-16, it had been noted that the Council had implemented most of the recommendations from last year and had improved arrangements significantly.

Fees for certification and other returns work were summarised in section 3. The housing benefits subsidy claim fees for 2016-17 were published by the PSAA in March 2016 and were available on the PSAA's website (www.psa.co.uk).

The main issues reported had related to Cell 11 Non-HRA. Testing of the initial sample had identified some incorrect classification of accommodation which had been classified as an error for subsidy purposes.

The results from the testing were as follows:-

- Cell 11 – all cases had been reviewed in full in order to correct the claim. Due to amendments then made by the Council it had concluded that the Non-HRA cells were fairly stated.
- Cell 94 Rent Allowance: in line with DWP guidance, where errors had been identified in the prior year then, unless the authority could prove that the error type would not be replicated in the current year, work proceeded immediately to 40+ testing irrespective of the outcome of initial testing. This was completed in respect of prior year errors identified on both Rent Allowance earnings and child care costs cases. The following errors were identified:
 - Earnings – no errors had been in initial sampling of cases and 2 failures in the extended 40+ testing on a sub-population of 40 Rent Allowance cases with earnings. Both of these errors had resulted in an overpayment of benefits as a result of the incorrect determination of earnings. This error had been extrapolated and reported in the qualification letter.
 - Child Care Costs – no errors had been identified in initial sampling of cases and 3 failures in the extended 40+ testing on a sub-population of Rent Allowance cases with Child Care Costs. 2 of these failures resulted in an overpayment of benefits as a result of the incorrect determination of Child Care Costs. This error type had been extrapolated and reported in the qualification letter.
 - Rent (service charges) – initial testing of Rent Allowances had identified an error in respect of rental service charges. Further investigation had identified that this error type was isolated to one particular area of housing. A review of claims in the relevant housing area was performed and it was found that 10 out of 14 cases had the same error. The errors had been adjusted in the claim.
 - Cell 225 Modified Schemes – testing of modified schemes had identified 4 errors out of a small population of 14 cases in total. The claim had been adjusted for these errors.

The Committee was informed that the indicative certification fee for 2017/18 would be £17,411, which was set by the PSAA. From 2018/19, the Council would be responsible for appointing their own reporting accountant to undertake the certification of the housing benefit subsidy claim in accordance with the Housing Benefit Assurance Process (HBAP) requirements that had been established by the DWP.

Members discussed the claim and noted that the Council had implemented most of the recommendations from last year and had improved arrangements significantly. As such, a reimbursement to DWP would not be required this year.

RESOLVED –

That the external auditors report on the certification of claims and returns by AVDC for 2016/17 be noted.

3. REVIEW OF AYLESBURY VALE BROADBAND (TERMS OF REFERENCE)

A Notice of Motion in relation to the governance arrangements and operation of Aylesbury Vale Broadband Ltd had been submitted to full Council on 6 December, 2017, at which it had been resolved:-

- (1) That this Council will honour the commitment given by the Leader of the Council at the General Purposes Committee to review the position culminating in the decision to sell AVB and introduce a suitable mechanism for keeping all Members of the Council informed of the Council's commercial activities.
- (2) That the Audit Committee be tasked with a detailed audit of the operation of AVB, as far as practicable within the timescales set out within the original Motion and to keep as much information as is possible in the public domain.
- (3) That the audit of AVB be undertaken by the Council's externalised internal audit team (BDO) as they have experience of the governance of company structures.
- (4) That a brief for carrying out the review of AVB be agreed by Group Leaders, the Council's Head of Internal Audit, a representative from BDO and the Chairman of the Audit Committee, with Group Leaders receiving a draft of the report prior to its submission to the Audit Committee, any such meetings involving Group Leaders to be chaired by the Deputy Leader of the Council.
- (5) That any meeting of the Audit Committee convened to consider the report findings be open to all members of the Council to attend and at the discretion of the Audit Committee Chairman, to participate in the discussions (although they would not be able to vote).
- (6) That insofar as the other commercial undertakings of the Council are concerned, reports on their activities be brought forward at regular intervals to the relevant Scrutiny Committee.

With regards to recommendation (2), the timescales set out in the original motion had asked for a review to commence no later than 1 calendar month from the sale of AVB or by 31 January 2018, whichever was sooner, and for it to report no more than 3 months after commencement, i.e. by 30 April 2018.

The Committee was informed that a timeline of events relating to this matter included:-

- December 2014 – Council had agreed to commit £1.536 million of New Homes Bonus funding to support the roll-out of superfast broadband across the District.
- March 2015 – Cabinet agreed the original AVB Business Case.
- April 2015 – Council approved the establishment of AVB as a limited liability company that was 95% owned by the Council and 5% owned by Ironic Thought, together with allocating £200K for a pilot project in Hogshaw, North Marston and Granborough parishes.
- September 2015 – AVB scrutinised by the Economy and Business Development Scrutiny Committee.
- October 2015 – Council approved further expenditure of £550K.
- March 2016 – AVB scrutinised by the Economy and Business Development Scrutiny Committee.
- April 2016 – Cabinet had agreed a document, "Guidance to creation and working with companies in which AVDC has a financial interest".
- April 2016 – Council approved further expenditure by AVB of £500K.
- July 2016 – Finance and Services Scrutiny Committee reviewed the appointment and remuneration terms for AVB's Managing Director.

- September 2016 – Cabinet had approved a revised AVB Business Plan.
- September 2016 – AVB scrutinised by the Economy and Business Development Scrutiny Committee.
- March 2017 – Audit Committee considered internal audit review of the Council's governance arrangements over the investment in AVB.
- May 2017 – internal audit review findings communicated to the Directors of AVB, along with a proposed set of actions for consideration.
- September 2017 – Revised AVB Business Plan due to be reported to Cabinet, deferred as the plan was being revised due to changes in the competitive landscape.
- November 2017 – General Purposes Committee agreed to move forward with an offer for the sale of AVDC's interests in AVB.
- December 2017 – Notice of Motion submitted to full Council, as detailed above.
- January 2018 – Group Leaders met and agreed draft Terms of Reference to be considered by the Audit Committee on 22 January, 2018.

As detailed at recommendation (4) of the motion to the December 2017 Council meeting, a meeting of Group Leaders had been held on 8 January, 2018, which received a draft report including draft terms of reference for the review of AVB as well as a summary on the legal position in relation to the provision and sharing of information that had been prepared by the Council's Lead Legal and Monitoring Officer.

Group Leaders had been concerned that in the spirit of the decisions reached by Council in relation to the review, as much information as possible should be kept in the public domain. They appreciated however that the terms of the sale precluded the release of certain information which the purchaser of AVB considered was commercially sensitive to its future investment plans and which formed part of the sale conditions. It was indicated that if, during the course of discussions between officers, Members and the auditor undertaking the review there was a reluctance to release particular information on the basis that this was commercially sensitive, this reasoning would be tested rigorously.

Group Leaders reviewed the draft scope of work for the review prepared by BDO, the Council's Head of Internal Audit and the Chairman of the Audit Committee and, after a general discussion, Group Leaders approved it for final endorsement by the Audit Committee at its meeting on 22 January.

Prior to Members' discussions on the terms of reference, Councillor Monger made a statement and asked Members to consider the review being undertaken in public and in a format similar to that of a Commons Select Committee.

Members discussed the objectives for the review that had been broken down into the following steps:-

- Inception – the Council took appropriate steps to ensure AVB was a sound investment in the run-up to establishing the company.
- Governance – As the majority shareholder, the Council had an appropriate level of oversight over the scope and scale of AVB's activities in a way which gave the Council assurance over its investment in AVB but avoided conflicts of interest in the operations of AVB.
- Reporting – the Council received sufficient and regular reporting from AVB to allow it to take a clear view on whether AVB (and therefore the Council's investment) was being well managed, delivering on performance objectives and financial targets according to the business plan, and to ensure transparency to members and the public.
- Investment – the Council's financial and non-financial input to support AVB were clearly understood and costed.

- Approach – including information on the approach to be taken to complete the review, which covered issues such as people and representatives that might be interviewed and documentation that might be reviewed. These were not exhaustive lists.
- Timescales and budget.
- Reporting – the output of the review would be reported to the Audit Committee and be published in full and in public on the Council's website.
- Exclusions – the review would be limited to the Council's relationship with AVB however, it would identify lessons learnt that could be applied to other companies.

Members commented that they believed that the proposed approach for the review to be undertaken by BDO LLP was the right one, and that this would provide an independent opinion of the Council's governance arrangements over AVB.

The Committee also discussed that the terms of reference had been put together before the sale of AVB assets to Gigaclear had been concluded. As such, it was agreed that an additional paragraph be added to the background, as follows:-

“On 30 December 2017, AVB's physical assets were sold to Gigaclear, a private ISP. The terms of asset sale are covered by a confidentiality agreement designed to protect the ongoing commercial interests of Gigaclear. AVB remains in the ownership of AVDC. Details of AVB's trading history may no longer be commercially sensitive and all information that has previously been in the possession of AVDC Members and/or Officer Directors will, unless still covered by commercial sensitivity or confidentiality, be freely available to the Audit Committee and Council and will form part of this review.”

RESOLVED –

- (1) That the draft scope of work and terms of reference for the review of AVB, as updated by the additional background paragraph (above), be agreed.
- (2) That any Members who wished to submit information/questions to BDO as part of the review of AVB should provide the information to the Corporate Governance Manager.
- (3) That the draft internal audit report would be submitted to a future special meeting of the Audit Committee, that would be open to all Members.

4. 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 Council Tax and Business Rates review had been completed and contained 1 high risk and 4 low risk recommendations. Overall, the report had been classified as Medium Risk with key findings summarised as follows:-

- Council tax reconciliations between the Northgate revenue system and the Tech One finance system had not been performed since May 2017 and business rates reconciliations had not been performed since July 2017. There was also no

regular reconciliation performed between the debt recovery system (Ash) and Tech One. (High)

- There was an estimated £1.5m in irrecoverable council tax debt which was fully provided, but had not been written off, despite previous audit recommendations to review and action. (Low)
- No monthly collection monitoring reports were produced and circulated to senior management between April and October 2017. Reports were now being produced but further work was required to embed the reporting and review processes. (Low)
- the sample had identified one council tax account where a customer had been placed on a closed period council tax reduction scheme in error, when she should have been on an open ended one, resulting in incorrect billing. There were no checks in the Northgate system to prevent other similar errors occurring. (Low)
- The Council was not monitoring temporarily banded properties and properties yet to be valued so that they could inform the VOA when the expected 90 day period expired. (Low)

The audit had recognised that the restructure over the past year had left the teams with many new staff inexperienced in the Northgate and Finance systems. However, there were fundamental processes and procedures that were not currently being adhered which the Council needed to address.

2017/18 Internal Audit Plan work in progress

Members were informed that reviews of Building Control and Taxi Licensing were being scoped with a view to audit commencing in February 2018. The field work for the Housing Benefits review had been completed and the report was being prepared.

Implementation of agreed audit actions

Internal Audit monitored the implementation of actions and recommendations raised by reviews to ensure that the control weaknesses identified had been satisfactorily addressed. Actions arising from low risk audit findings were followed up by management and reviewed, but not validated by internal audit.

The overall progress and detail of those actions which were considered to be due were set out in Appendix 3 to the report. At the end of December 2017, a total of 116 discrete audit actions had been identified from reviews occurring during 2015, 2016 and 2017, of which 42 have been completed to date. Of the 74 remaining audit actions, 18 have arisen from "High" risk audit issues, 22 from "Medium" and 34 related to "Low" risk audit findings. A summary of all of these actions was included at Appendix 4 to the Committee report.

The Finance Steering Group will maintain ongoing review of completion of actions but only the status and progress against audit actions which have passed their due date will be reported in detail to Audit Committee.

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.

Members sought further information and were informed:-

- Council Tax and Business Rates – informed that the main reason for monthly collection monitoring reports not being produced and circulated to senior management between April and October 2017 had been due to staffing re-structures taking place at the time. An assurance was given that processes and procedures were being put in place so that this would not occur in the future.
- Implementation of Agreed Audit Actions – it was agreed that a detailed listing of all internal audit actions (in progress and complete) together with a status update should be reported six monthly to the Committee, with a summary of the discrete (High / Medium / Low risk) audit actions reported to each meeting.
- In Progress Actions for Accounts Receivable – an explanation was provided that the draft Debt Policy (covering debt management and recovery, and write off), had been circulated for review and would be hopefully be agreed soon. Once the policy was approved then a significant amount of work would need to be done across the organisation to document all work streams and embed the procedures. This had resulted in new completion dates being agreed for the work, taking account of when it could realistically be completed.

Action point: Council Tax and Business Rates – an undertaking was given to provide Members with information on the rules regarding Council Tax and business rates payable when retrospective planning permission was granted.

RESOLVED –

That the progress report and action points made at the meeting be noted.

5. 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 Annual Governance Statement would likely be reported to the 26 June 2018 meeting.

Action Point: The Committee requested that a report in relation to Delegation of financial approval authority be submitted to the next meeting.

It was agreed that the Action Point Tracker be included with the Work Programme on future agendas, with each Action Point given a unique identification number. With regard to current action points:-

- Planning and Planning Enforcement Review – a further report be provided in six months time.
- Commercial Property Service Charges Review – a further report be provided to the next meeting. Members were informed that this matter would be reviewed by the Finance Steering Group at its next meeting.
- Risk Register (Risk 14: Failure to manage a major partnership) had been updated to include Enterprise Zones.

RESOLVED –

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

6. 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.

Since the previous Audit Committee meeting in November 2017 the following risks had changed:

Risk Reference	Change	Comment
20) Failure to respond to new legislation on Homelessness Duty, enforceable from 1 April 2018. Inability to recruit and train staff in complex new legislation.	New (Moderate)	New legislation which increased the duty of Local Authorities to act to prevent homelessness came into force from 1 April 2018. Key challenges are around recruiting staff in a competitive environment and providing adequate training on complex legislation.
Failure to identify and respond to current and potential changes in the legislative/regulatory environment. Inadequate horizon scanning.	Closed	No longer considered to be a corporate level risk. Risks in response to specific legislation changes have been captured elsewhere e.g. #20 - Homelessness and #12 - GDPR)
2) Organisational culture does not enable the strategy (Connected Vision, Connected Knowledge & commercial targets). Behaviour framework and Values are not embedded.	Reduced High → Moderate	New staff and ways of working are becoming BAU post restructure. Work still needed to define P&C strategy and embed behaviour framework but not now considered a "high" risk to achievement of strategy.
5) Council owned or partly owned companies (VC, AVE & AVB) fail to achieve the Council's objectives. Inadequate governance arrangements over Companies.	Reduced High → Moderate	Sale of AVB assets and wind up of VC reduce the overall risks associated with whole/partly owned companies. AVB review will identify lessons learned for future consideration with existing commercial interests (AVE) and any future ventures.

The Council's management continued to considered the risks arising following the Brexit decision. At this stage there was too much uncertainty about the specific implications on the strategic objectives and day to day operations of the Council to put anything meaningful on the CRR.

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) Vale Lottery – that in addition to an internal audit, Vale Lottery had also passed an audit inspection by the Gambling Commission in October 2017.
- (ii) Carillion – that while the Council had no direct exposure to Carillion, it was possible that some of the contractors that the Council worked with would have some exposure. AVDC would continue to monitor this situation.
- (iii) With regard to the layout of the Corporate Risk Register, it was agreed that:-
 - Risk Owner – would include an individual contact person, as well as a Board name, if this was applicable.
 - Completion Date – that all Risks would have a milestone completion date.

Action Point: Advice to be sought on the need for Corporate Risk Register items to be included in Part 2 of the agenda.

RESOLVED –

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

7. 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.

8. RISK MANAGEMENT REPORT

As part of the discussions at Minute 7, consideration was given to the Council's Corporate Risk Register.

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Audit Committee
26 March 2018

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 that is at Appendix 1 |
|-----|---|

3 Supporting information

- 3.1 The proposed programme (Appendix 1) 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.
- 3.4 Also attached at Appendix 2 is the Audit Committee Actions Tracker, which highlights ongoing and completed actions identified by Members at earlier meetings.

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 Internal Audit Plan to support the work of the Audit Committee. There are no additional direct resource requirements arising from this report.

Contact Officer

Kate Mulhearn – Corporate Governance Manager
Tel: 01296 585724

Background Documents

None

AUDIT COMMITTEE WORK PROGRAMME 2017-18 & 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	Nuala Donnelly			X					X	
External Audit - Audit Results Report (ISA 260)	Nuala Donnelly	X					X			
External Audit Annual Letter	Nuala Donnelly	X					X			
External Audit AGR for Grant Claims	Nuala Donnelly			X					X	
External Audit Update / Progress Report	Nuala Donnelly				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)

Decision			Tracking			
Meeting Date Action ID	Item and Recommendations	Contact Officer	Further Action (Yes/No)	Committee	Meeting Date	Status (√/O/X)

ACTIONS ONGOING

27/11/2017 AT 1/17	Planning and Planning Enforcement Review (IA Progress Report) 1. To monitor progress made in putting in place KPIs and a meaningful complaints system for Planning and Planning Enforcement	Henry Allmand	Yes	Audit Audit	22/1/18 23/7/18	√ O
27/11/2017 AT 2/17 Page 5	Commercial Property Service Charges Review (IA Progress Report) 1. To report back on what impacts the service charging inconsistencies had on tenants, e.g. had any tenants been lost? Financial impact on the Council?	Denise Martin	Yes	Audit Audit	22/1/18 26/3/18	√ O
22/01/2018 AT 2/18	Work Programme (Delegation of financial approval authority) 1. Report to be submitted to the 26 March 2018 meeting.	Andrew Small	Yes	Audit	26/3/18	O
22/01/2018 AT 3/18	Risk Management (Corporate Risk Register (CRR)) 1. Seek advice on the need for the CRR to be included in Part 2 of the agenda.	Kate Mulhearn	Yes	Audit	26/3/18	O

Decision			Tracking			
Meeting Date Action ID	Item and Recommendations	Contact Officer	Further Action (Yes/No)	Committee	Meeting Date	Status (√/O/X)
ACTIONS COMPLETED						
27/11/2017 AT 3/17	Risk Management 1. Risk 8 (Reliance on use of consultants / agency staff) -To ensure the Council was monitoring and complying with the legislation regarding IR35 2. Risk 14 (Major partnerships / Significant council contractors) – update the risk to include Enterprise Zones	Kate Mulhearn	No, complete	1. Already an action on the Risk Register 2. Risk 14 updated	N/A N/A	√ √
22/01/2018 Page 1/18 Page 16	Internal Audit Progress Report (Council Tax and Business Rates) 1. To provide information on the rules regarding Council Tax and business rates payable when retrospective planning permission was granted.	Gary Wright	Yes	Audit (response emailed on 6/2/18)	N/A	√

Audit Committee
26 March 2018

EXTERNAL AUDIT – AUDIT PLAN

1 Purpose

- 1.1 To receive a report from the external auditors Ernst and Young setting out the auditor's responsibilities and on the proposed audit approach and scope for the 2017/18 audit.

2 Recommendations/for decision

The Committee is asked to:

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

3 Supporting information

- 3.1 The plan summarises the initial assessment of the key risks driving the development of the effective audit for the Council, and outlines the planned audit strategy in response to those risks.
- 3.2 Members are asked to discuss the Audit Plan, identify whether there are any other matters that they wish to be considered as part of the audit.

4 Reasons for Recommendation


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

5 Resource implications

- 5.1 None

Contact Officer Kate Mulhearn Tel: 01296 585724

Background Documents None



**Aylesbury Vale
District Council
Audit planning report**
Year ended 31 March 2018

14th March 2018



Private and Confidential

14th March 2018

Audit Committee
Aylesbury Vale District Council
Aylesbury

Dear Audit Committee Members

Audit planning report

We are pleased to attach our Audit Plan which sets out how we intend to carry out our responsibilities as your auditor. Its purpose is to provide the Audit Committee with a basis to review our proposed audit approach and scope for the 2017/18 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

This plan summarises our initial assessment of the key risks driving the development of an effective audit for the Council, and outlines our planned audit strategy in response to those risks.

This report is intended solely for the information and use of the Audit Committee and management, and is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss this report with you on 26 March 2018 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Maria Grindley

For and on behalf of Ernst & Young LLP

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Contents



Page 20

In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued "Statement of responsibilities of auditors and audited bodies". It is available from the via the PSAA website (www.PSAA.co.uk). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas. The "Terms of Appointment (updated February 2017)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature. This report is made solely to the Audit Committee and management of Aylesbury Vale District Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit Committee, and management of Aylesbury Vale District Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit Committee and management of Aylesbury Vale District Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



Page 2

01

Overview of our 2017/18 audit strategy



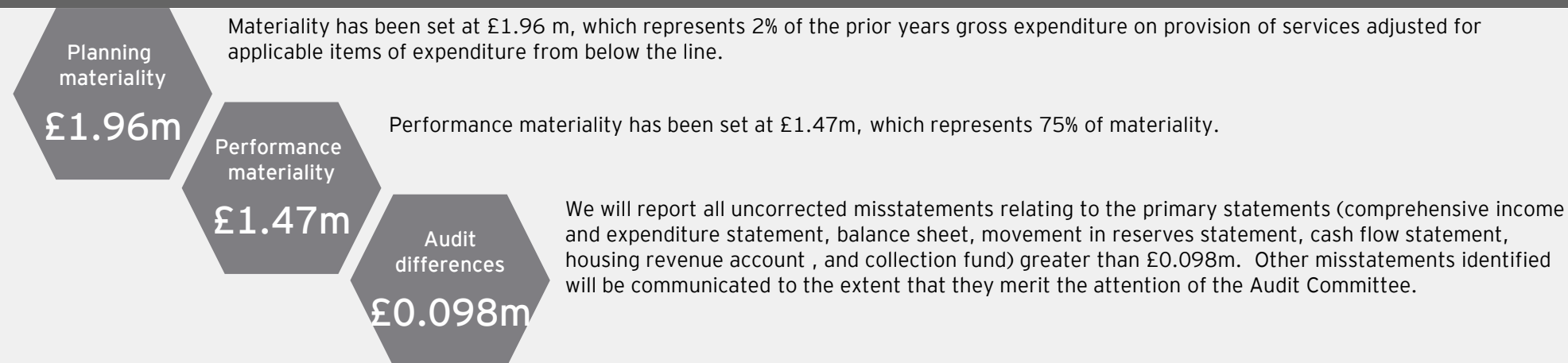
Overview of our 2017/18 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Risk of fraud in revenue and expenditure recognition	Fraud risk	No change in risk or focus	Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.
Misstatements due to fraud or error	Fraud risk	No change in risk or focus	As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively.
Property, Plant and Equipment (PPE) - Administration and Valuation	Significant Risk	Increase in risk or focus	In 2016/17 we identified a number of issues with PPE in respect of the administration of PPE within the Fixed Asset Register and the processes in place to ensure that PPE values were accurately reflected in the financial statements. This resulted in a number of material misstatements. We will therefore review this in detail in 2017/18 to ensure that PPE is correctly accounted for.
Pension Liability Valuation	Inherent Risk	No change in risk or focus	Accounting for the pension liability involves significant estimation and judgement and we undertake procedures on management experts and the assumptions underlying the estimates.

Materiality



Overview of our 2017/18 audit strategy

Audit scope

This Audit Plan covers the work that we plan to perform to provide you with:

- Our audit opinion on whether the financial statements of Aylesbury Vale District Council give a true and fair view of the financial position as at 31 March 2018 and of the income and expenditure for the year then ended; and
- Our conclusion on the Council's arrangements to secure economy, efficiency and effectiveness.

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on the Council's Whole of Government Accounts return.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

When planning the audit we take into account several key inputs:

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

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Council.



Page 24

02 Audit risks



Our response to significant risks

We have set out the significant risks (including fraud risks denoted by*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

	What is the risk?	What will we do?
<p data-bbox="120 440 472 496">Risk of fraud in revenue and expenditure recognition*</p> <p data-bbox="100 735 555 842">Financial statement impact</p> <p data-bbox="100 858 555 1110">Misstatements that occur in relation to the risk of fraud in revenue and expenditure recognition could affect the income and expenditure accounts. These accounts had the following balances in the latest 2016/17 financial statements:</p> <p data-bbox="100 1145 421 1174">Income Account: £100 m</p> <p data-bbox="100 1209 461 1238">Expenditure Account: £86 m</p>	<p data-bbox="577 459 1173 711">Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.</p>	<p data-bbox="1205 459 1301 488">We will:</p> <ul data-bbox="1205 496 2119 903" style="list-style-type: none"> - Review and test cut off at the period end; - Test the existence and valuation of debtors and accrued income; - Review and assess accounting estimates for evidence of management bias; - Develop a testing strategy to test material revenue and expenditure streams with a particular focus on those judgemental areas which could be more open to interpretation or manipulation e.g. judgemental accruals; - Assess topside adjustments/journal entries for evidence of management bias and evaluate the business rationale behind these postings; and - Review and assess accounting estimates for evidence of management bias.

Our response to significant risks (continued)

<p>Misstatements due to fraud or error - Management Override*</p>	<p>What is the risk?</p>	<p>What will we do?</p>
<p>Financial statement impact</p> <p>Misstatements that occur in relation to the risk of fraud in management override could affect the income and expenditure accounts as well as the balance sheet.</p>	<p>The financial statements as a whole are not free of material misstatements whether caused by fraud or error.</p> <p>As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.</p> <p>We have assessed journal amendments, accounting estimates, adjustments between accounting basis and funding basis under regulations, Manual Debtors, Manual Creditors and unusual transactions as the areas most open to manipulation.</p> <p>Linking to our risk of fraud in revenue and expenditure recognition above we have considered the capitalisation of revenue expenditure on Property, Plant and Equipment given the extent of the Council's capital programme. We have also considered the completeness of liabilities for any management bias.</p>	<p>We will:</p> <ul style="list-style-type: none"> ▶ Identify fraud risks during the planning stages; ▶ Inquire of management about risks of fraud and the controls put in place to address those risks; ▶ Understand the oversight given by those charged with governance of management's processes over fraud; ▶ Consider the effectiveness of management's controls designed to address the risk of fraud; ▶ Determine an appropriate strategy to address those identified risks of fraud; and ▶ Perform mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements.

Our response to significant risks (continued)

<p>Property, Plant and Equipment – Administration and Valuation</p>	<p>What is the risk?</p>	<p>What will we do?</p>
<p>Financial statement impact</p> <p>Property, Plant and Equipment (PPE) balances within the financial statements account for approx. £135 m on the Balance Sheet. In addition to the Balance Sheet entries PPE also impacts on a number of different areas of the accounts including, but not limited to, depreciation charges, revaluation movements and impairments which can also impact the income and expenditure accounts. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.</p>	<p>In 2016/17 we identified a number of issues with PPE in respect of the administration of PPE within the Fixed Asset Register including the processes in place to ensure that PPE values were accurately reflected in the financial statements. This resulted in a number of material mis-statements and one non-material uncorrected mis-statement. We will therefore review this in detail in 2017/18 to ensure that PPE is correctly accounted for in the financial statements. We also identified issues with the instructions to the valuer for the revaluation of specific asset categories. Given the size of the PPE balances in relation to materiality an error in PPE could result in a material error.</p>	<p>We Will:</p> <ul style="list-style-type: none"> ▶ Consider the work performed by the Council’s valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work; ▶ Sample test key asset information used by the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre); ▶ Consider the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE and annually for Investment Properties. We have also considered if there are any specific changes to assets that have occurred and that these have been communicated to the valuer; ▶ Review assets not subject to valuation in 2017/18 to confirm that the remaining asset base is not materially misstated; ▶ Consider changes to useful economic lives as a result of the most recent valuation; ▶ Test accounting entries have been correctly processed in the financial statements.

Audit risks

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus?

Pension Liability Valuation

The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by Buckinghamshire County Council.

The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2017 this totalled £106 million.

The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the County Council.

Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

What will we do?

We will:

- ▶ Liaise with the auditors of Buckinghamshire County Pension Fund to obtain assurances over the information supplied to the actuary in relation to Aylesbury Vale District Council;
- ▶ Assess the work of the Pension Fund actuary (Barnett Waddingham) including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by Public Sector Auditor Appointments for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team; and
- ▶ Review and test the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.



03

Value for Money Risks





Background

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

For 2017/18 this is based on the overall evaluation criterion:

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

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

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

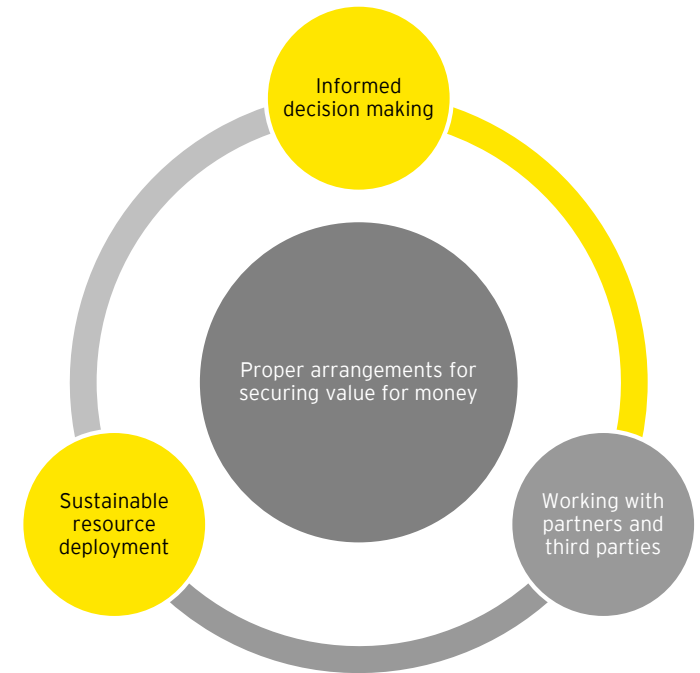
In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

We are only required to determine whether there are any risks that we consider significant, which the Code of Audit Practice defines as:

"A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public."

Our risk assessment supports the planning of sufficient work to enable us to deliver a safe conclusion on arrangements to secure value for money and enables us to determine the nature and extent of further work that may be required. If we do not identify any significant risks there is no requirement to carry out further work.

Our risk assessment has therefore considered both the potential financial impact of the issues we have identified, and also the likelihood that the issue will be of interest to local taxpayers, the Government and other stakeholders. This has resulted in the identification of the significant risk noted on the following page which we view as relevant to our value for money conclusion.





Value for Money Risks

What is the significant value for money risk?	What arrangements does the risk affect?	What will we do?
Aylesbury Vale Broadband (AVB)	Take informed decisions / Deploy resources in a sustainable manner/ Work with partners and other third parties	We will: <ul style="list-style-type: none">• Review the events leading to the disposal in 2017/18 of AVB;• Understand the governance arrangements in place supporting AVB;• Discuss the disposal with senior officers including the Director with responsibility for Finance and also with Internal Audit; and• Review the independent review and findings which were commissioned following the disposal.



04

Audit materiality

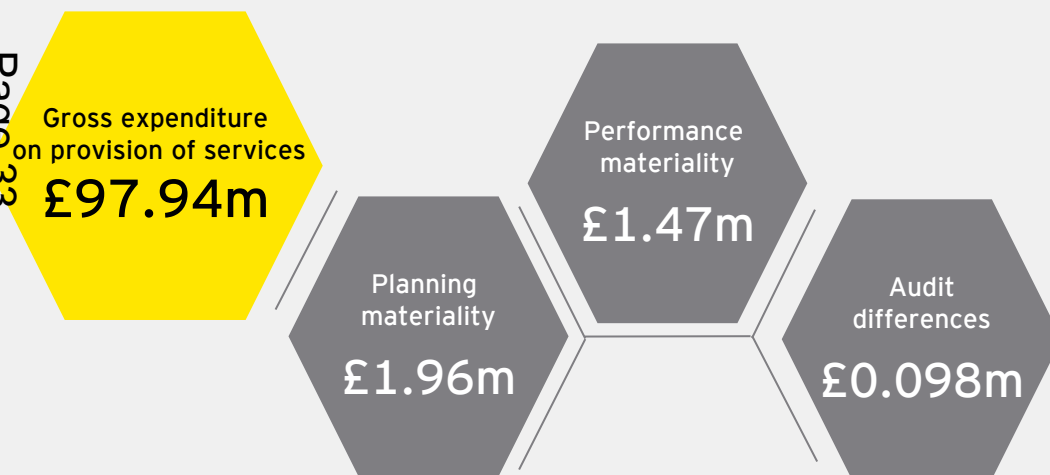


Materiality

Materiality

For planning purposes, materiality for 2017/18 has been set at £1.96m. This represents 2% of the Council's prior year gross expenditure on provision of services. It will be reassessed throughout the audit process. We have provided supplemental information about audit materiality in Appendix D.

Page 33



We request that the Audit Committee confirm its understanding of, and agreement to, these materiality and reporting levels.

Key definitions

Planning materiality - the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.

Performance materiality - the amount we use to determine the extent of our audit procedures. We have set performance materiality at £1.47m which represents 75% of planning materiality.

Audit difference threshold - we propose that misstatements identified below this threshold are deemed clearly trivial. We will report to you all uncorrected misstatements over this amount relating to the comprehensive income and expenditure statement, balance sheet and collection fund that have an effect on income or that relate to other comprehensive income and expenditure such as reclassifications and misstatements in the cashflow statement and movement in reserves statement or disclosures, and corrected misstatements will be communicated to the extent that they merit the attention of the audit committee, or are important from a qualitative perspective.

Specific materiality - We may set a lower materiality for specific account balance/disclosure (e.g. remuneration disclosures, related party transactions and exit packages) which reflects our understanding that an amount less than our materiality would influence the economic decisions of users of the financial statements in relation to this.



05

Scope of our audit



Our Audit Process and Strategy

Objective and Scope of our Audit scoping

Under the Code of Audit Practice our principal objectives are to review and report on the Council's financial statements and arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

1. Financial statement audit

Our objective is to form an opinion on the financial statements under International Standards on Auditing (UK and Ireland).

We also perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we will undertake during the course of our audit.

Procedures required by standards

- Addressing the risk of fraud and error;
- Significant disclosures included in the financial statements;
- Entity-wide controls;
- Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements; and
- Auditor independence.

Procedures required by the Code

- Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance; and
- Reviewing and reporting on the Whole of Government Accounts return, in line with the instructions issued by the NAO.

2. Arrangements for securing economy, efficiency and effectiveness (value for money)

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

Our Audit Process and Strategy (continued)

Audit Process Overview

Our audit involves:

- ▶ Identifying and understanding the key processes and internal controls; and
- ▶ Substantive tests of detail of transactions and amounts.

For 2017/18 we plan to follow a substantive approach to the audit as we have concluded this is the most efficient way to obtain the level of audit assurance required to conclude that the financial statements are not materially misstated.

Analytics:

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

- ▶ Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and
- ▶ Give greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Audit Committee.

Internal audit:

We will regularly meet with the Head of Internal Audit, and review internal audit plans and the results of their work. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our detailed audit plan, where they raise issues that could have an impact on the financial statements.

Our Audit Process and Strategy (continued)

Earlier deadline for production of the financial statements

The Accounts and Audit Regulations 2015 introduced a significant change in statutory deadlines from the 2017/18 financial year. From that year the timetable for the preparation and approval of accounts will be brought forward with draft accounts needing to be prepared by 31 May and the publication of the accounts by 31 July 2018.

These changes provide risks for both the preparers and the auditors of the financial statements:

- ▶ The Council now has less time to prepare the financial statements and supporting working papers and has the added complexity of preparing Group financial accounts.
- ▶ As your auditor, we have a more significant peak in our audit work and a shorter period to complete the audit. Risks for auditors relate to delivery of all audits within the same compressed timetable. Slippage at one client could potentially put delivery of others at risk.

Page 37 mitigate this risk, and in light of issues encountered during the 2016/17 audit we will require:
good quality draft financial statements and supporting working papers by the agreed deadline;
appropriate Council staff to be available throughout the agreed audit period; and
complete and prompt responses to all audit questions.

If you are unable to meet key dates within our agreed timetable, we will notify you of the impact on the timing of your audit, which may be that we postpone your audit until later in the summer and redeploy the team to other work to meet deadlines elsewhere. Where additional work is required to complete your audit, due to additional risks being identified, additional work being required as a result of scope changes, or poor audit evidence, we will notify you of the impact on the fee and the timing of the audit. Such circumstances may result in a delay to your audit while we complete other work elsewhere.

To support the Council we will:

- ▶ Work with the Council to engage early to facilitate early substantive testing where appropriate.
- ▶ Provide an early review on the Council's streamlining of the Statement of Accounts where non-material disclosure notes are removed.
- ▶ Facilitate faster close workshops to provide an interactive forum for Local Authority accountants and auditors to share good practice and ideas to enable us all to achieve a successful faster closure of accounts for the 2017/18 financial year.
- ▶ Put in place a portal to streamline communication and sharing of audit evidence.
- ▶ Agree the team and timing of each element of our work with you.
- ▶ Agree the supporting working papers that we require to complete our audit.

Scoping the group audit

Group scoping

Our audit strategy for performing an audit of an entity with multiple locations is risk-based. We identify components as:

- 1. Significant components:** A component is significant when it is likely to include risks of material misstatement of the group financial statements, either because of its relative financial size to the group (quantitative criteria), or because of its specific nature or circumstances (qualitative criteria). We generally assign significant components a full or specific scope given their importance to the financial statements.
- 2. Not significant components:** The number of additional components and extent of procedures performed depends primarily on evidence from significant components, the effectiveness of group wide controls and the results of analytical procedures.

Our assessment of the group scoping at Aylesbury Vale District Council has identified the following not significant components as per the 2016/17 accounts: Aylesbury Vale Estates LLP, Aylesbury Vale Broadband, and Vale Commerce Ltd. In addition there was also Novae Consulting Ltd (dormant) and Hale Leys LLP (wholly owned by Aylesbury Vale Estates). We are also aware from our planning that the disposal of the Council's stake in Aylesbury Vale Broadband and Vale Commerce occurred in year. We are not aware of any other changes to the group structure since the 2016/17 accounts.

Scope definitions

Full scope: locations where a full audit is performed to the materiality levels assigned by the Group audit team for purposes of the consolidated audit. Procedures performed at full scope locations support an interoffice conclusion on the reporting package. These may not be sufficient to issue a stand-alone audit opinion on the local statutory financial statements because of the materiality used and any additional procedures required to comply with local laws and regulations.

Other procedures: For those locations that we do not consider material to the Group financial statements in terms of size relative to the Group and risk, we perform other procedures to confirm that there is no risk of material misstatement within those locations. Individually, these components do not exceed more than 1% of the Group's expenditure. In aggregate, the total contribution of these components is less than 1% of Group expenditure.



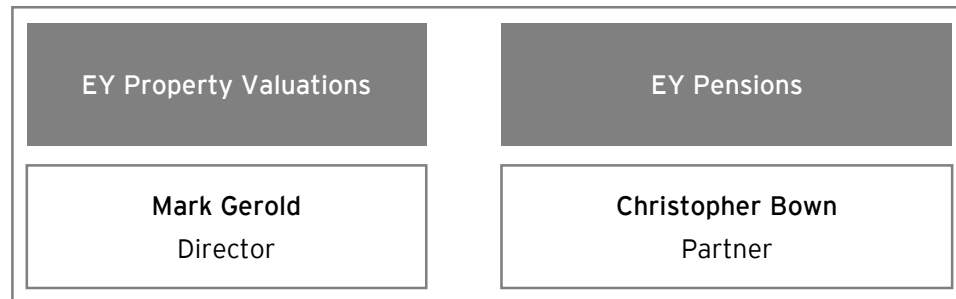
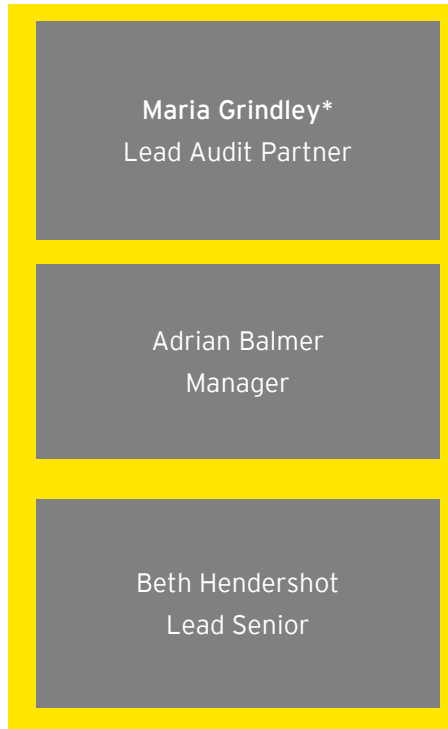
06

Audit team



Audit team

Audit team structure:



* Key Audit Partner

Use of specialists

When auditing key judgements, we are often required to rely on the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where either EY or third party specialists provide input for the current year audit are:

Area	Specialists
Valuation of Land and Buildings	EY Property Valuations Team and Wilkes Head and Eve
Pensions disclosure & IAS 19 Liability	EY Actuaries, PWC as consulting actuary to PSAA, Barnett Waddingham as scheme actuary and Grant Thornton as the auditor of the Local Government Pension Scheme at Buckinghamshire County Council of which Aylesbury Vale District Council is an admitted body.

Page 11

In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Council's business and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- ▶ Analyse source data and make inquiries as to the procedures used by the specialist to establish whether the source data is relevant and reliable;
- ▶ Assess the reasonableness of the assumptions and methods used;
- ▶ Consider the appropriateness of the timing of when the specialist carried out the work; and
- ▶ Assess whether the substance of the specialist's findings are properly reflected in the financial statements.



07 Audit timeline





Audit timeline

Timetable of communication and deliverables

Timeline

Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2017/18.

From time to time matters may arise that require immediate communication with the Audit Committee and we will discuss them with the Audit Committee Chair as appropriate. We will also provide updates on corporate governance and regulatory matters as necessary.

Audit phase	Timetable	Audit committee timetable	Deliverables
Planning: Risk assessment and setting of scopes.	October		
	November		
Walkthrough of key systems and processes	December		
	January	Audit Committee	
Interim audit testing	February		
	March	Audit Committee	Audit Planning Report Interim audit verbal update
	April		
	May		
Year end audit Audit Completion procedures	June		
Year end audit Audit Completion procedures	July	Audit Committee	Audit Results Report Audit opinions and completion certificates Annual Audit Letter

Page 43



Page 44

08

Independence



Introduction

The FRC Ethical Standard and ISA (UK) 260 “Communication of audit matters with those charged with governance”, requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in June 2016, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications

Planning stage	Final stage
<p>▶ The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between the you, your affiliates and directors and us;</p> <p>▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review;</p> <p>The overall assessment of threats and safeguards;</p> <p>Information about the general policies and process within EY to maintain objectivity and independence.</p> <p>▶ Where EY has determined it is appropriate to apply more restrictive independence rules than permitted under the Ethical Standard</p>	<p>▶ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed;</p> <p>▶ Details of non-audit services provided and the fees charged in relation thereto;</p> <p>▶ Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us;</p> <p>▶ Written confirmation that all covered persons are independent;</p> <p>▶ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy;</p> <p>▶ Details of any contingent fee arrangements for non-audit services provided by us or our network firms; and</p> <p>▶ An opportunity to discuss auditor independence issues.</p>

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We also provide information on any contingent fee arrangements, the amounts of any future services that have been contracted, and details of any written proposal to provide non-audit services that has been submitted;

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However we will only perform non-audit services if the service has been pre-approved in accordance with your policy.

Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Maria Grindley, your audit engagement partner and the audit engagement team have not been compromised.

Self interest threats

A self interest threat arises when EY has financial or other interests in the Council. Examples include where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake permissible non-audit services and we will comply with the policies that you have approved.

None of the services are prohibited under the FRC's ES or the National Audit Office's Auditor Guidance Note 01 and the services have been approved in accordance with your policy on pre-approval. The ratio of non-audit fees to audit fees is not permitted to exceed 70%.

At the time of writing, the current ratio of non-audit fees to audit fees is approximately 0. No additional safeguards are required.

A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard part 4. There are no other self interest threats at the date of this report.

Self review threats

Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no self review threats at the date of this report.

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of the Council. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

There are no management threats at the date of this report.

Other communications

EY Transparency Report 2017

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year ended 1 July 2017 and can be found here:

<http://www.ey.com/uk/en/about-us/ey-uk-transparency-report-20167>



09

Appendices



Appendix A

Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government.

PSAA has published a scale fee for all relevant bodies. This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the NAO Code.

	Planned fee 2017/18	Scale fee 2017/18	Final Fee 2016/17
	£	£	£
Total Fee - Code work	56,785	56,785	56,785
Other - Additional Fee	0	0	1,679*
Total audit	56,785	56,785	58,464
Other non-audit services not covered above (Housing Benefits)	17,411	17,411	12,450
Housing Benefits - Additional Fee	0	0	2,519**
Total other non-audit services	17,411	17,411	14,969
Total fees	74,196	74,196	73,433

- The additional fees was in response to the additional work required as a result of errors identified on Property, Plant and Equipment

** The additional fee was as a result of additional testing beyond what was covered in the Scale Fee

All fees exclude VAT

The agreed fee presented is based on the following assumptions:

- ▶ Officers meeting the agreed timetable of deliverables;
- ▶ Our accounts opinion and value for money conclusion being unqualified;
- ▶ Appropriate quality of documentation is provided by the Council; and
- ▶ The Council has an effective control environment.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Council in advance.

Fees for the auditor's consideration of correspondence from the public and formal objections will be charged in addition to the scale fee.

Regulatory update

In previous reports to the Audit Committee, we highlighted the issue of regulatory developments. The following table summarises progress on implementation:




Earlier deadline for production and audit of the financial statements from 2017/18	
Proposed effective date	Effective for annual periods beginning on or after 1 April 2017.
Details	The Accounts and Audit Regulations 2015 introduced a significant change in statutory deadlines from the 2017/18 financial year. From that year the timetable for the preparation and approval of accounts will be brought forward with draft accounts needing to be prepared by 31 May and the publication of the audited accounts by 31 July.
Impact on Aylesbury Vale District Council	<p>These changes provide challenges for both the preparers and the auditors of the financial statements.</p> <p>We held a faster close workshop for clients in December 2017 to facilitate early discussion and sharing of ideas and good practice.</p> <p>We are now working with the Council on ideas coming from the workshop, for example:</p> <ul style="list-style-type: none"> • Streamlining the Statement of Accounts removing all non-material disclosure notes; • Bringing forward the commissioning and production of key externally provided information such as IAS 19 pension information, asset valuations; • Providing training to departmental finance staff regarding the requirements and implications of earlier closedown; • Re-ordering tasks from year-end to monthly/quarterly timing, reducing year-end pressure; • Establishing and agreeing working materiality amounts with the auditors.

Page 50




Appendix C

Required communications with the Audit Committee

We have detailed the communications that we must provide to the Audit Committee.




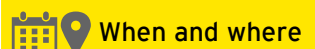
			 Our Reporting to you
Required communications	 What is reported?	 When and where	
Terms of engagement	Confirmation by the Audit Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.	
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.	
Planning and audit approach	<p>Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.</p> <p>When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team</p>	Audit planning report to be presented at the March 2018 Audit Committee	
Significant findings from the audit	<ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process 	Audit results report to be presented at the July 2018 Audit Committee	

Required communications with the Audit Committee (continued)

			 Our Reporting to you
Required communications	 What is reported?	 When and where	
Page 52 Financial statements	<p>Going concern</p> <p>Events or conditions identified that may cast significant doubt on the entity’s ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	<p>Audit Results Report to be presented at the July 2018 Audit Committee.</p>	
	<ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Corrected misstatements that are significant ▶ Material misstatements corrected by management 	<p>Audit Results Report to be presented at the July 2018 Audit Committee.</p>	
Fraud	<ul style="list-style-type: none"> ▶ Enquiries of the Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ A discussion of any other matters related to fraud 	<p>Audit Results Report to be presented at the July 2018 Audit Committee.</p>	
Related parties	<ul style="list-style-type: none"> ▶ Significant matters arising during the audit in connection with the entity’s related parties including, when applicable: ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	<p>Audit Results Report to be presented at the July 2018 Audit Committee.</p>	





Appendix C

Required communications with the Audit Committee (continued)

		 Our Reporting to you
 Required communications	 What is reported?	 When and where
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence 	Audit Planning Report to be presented at the March 2018 Audit Committee; and Audit Results Report to be presented at the July 2018 Audit Committee
External confirmations	<ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures 	Audit Results Report to be presented at the July 2018 Audit Committee
Consideration of laws and regulations	<ul style="list-style-type: none"> ▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ▶ Enquiry of the Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit Committee may be aware of 	Audit Results Report to be presented at the July 2018 Audit Committee
Internal controls	<ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit 	Annual Audit Letter & Audit Results Report to be presented at the July 2018 Audit Committee

Appendix C

Required communications with the Audit Committee (continued)

			 Our Reporting to you
Required communications	 What is reported?	  When and where	
Representations	Written representations we are requesting from management and/or those charged with governance	Audit results report	
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit results report	
Auditors report	<ul style="list-style-type: none"> ▶ Key audit matters that we will include in our auditor's report ▶ Any circumstances identified that affect the form and content of our auditor's report 	Audit results report	
Fee Reporting	<ul style="list-style-type: none"> ▶ Breakdown of fee information when the audit plan is agreed ▶ Breakdown of fee information at the completion of the audit ▶ Any non-audit work 	Audit planning report Audit results report	
Certification work	Summary of certification work undertaken	Certification report	

Additional audit information

Other required procedures during the course of the audit

In addition to the key areas of audit focus outlined in section 2, we have to perform other procedures as required by auditing, ethical and independence standards and other regulations. We outline the procedures below that we will undertake during the course of our audit.

Our responsibilities required by auditing standards

- ▶ Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- ▶ Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group and Council's internal control.
- ▶ Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Concluding on the appropriateness of management's use of the going concern basis of accounting.
- ▶ Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. Reading other information contained in the financial statements, including the board's statement that the annual report is fair, balanced and understandable, the **Audit Committee** reporting appropriately addresses matters communicated by us to the **Audit Committee** and reporting whether it is materially inconsistent with our understanding and the financial statements; and
- ▶ Maintaining auditor independence.

Additional audit information (continued)

Purpose and evaluation of materiality

For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.

Materiality determines:

- ▶ The locations at which we conduct audit procedures to support the opinion given on the Group financial statements; and
- ▶ The level of work performed on individual account balances and financial statement disclosures.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.

INTERNAL AUDIT PROGRESS REPORT – MARCH 2018

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:
- Internal audit reviews completed and in progress
 - Changes to the 2017/18 internal audit plan
 - Implementation of agreed audit actions
- 3.2 The Committee requested that all internal audit reports are presented in full. These are included in Appendix 3.

4. Reasons for Recommendations

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

5. Resource Implications

- 5.1 There are no resource implications to report.

Contact Officer: Kate Mulhearn, Corporate Governance Manager 01296 585724
Background papers: none



Internal Audit Progress Report

March 2018





Contents

1. Activity and progress	3
Final reports issued since the previous Committee meeting.....	3
2017/18 internal audit plan work in progress.....	6
Changes to the 2017/18 internal audit plan	7
2. Implementation of agreed audit actions.....	8
Appendix 1: Internal audit opinion and classification definitions	9
Appendix 2: Internal audit plan and progress tracker	10
Appendix 3: Internal audit reports	11

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	Risk rating*	Date of final report	No of recommendations made*			
			 Critical	 High	 Medium	 Low
General Ledger	High	15.3.18	-	1	3	3
Housing Benefits	High	15.3.18	-	2	-	2
Taxi Licensing	Medium	14.3.18	-	-	4	1
Building Control	Medium	14.3.18	-	-	3	4

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

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

General Ledger

A number of audit reports in recent years have highlighted issues with the Tech1 finance system including the initial implementation of the system, the design of processes and controls, and poor engagement and speed of response to requests for support. System improvements have also been hindered by internal factors, primarily the level of work required following restructure to remodel the finance structures in line with organisational change and an under resourced team with appropriate expertise. The issues have not had any significant impact on the integrity of the financial accounts, but have resulted in inefficiency, inconsistencies, manual work-arounds and a general lack of reporting to support good financial control.

The report provides a summary of the issues and actions being taken to address them and concludes that whilst progress is being made, a number of concerns remain, mainly around Tech1 consultant capacity and resource to meet the operational and development needs of AVDC. Until significant progress has been made in addressing some long outstanding issues with existing processes and controls, there remains a high risk around the operational performance and functionality of the finance system.

In addition to the above, we have raised the following issues with recommended actions:

- Balances within suspense accounts are not being cleared in a timely manner and there is a lack of clarity around responsibility and documented procedure for completing the process (Medium)
- Some interfaces are not reconciled to Tech1 including the Bartec system and some Uniform activity. Issues relating the Northgate/Tech1 interface have been reported in the Housing Benefits internal audit report (see below). A number of the system maps for the interfaces between the Tech1 system and the Council's other sub-systems remain incomplete, with regular reconciliation not being consistently performed (Medium)
- There is insufficient monitoring over Tech1 user accounts and supplier access to the Tech1 system. Staff leaving the Council are not consistently having their user accounts deactivated in a timely manner (Medium)
- There is a lack of knowledge and restrictions on who is able to access and make amendments to the chart of accounts (Low)
- Insufficient journal narrative and back-up documentation is being recorded for journals on the Tech1 system and there are cases where the same member of staff is preparing and approving the journal for posting (Low)
- There is a lack of documented procedure for managing any updates or changes required for the Tech1 system (Low).

The restructure over the past year, staff capacity and insufficient consultancy support has impacted on progress in implementing the controls recommended during our 2016/17 audit, and this is reflected in the increase in risk rating compared to prior year. There remain some fundamental processes and procedures that must be addressed.

Housing Benefits

Since the prior year high risk report significant improvements have been made to processes and controls. These improvements have led to the Council being paid back subsidy from the DWP as part of their 2016/17 subsidy return, instead of a significant subsidy loss in 2015/16. The key areas of improvement are around increasing the quality checks being performed each month and monitoring of monthly subsidy forecasts to quickly identify any financial concerns and take prompt action to rectifying benefit cases. This has been supported by full team training.

However, there are still challenges, with the biggest concern being around housing benefit overpayments. Consistent with the national picture, the total estimate of overpayment debt remains high, at £5.9m in February 2018 (2016/17: £6.5m). Of this, £4.12m relates to invoiced overpayment debt and £1.78m is being collected through on-going benefits. Two high risk issues were raised relating to housing benefit overpayments:

- As reported last year, there is a mismatch between housing benefit overpayment data held on Northgate (benefits system) and Tech1 (finance system). During the year significant resources have been invested to reconcile these two systems and redesign the automated interface processes. Progress has been made to the point where the residual unreconciled balance has been reduced to 0.6% of the debt

outstanding, but further work is needed to automate the matching process and establish ongoing reconciliation procedures.

- There are also insufficient procedures and resources in place to support effective monitoring and recovery of housing benefit overpayment debt. A business case has recently been approved for additional resource to focus specifically on recovery of housing benefit overpayment.

Two low risk issues have been raised around training and more robust performance monitoring.

Taxi Licensing

The taxi licensing service has seen a significant increase in demand for both vehicle and driver licences following the introduction of the Deregulation Act 2015 with driver licence applications increasing five fold and vehicle applications three fold since the introduction of the Act. The organisational restructure resulted in 50% of the staff within the taxi licensing service moving into roles in other departments within the organisation and a related period of recruitment and staff training.

We tested a sample of 20 applications and 15 service requests/regulatory actions and sanctions for the period April 2017 to January 2018 and identified the following issues:

- A lack of supporting evidence and records of action is retained to demonstrate whether drivers and vehicles are fit and proper and safeguarding checks are sound for both applicant and service requests (Medium)
- Enforcement activities are not documented centrally or monitored and new joint working protocols are not yet working effectively (Medium)
- Insufficient management information is collated and/or provided for scrutiny of the performance of Taxi Licensing (Medium)
- Our sample identified 2 instances of error over penalty points and 2 instances of untimeliness over regulatory actions and sanctions. There was also an issue identified with licences associated with expired visas however, Management have accepted they cannot fully mitigate this risk in the short term (Medium)
- Not all Members of the Licensing Committee have been trained and the training provided does not include all of the key elements of safeguarding (Low)

Building Control

There is a national shortage of Building Control Inspectors and although the Council's shortfall is being covered by 1 full time and 0.5 consultant, the team is still under resourced as at February 2018. The restructure over the past year has left the staff with changes to responsibilities and team structures which are currently being embedded. Our testing identified the following areas of weakness:

- There is a lack of documented policies and procedures and inconsistent processes are followed (Medium)

- Key Performance Indicators have not been reviewed to establish whether they are still relevant (Medium)
- There is no evidence of fees being reviewed at the end of the financial year as per CIPFA Guidance and no evidence that the service is breaking even (Medium)
- Building Control Financial Statements, as set out in the CIPFA Local Authority Building Control Accounting Guidance for England and Wales, are not prepared and approved by the Section 151 Officer (Low)
- CPD and training maintenance and updates are not evidenced by Managers (Low)
- The manual process for matching invoices and payment is inadequate and should be automated. Our testing identified one certificate that was issued without payment of invoice, and one instance where duplicate payments were made (Low)
- A Marketing and Income Generation Strategy has not been documented, approved and disseminated (Low).

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>
Accounts Payable	Work is complete and will be reported to the Audit Committee in June 2018.
Payroll	Work is complete and will be reported to the Audit Committee in June 2018.
Governance & Risk Management	An advisory piece of work will be undertaken to review the draft 2017/18 Annual Governance Statement compared to the CIPFA Framework in June.

Changes to the 2017/18 internal audit plan

To remain relevant, the annual internal audit plan should be flexible to respond to emerging or changing risks. With budget constraints, there is also a need to ensure prioritisation is given to work which will achieve the greatest value to the organisation. With this in mind, since the plan was approved in July 2017, the following changes have been made:

<i>Name of review</i>	<i>Comment</i>
Accounts Receivable	Work is continuing to progress on implementing actions identified in prior year internal audit reports. Some of this is dependent on Tech1 system upgrades (as discussed in the General Ledger report). A consultant has recently been commissioned to boost capacity to drive forward process and control improvements. The Head of Internal Audit has been engaged in the “debt project” from the start, so can provide some level of assurance that issues are being addressed, but it is considered that a more valuable review will be delivered when the new processes are in place. The review has therefore been deferred and will be included in the 2018/19 plan.
Tech1	As highlighted in the General Ledger report, an action plan is in place to update the Tech1 system and improve operational functionality. A Tech1 “system review” will be included in the 2018/19 plan and an appropriate scope of work agreed.
Budget Management	The prior year actions relating to improved budgetary reporting are progressing but are dependent on the Tech1 upgrades outlined above. The Council has delivered a balanced MTFP and forecast outturn for 2017/18 so the overall risk is considered low at this stage. The need for a review will be reassessed as part of next year’s plan.
Aylesbury Vale Estates	A review of governance arrangements over the investment in AVE will be undertaken in 2018/19, drawing upon lessons learned from the review of Aylesbury Vale Broadband

In addition to the agreed internal audit plan for 2017/18, the Audit Committee commissioned an independent review of the Council’s governance arrangements for Aylesbury Vale Broadband. This commenced in January 2018 and is due to report in April/May 2018.

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.





Progress on implementing the prior year actions for General Ledger and Housing Benefits is set out in the attached reports.

A full report on outstanding actions will be presented at the June 2018 Audit Committee meeting.

Appendix 1: Internal audit opinion and classification definitions

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.	Complete	High
Accounts Receivable		Defer to 2018/19	-
Accounts Payable		Work completed – will be reported in June 18	
Payroll		Work completed – will be reported in June 18	
ITGC for TechOne	Review T1 application controls to ensure the data is complete, accurate and valid.	Will be considered in 18/19 after T1 upgrades	-
Budget Management	Deferred for consideration in 2018/19, with focus on completion of previous audit actions during current year.		-
Governance & Risk Management	Review of compliance with CIPFA framework.	AGS 2017/18 will be reviewed (June 18)	
Housing Benefits		Complete	High
Council Tax & Business Rates		Complete	Medium
Planning & Planning Enforcement	Processes for applications/appeals, data validation and enforcement.	Complete	Medium
Building Control	Include fire safety checks.	Complete	Medium
Licensing	Focus on taxi licensing and safeguarding controls.	Complete	Medium
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.	Defer to 2018/19 post AVB (Jan18) review	-
Vale Commerce		Company has been wound up	-
Aylesbury Vale Broadband (follow up)		Complete	Advisory
Follow up audit actions	Validation that agreed internal audit actions have been implemented.	Ongoing	N/A
Disabled Facilities Grant	Grant compliance requirements	Complete	N/A
2016/17 reviews concluded and reported in 2017/18			
Commercial Property Service Charges		Complete	Medium

Appendix 3: Internal audit reports

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

1. General Ledger
2. Housing Benefits
3. Taxi Licensing
4. Building Control "to follow"



Internal Audit Report 2017/18

General Ledger

March 2018

Contents

1. Executive summary	2
2. Background and Scope	4
3. Detailed findings and action plan	5
Appendix 1. Finding ratings and basis of classification	15
Appendix 2. Terms of reference	16
Appendix 3. Follow-up of previous audit actions	17

Distribution List

For action	Nuala Donnelly - Strategic Finance Manager Andrew Small - Director & Section 151 Officer
For information	Andy Barton – Assistant Director Isabel Edgar Briancon – Assistant Director Amanda Williams – Transactional Finance Manager Audit Committee

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.

1. Executive summary

Report classification*	Total number of findings				
	Critical	High	Medium	Low	
	Control design	-	-	1	2
High Risk (22 points)	Operating effectiveness	-	1	2	1
2016/17 – Medium (12 points)	Total	-	1	3	3

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

Summary of findings

This report is classified as high risk. We have raised 1 high, 3 medium risk and 3 low risk findings.

A number of audit reports in recent years have highlighted issues with the Tech1 finance system including the initial implementation of the system, the design of processes and controls, and poor engagement and speed of response to requests for support. System improvements have also been hindered by internal factors, primarily the level of work required following restructure to remodel the finance structures in line with organisational change and an under resourced team with appropriate expertise. The issues have not had any significant impact on the integrity of the financial accounts, but have resulted in inefficiency, inconsistencies, manual work-arounds and a general lack of reporting to support good financial control.

This report (Finding 1 – High) provides a summary of the issues and actions being taken to address them and concludes that whilst progress is being made, a number of concerns remain, mainly around Tech1 consultant capacity and resource to meet the operational and development needs of AVDC. Until significant progress has been made in addressing some long outstanding issues with existing processes and controls, there remains a risk around the operational performance and functionality of the finance system.

In addition to the above, we have raised the following issues with recommended actions:

- Balances within suspense accounts are not being cleared in a timely manner and there is a lack of clarity around responsibility and documented procedure for completing the process (Finding 2 – Medium)
- Some interfaces are not reconciled to Tech1 including the Bartec system and some Uniform activity. Issues relating the Northgate/Tech1 interface have been reported in the Housing Benefits internal audit report. A number of the system maps for the interfaces between the Tech1 system and the Council's other sub-systems remain incomplete, with regular reconciliation not being consistently performed (Finding 3 – Medium)
- There is insufficient monitoring over Tech1 user accounts and supplier access to the Tech1 system. Staff leaving the Council are not consistently having their user accounts deactivated in a timely manner (Finding 4 – Medium)
- There is a lack of knowledge and restrictions on who is able to access and make amendments to the

chart of accounts (Finding 5 – Low)

- Insufficient journal narrative and back-up documentation is being recorded for journals on the Tech1 system and there are cases where the same member of staff is preparing and approving the journal for posting (Finding 6 – Low)
- There is a lack of documented procedure for managing any updates or changes required for the Tech1 system (Finding 7 – Low).

The restructure over the past year, staff capacity and insufficient consultancy support has impacted on progress in implementing the controls recommended during our 2016/17 audit, and this is reflected in the increase in risk rating compared to prior year. There remain some fundamental processes and procedures that must be addressed.

Good Practice Noted

- The Council has documented and published formal Financial Regulations & Procedures which are available on the Council website which provide high level information on the financial procedures and controls in place within the Council. We found that approval occurs in line with the Procedures and where there are individuals who are unable to approve a transaction, the system re-routes this either to a peer or to a more senior individual and therefore the Scheme of Delegation is not breached
- Monthly bank reconciliation processes are being carried out on a consistent basis to effectively ensure the accuracy and completeness of transactions, with appropriate approval being documented and stored on the Council's network.
- The Council has documented a scheme of delegation which sets out the financial approval limits for each of the budgetary authority delegates.

2. Background and Scope

Background

The Council uses Technology One (Tech1) financial management software which includes the General Ledger modules, and the accounts receivable and accounts payable functions. A number of other systems are used to process financial transactions including iTrent (Payroll), Northgate (Housing Benefits, Business Rates and Council Tax) and the on-line payments system to interface with Tech 1 to name a few.

Journals are raised and approved within the Tech1 system. Budget holders and finance management are required to use the Tech 1 to process and approve journals centrally within the finance team.

In response to the 2016-17 General Ledger Internal Audit, the Council commissioned a consultant to create system notes on how each sub-system interfaces with the Tech1 system due to concerns around the limited oversight of these processes. This 'Reconciliations Manual' was in draft and handed over to the incoming Strategic Finance Manager on 1 November 2017. The issues raised relating to reconciliations have been a regular agenda item for the Finance Steering Group over the last 6 months and prioritised against a background of other associated financial controls.

Those areas which relate to core Finance Team tasks i.e. monthly bank reconciliations or daily banking activities to upload data, appear to be complete. Those areas which relate to non-Finance Team tasks i.e. waste sub-system, environmental health, land charges and all sub-systems not on Tech 1 appear incomplete and therefore a greater focus of the review will be to support the completion of these system notes.

Scope

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

- Enquiry and observation of the Tech1 system and the controls in place
- Reviewing a sample of 10 leavers from the October, November and December 2017 HR leavers reports to ensure their user accounts had been deactivated
- Selected a sample of 10 user accounts and reviewed the associated access request forms to verify the requests were appropriate and the accounts had been set up in line with the request
- Selected a sample of 20 journals from April 2017 – January 2018 to determine whether they had been raised and authorised appropriately
- Reviewed the processes for how the Council manages its suspense accounts
- Undertook a review of the reconciliation manual, confirming the processes for the two bank reconciliations were documented correctly and interviewed staff to map the reconciliation process for the Bartec system
- Reviewing the Council's procedures for delegation of financial approval authority and assessing whether this is applied correctly.

This does not represent a comprehensive list of tests conducted.

3. Detailed findings and action plan

1. Tech1 performance improvement – Operating Effectiveness

Finding

The Tech1 finance system went live in June 2015. Since then, a number of audit reports have highlighted issues with the initial implementation of the system and the design of processes and controls. The issues have not had any significant impact on the integrity of the financial accounts, but have resulted in inefficiency, inconsistencies, manual work-arounds and a general lack of reporting to support good financial control. Progress in implementing improvements has been hindered by:

- frustrations in the relationship with the supplier, including poor engagement and speed of response to requests for support
- the level of work required following restructure to remodel the finance structures in line with organisational change
- an under resourced team with appropriate system expertise and a new staff in the transactional finance team following the restructure who have no experience of using this system

In the recent months, AVDC has worked with the new Senior Management of Tech1 to address a number of issues and the need for increased support to enable the full power of the product to be realised has been recognised. A plan of action is in place to focus internal resource and the supplier on the most urgent issues:

- Updating the product to ensure that it runs the latest release and therefore mitigate any system issues. A March implementation date for 2017A upgrade has been agreed
- Work to improve financial reporting.
- The need to conclude the automation and integration between Tech1 systems to enable effective reconciliation of all financial information. This includes the Northgate/Tech 1 reconciliation interface (refer Housing Benefits report)
- Review of system functionality and redesign of invoicing and debt management processes and reporting
- Action the property ledger in Tech1 system to align with start of financial year; this will support commercial property financial management processes
- Polishing the deployment of Tech1 as a whole. We need support and knowledge in overcoming a number of user difficulties and want to learning from other experiences and good practice implementations
- Working to review how we can engage customers/users to actively use Tech1

The finance team regularly meet with Tech1 consultants, and the Account Manager to progress operational issues, undertake health checks and prioritise actions. A monthly review meeting now takes place to manage the Tech1 contract, and this is chaired by the AVDC Corporate Contracts and Procurement Manager. The need for additional internal resource to support Tech1 has also been addressed; a new post of System Support Officer has been appointed and will start early April 2018.

Whilst progress is being made, a number of concerns remain, mainly around Tech1 consultant capacity and resource to meet the operational and development needs of AVDC. Until significant progress has been made in addressing some long outstanding issues with existing processes and controls, there remains a high risk around the operational performance and functionality of the finance system.

Risks / Implications

The finance system fails to meet the needs of the Council. Inefficient processes and weakened financial control.

Finding rating

Action Plan

High

- a) System upgrade to give stable environment.
- b) Automated system interfaces, reporting and system configuration. This includes a lengthy list of actions including new financial management reporting, debt management, Northgate system integration, property ledger, for example. Progress on actions should be regularly reported to the Finance Steering Group.
- c) Recruit System Support Officer to double existing resource.

Responsible person / title

Nuala Donnelly, Strategic Finance Manager

Target date

- a) 31 March 2018
- b) 30 June 2018 (some earlier)
- c) 31 March 2018

2. Insufficient of oversight of suspense accounts – Operating Effectiveness

Finding

Each day a Finance Officer downloads transactions from the bank account from the prior day and this is uploaded to Tech1. When the data is uploaded, it automatically codes each individual financial transaction to the relevant code on Tech1; the software identifies unique reference numbers and account details and from this allocates transactions accordingly. If the system cannot allocate a transaction it automatically places it into the suspense account. This can happen if the reference number against a transaction is not recognised by the system.

There are two suspense accounts, the details of which as of 8 February 2018 are:

- Revenue Suspense Account: £138,953 (£96,379 at April 2017) - holds items relating to council tax and business rates
- Bank Suspense Account: £230,971 (£69,379 at April 2017) - holds other general items

There is a lack of formal documented processes in place to manage and clear the balances on the suspense accounts and staff expressed a lack of clarity over what their responsibilities for managing suspense accounts were.

The team have undertaken basic procedures to identify and reallocate balances within the suspense accounts, but this was limited to clearing items in the short term and where the reallocation was relatively straightforward.

There has been a build-up of the balances in both suspense accounts which contain a significant number of aged balances. In the Revenue Suspense Account some items date back to May 2015 when the brought forward balance was £33,179. Since completing our work, we understand that the item within the Bank Suspense Account with a balance of £75k reported in last year's audit report has been reallocated.

There is a lack of oversight on the suspense account position; the recommendation from last year's audit for providing monthly reports on the suspense account position has not been implemented.

Risks / Implications

General ledger balances may be inaccurate or incomplete. Individual customer accounts may be misstated. The longer balances sit in suspense the greater risk they pose to remaining unidentified or being subject to write-off.

Finding rating

Action Plan

Medium

- Agree and document procedures for clearing suspense accounts including responsibility, frequency of review and escalation.
- The position on each suspense account should be reported to the Strategic Finance Manager on a monthly basis to enable oversight of the clearing of the balances. The reports should include details of ongoing investigations on any outstanding balances.

Responsible person / title

Nuala Donnelly, Strategic Finance Manager

Target date

- 31 May 2018
- 31 March 2018 (for year end then monthly thereafter)

3. Sub-systems reconciliations with Tech1 are not performed – Control Design

Finding

The accuracy, completeness and integrity of the information in the general ledger is dependent on established and well defined interfaces with the various sub systems (e.g. Northgate, Uniform, Salesforce, Bartec) and manual reconciliations to determine whether the data being transferred between systems is accurate and complete.

In response to the concerns around the limited oversight of these processes in the 2016/17 General Ledger Internal Audit, the Council commissioned a consultant to create system notes on how each sub-system interfaces with Tech1. This 'Reconciliations Manual' was in draft and handed over to the incoming Strategic Finance Manager in November 2017. At the time of our review we found the status of the various sections of the Reconciliation Manual to be as follows:

Sub-System	Processes documented in Reconciliation Manual	Audit review
iTrent (payroll)	Yes	Yes – no issues
Uniform (planning, building control)	No	Yes – issues raised below
Bartec (garden waste)	No	Yes – issues raised below
Si-Dem (parking)	No	No
Northgate (revenues & benefits)	No	This was covered in the internal audit of council tax in which it was identified that reconciliations were not taking place consistently. At March 2018, council tax and Tech 1 are reconciled as far as the end of January 2018.
Banking – Main Bank Account	Yes	Yes – no issues
Banking – Council Tax Account	Yes	Yes – no issues

Bartec - Each quarter the Bartec team create a file, which lists each invoice they want to be raised; this relates to activity in the prior quarter. This file is passed onto the Finance Team who then upload the information into Tech1 so that invoices are issued. However, there is no reconciliation to ensure what is posted into Tech1 has been done in full and/or to the correct account codes. The Bartec team did inform us that they were provided the Reconciliation Manual however, have not taken any steps to complete information missing in the manual, or implement a reconciliation process.

Uniform - Information held on Uniform is not routinely reconciled to Tech1 and there are sporadic approaches across different departments i.e. Planning do reconcile however, parts of Licensing do not. Each area is unique and have reasons as to why information is not reconciled. The Council need to identify each of these sub-areas, map the system processes and develop system notes. As the roll-out of Salesforce to replace Uniform for each area continues, financial transaction interfaces between Salesforce and Tech1 should be mapped and reconciled.

Risks / Implications

Inaccurate information may be transferred from the sub-systems to Tech1 which may not be identified due to a lack of reconciliation process

Finding rating Action Plan

Medium	a) The reconciliation manual should be completed, identifying frequency and responsibility for each financial reconciliation.	<i>Responsible person / title</i>
	b) Officers with responsibility for reconciliations should be trained to ensure process are carried out.	Nuala Donnelly, Strategic Finance Manager
	c) Reconciliations should be completed and documented for sign off, with evidence of completed reconciliations being retained centrally. Where reconciliations are not completed then this should be escalated accordingly.	<i>Target date</i>
		30 June 2018

4. Tech1 User access not monitored sufficiently post set-up – Operating Effectiveness

Finding

Access to the Tech1 system is managed by the Strategic Finance Team, with access requests being submitted via the Hornbill system using a standard template. Once a request has been submitted, the team are required to review the request to ensure it is appropriate and if so, set up the account per the description. The team is also responsible for deactivating accounts when users leave the Council. HR provide listings of staff leaving employment which the team must review to determine whether any of the leavers hold active accounts, and if so these must be deactivated.

Deactivating accounts and reassignment of workflow

We reviewed a sample of 10 users on the HR leavers reports sent through to the Finance team in October, November and December 2017 to determine if their accounts had been deactivated. We found two instances where individuals who have left the Council still had active accounts on the system. When raised with the Finance Team, we were informed that one of these accounts was being held active as there were some workflows which operated through the account which had not been allocated to a different user.

Supplier (Tech1) access

We looked at how the Council manages supplier access to the Tech1 system. During our prior audit of the general ledger we identified that there were 9 system supplier accounts with full access to the Tech1 system and that there was a lack of oversight and management of these accounts. We recommended that access restrictions be placed on supplier accounts, with accounts being set up as and when needed for limited periods of time. However, this year's testing identified that there remain 8 supplier accounts with full access to the Tech1 system; the limited management over the use of these accounts remains a concern.

Access reviews

The prior year audit recommended introducing procedures to carry out annual reviews of user access to ensure it was appropriate. We found that the initial post restructure review recommended within the prior report is yet to be completed and there is currently no procedure for carrying out annual reviews.

Risks / Implications

Individuals may gain inappropriate access to the financial systems.

Finding rating

Action Plan

Medium	a) Carry out at least quarterly reviews of changes to user access to the system to ensure access is set up accurately and restrictions remain appropriate	<u>Responsible person / title</u> Nuala Donnelly, Strategic Finance Manager
	b) The HR leavers reports provided to the Finance Team should be reviewed and actioned within 3 working days to ensure that access is deactivated. Responsibility for this should be formally assigned to an individual, with reviews being documented on the HR leavers report to evidence what changes were made. Any workflows which operate through an account requiring	<u>Target date</u> 30 June 2018

deactivation should be assigned to other users and accounts should not remain active in a dormant state to continue the workflows.

- c) Access restrictions be placed on supplier accounts, with accounts being set up as and when needed for limited periods of time (prior year action re-raised)
- d) Introduce procedure to carry out annual reviews of user access to ensure it was appropriate (prior year action re-raised)

5. Modifications to the Chart of Accounts not monitored – Control Design

Finding		
<p>The chart of accounts details the various accounts set up within the general ledger. Changes to the chart of the accounts in the form of addition or deletion of accounts or amendments to the accounts should be restricted to appropriate personnel. Furthermore, changes should be subject to approval by management, with regular review of all changes made within each period.</p> <p>We discussed with the Strategic Finance Team what controls are in place to ensure the chart of accounts is only subject to appropriate and authorised amendments. From our discussions we found there to be a lack of clarity with regards to who was able to access the chart of accounts and make amendments, with access restrictions not being documented.</p> <p>We also identified that there is a lack of oversight with regards to changes to the chart of accounts, with changes to the chart not requiring any approvals prior to being actioned and no periodic reviews of the changes to the chart of accounts taking place. This issue was highlighted in last year’s audit report, where anybody allocated to the ‘Finance’ access group in Tech1 was able to make amendments to the chart of accounts, with no review process in place to verify that the changes made were appropriate, an issue which is yet to be addressed.</p>		
Risks / Implications		
<p>Inappropriate amendments to the chart of accounts may be made with management having insufficient oversight of the changes made.</p>		
Finding rating	Action Plan	
Low	Run reports from the Tech1 system on a quarterly basis listing all changes made to the chart of accounts within the period and review these reports to confirm all changes are appropriate and accurate.	<i>Responsible person / title</i>
		Nuala Donnelly, Strategic Finance Manager
		<i>Target date</i>
		30 June 2018

6. Journal preparation and approval needs strengthening – Operating Effectiveness

Finding

Journals are prepared by a member of the Finance Team before being sent to a different individual within the team for approval prior to being posted to the system.

We tested a sample of 20 journals posted between April 2017 and January 2018 to determine whether they were prepared and approved appropriately and whether supporting documentation was in place. From this we found that there is a lack of oversight over the journals that are posted. Our testing identified that it is routine to post journals without attaching any supporting documentation to the system, with the narratives to support the journal often lacking detail, indicating the possibility of journals being approved without sufficient scrutiny.

On four of the 20 journals tested the journal was prepared and approved by the same individual. The type of journal varied, with two being general ledger journals relating to suspense accounts and the other two being accounts receivable journals relating to control account postings.

Discussions with members of the Finance Team found that there are no restrictions on who is able to approve a journal, with the system allowing journals to be sent to any member of the team irrespective of the nature of the journal or its value.

Last year's audit also identified that there is no regular review of high-risk journals that are posted to the system to identify any inappropriate or inaccurately posted journals. A recommendation was raised to implement and document a quarterly review of high value and high-risk journal types. On discussion with members of the Finance Team we were informed that no such review has been implemented.

Risks / Implications

Inappropriate or inaccurate journals may be posted to the general ledger which will not be identified and rectified in a timely manner.

Finding rating

Action Plan

Low	a) Ensure that all journals include a sufficiently detailed narrative to allow the journal reviewer to effectively determine the appropriateness and accuracy of the journal.	<i>Responsible person / title</i> Nuala Donnelly, Strategic Finance Manager
	b) Undertake quarterly reviews or spot checks of high risk journals to ensure documentation and review processes for journals are taking place appropriately.	<i>Target date</i> 30 June 2018
	c) Establish control procedures to ensure high risk (non standard) journals are not prepared and approved by the same individual	

7. Tech1 update procedure needs establishing – Control Design

<i>Finding</i>		
<p>There are times at which the Tech1 system will need to undergo changes or updates to maintain its functionality and security. As such, sufficient procedures must be in place to facilitate these updates and to minimise any disruption they may cause.</p> <p>We discussed with the Finance Team what procedures are in place to manage updates to the Tech1 system. From these discussions we were informed that there have yet to be any updates to the system and there are currently no documented procedures in place to manage any future updates.</p>		
<i>Risks / Implications</i>		
<p>Updates to the Tech1 system will be poorly managed, resulting in failure to successfully carry out efficient and effective financial processes.</p>		
<i>Finding rating</i>	<i>Action Plan</i>	<i>Responsible person / title</i>
Low	<p>Document procedures for the steps staff must take in preparing for and carrying out updates to the Tech1 system.</p>	Nuala Donnelly, Strategic Finance Manager
		<i>Target date</i>
		30 September 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	Overall report classification	Points
Critical	40 points per finding	● Critical risk	40 points and over
High	10 points per finding	● High risk	16– 39 points
Medium	3 points per finding	● Medium risk	7– 15 points
Low	1 point per finding	● 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.

Sub-process	Risks	Objectives
Policies and procedures	<ul style="list-style-type: none"> The general ledger is inappropriately managed due to a lack of documented policies and procedures. 	<ul style="list-style-type: none"> Policies and procedures are clear, understood and followed to ensure the objectives of activity are met
Access	<ul style="list-style-type: none"> Inadequate management of system access and data resulting in data manipulation 	<ul style="list-style-type: none"> Access to the system is controlled to manage unauthorised manipulation of data
Reconciliations/ Interfaces	<ul style="list-style-type: none"> Inaccurate and incomplete Interfaces to/from Tech 1 	<ul style="list-style-type: none"> Reconciliations Manual is accurate and complete Reconciliations are performed in a timely manner and are subject to review to ensure data held is accurate and complete Reconciliations are accurate, complete and undertaken in the correct period, with reconciling items being followed up and cleared in a timely manner
Upgrades	<ul style="list-style-type: none"> Inadequate arrangements to prepare for any changes Tech 1 	<ul style="list-style-type: none"> Sufficient arrangements are in place to facilitate for smooth changes and upgrades to the Tech 1 software
Chart of Accounts	<ul style="list-style-type: none"> Insufficient procedures to add or remove entries into the chart of accounts 	<ul style="list-style-type: none"> There are clear procedures in place to create, amend or remove entries into the chart of accounts
Suspense Accounts	<ul style="list-style-type: none"> General Ledger balances are inaccurate or incomplete due to insufficient clearance of suspense accounts 	<ul style="list-style-type: none"> Suspense accounts are cleared on a timely basis
Journals	<ul style="list-style-type: none"> Inaccurate, incomplete, invalid or fraudulent journals are posted to the general ledger due to a lack of scrutiny and approval of journals 	<ul style="list-style-type: none"> Journals are appropriately approved by delegated personnel and processed in a manner which maximises efficiency
Prior year agreed actions		<ul style="list-style-type: none"> Prior year agreed actions are implemented.

Appendix 3. Follow-up of previous audit actions

#	Finding (risk)	Agreed Action	Original Target Date	Action Taken	Complete
1	Oversight of key reconciliations is not sufficient (Medium)	<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 • 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. 	May 2017	A reconciliation manual plan has been developed which details the reconciliations required, the frequency they should be carried out and who is responsible for this.	No – See Finding 3
2	Frequency and consistency of reconciliations to the General Ledger (Medium)	<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>Northgate reconciliations:</p> <ol style="list-style-type: none"> Reconciliations must occur on a monthly basis Reconciliations not occurring on a monthly basis and significant unreconciled balances must be escalated to the Strategic Finance Manager. 	May 2017	A reconciliation plan has been developed but is not complete and many systems are not reconciling information to Tech1.	No – see Finding 3

3	User access review (Medium)	<p>a) Suppliers who have full access to the system should be reviewed and restricted and their accounts must be locked by the Council's system administrator</p> <p>b) Suppliers who require access to the system must request permission from the system administrator and their account must be locked immediately after use. The access should only be granted for a specific time limit i.e. 12 hours</p> <p>c) A review of users access rights should be undertaken for all Tech1 users on conclusion of the Council's restructure and thereafter at least annually</p>	<p>April 2017</p> <p>April 2017</p> <p>July 2017</p>	<p>a) Supplier accounts remain open with full access to the system</p> <p>b) Supplier accounts remain open with full access to the system. No time limits are imposed on supplier accounts.</p> <p>c) The post-restructure user access review has begun but is yet to be completed.</p>	<p>No – See Finding 4</p> <p>No – See Finding 4</p> <p>In progress</p>
4	Insufficient central oversight by Finance Team of key risk areas (Low)	<p>Finance should run the following reports and document a quarterly review as follows:</p> <ul style="list-style-type: none"> • Journals – A report listing all journals in the quarter should be run. The Finance Team should determine the criteria for filtering the report to identify those journal types/values most at risk and then document their assessment over whether the identified journals are reasonable • Chart of Accounts – A report listing all changes to the chart of accounts in the quarter should be run. The Finance Team should review all changes and confirm if they are reasonable • Last User Login – A report listing all users in order of last login date should be run every quarter. Those with last logins greater than nine months should be reviewed as to whether their access is still reasonable. <p>All of the above quarterly reviews should be documented to show review by the Finance Team and the process should be approved by the Strategic Finance Manager or Director of Finance.</p>	June 2017	The recommended reviews are not currently taking place.	No – See Findings 4, 5 & 6

5	Suspense Accounts (Low)	<ul style="list-style-type: none"> Suspense account positions must be reported to the Finance Team in the first week of each month. This must set out the movement in suspense account values from the prior period and explain reasons for significant balances which remain outstanding Upon receipt the Finance Team has responsibility to take appropriate action to ensure suspense account balances are cleared timely <p>The procedures for suspense accounts should be documented and approved by Finance, including the daily/weekly process, monthly reporting and escalation procedures to bring long or large balances to the Director of Finance.</p>	April 2017	Regular reports on suspense account balances are not taking place and balances are not being cleared in a timely manner, with balances having continued to increase over time. There remains a lack of clarity of the procedures and responsibilities for clearing suspense accounts	No – See Finding 2
6	Limited Narrative Retained on System for Journals (Low)	Appropriate journal narrative should be recorded against every journal transaction and the Finance Team should be informed regarding what the expectations are.	April 2017	The narratives posted with journals still do not provide an appropriate level of information to enable an effective review of the journal	No – See Finding 6



Internal Audit Report 2017/18

Housing Benefits

March 2018

Contents

1. Executive summary	<i>Error! Bookmark not defined.</i>
2. Background and Scope	<i>Error! Bookmark not defined.</i>
3. Detailed findings and action plan	<i>Error! Bookmark not defined.</i>
Appendix 1. Terms of Reference	<i>Error! Bookmark not defined.</i>
Appendix 2. Follow-up of Previous Recommendations	<i>Error! Bookmark not defined.1</i>
Appendix 3. Finding ratings and basis of classification	24

Distribution List

For action	Emily Fymruk – Team Leader, Customer Relationship
	Hazel Hutt, Group Manager, Customer Relationship
	Gary Wright, Rating and Recovery Manager
For information	Jeff Membery, Assistant Director, Customer Fulfilment
	Andrew Small, Director
	Audit Committee

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.

1. Executive summary

Report classification*	Total number of findings				
	Critical	High	Medium	Low	
	Control design	-	-	-	2
High risk (22 points)	Operating effectiveness	-	2	-	-
2016/17 - High risk (39 points)	Total	-	2	-	2

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

Summary of findings

This report is classified as high risk. We have identified 2 High and 2 Low risk issues

Since the prior year high risk report (39 points) significant improvements have been made to processes and controls. These improvements have led to the Council being paid back subsidy from the DWP as part of their 2016/17 subsidy return, instead of a significant subsidy loss in 2015/16. The key areas of improvement are around increasing the quality checks being performed each month which has led to consistently at least 5% of all cases being reviewed with at least 95% of these passing quality checks. This has been supported by full team training and monitoring of monthly subsidy forecasts to quickly identify any financial concerns and take prompt action to rectifying benefit cases.

However, there are still challenges, with the biggest concern being around overpayments. Consistent with the national picture, the total estimate of overpayments remains high, at £5.9m in February 2018 (2016/17: £6.5m). Of this, £4.12m relates to invoiced overpayment debt and £1.78m is being collected through on-going benefits. As reported last year, there is a mismatch between housing benefit overpayment data held on Northgate (benefits system) and Tech1 (finance system). During the year significant resources have been invested to reconcile these two systems and redesign the automated interface processes. Progress has been made to the point where the residual unreconciled balance has been reduced to 0.6% of the debt outstanding, but further work is needed to automate the matching process and establish ongoing reconciliation procedures.

There are also insufficient procedures and resources in place to support effective monitoring and recovery of housing benefit overpayment debt. A business case has recently been approved for additional resource to focus specifically on recovery of housing benefit overpayment.

Low risk issues have been raised around training and more robust performance monitoring.

System updates for changes in legislation

It was identified in December 2017, after the completion of the external audit of the annual Benefits Certification for 2016/17, that there had been two changes to benefit legislation that had not been fully implemented on the Northgate system. The changes were restrictions to the family premium in May 2016

and further measures to limit the additional benefit granted to claimants with more than 2 dependant children in May 2017. In both cases the impact was on new cases with protection extended to existing benefit claimants.

In both cases the changes to legislation were handled differently by the software provider than the usual for legislative change. As well as the expected amendments to system parameters these changes also required the purchase of specific new pieces of software which are then issued via a “licence key” which the user needs to input into the system. Although the parameter changes were made, the proper licence keys were not entered onto the system.

This problem highlighted a number of issues, which have since been addressed, including lack of technical expertise/resource; need for Technical experts and System Admin to work together more closely; shortcomings in the checking and testing arrangements; and the need to provide the caseworkers with more advanced training.

Once identified the fix was promptly put in. All effected claimants have been contacted and the impact has been minimised with additional support if appropriate. The majority of any overpayments created by this fix were classified as LA error for subsidy purposes. This has an impact on the level of subsidy estimated to be around £91,000; this will offset some of the positive reduction in overpayment in the final 2017/18 subsidy calculation.

The issue was highlighted to internal audit as soon as it was identified, and we had insight to the actions being taken. Subsequently we have reviewed and tested the new processes to identify, log, implement and test national legislation changes and conclude that these are adequate.

Summary of findings

- Manual reconciliation of overpayments has not been fully completed and the automation of the reconciliation process, whilst commissioned, has not yet been established (Finding 1 – High)
- Insufficient procedures and resources in place to support effective monitoring and recovery of housing benefit overpayment debt (Finding 2 – High)
- All procedure notes and training plans need to be completed so that all staff have clear instructions on benefits activity (Finding 3 – Low)
- Performance monitoring of benefits needs formal senior oversight (Finding 4 – Low)

Good practice noted

- Quality checks are now an integral part of day-to-day activities with a Quality Officer in place who sample checks at least 5% of cases each month. The Council has met the target of ensuring over 90% of these samples pass quality checks, exceptions are discussed at a monthly meeting with appropriate action taken where quality concerns are raised
- Overall processing times for new applications have improved on the prior year which is reflective of a more efficient approach and these are considered reasonable. The focus of the last year has been on quality over timeliness however, improvement on processing has still been made
- Good controls exist around the annual updating of parameters in the system (the issue noted above is consider to be an exception due to the nature of the change). We sampled 5 parameters from the

DWP circulars and matched them to the system with no exceptions

- From our sample of five housing benefit recipients (a mix of new claims and change in circumstances) which were tested for eligibility, accuracy and timeliness, we found no exceptions, indicating operational effectiveness in the processing of claims
- The payment run is set up to automatically run at regular intervals each month, allowing payments to occur in a timely manner
- Controls around data protection are in place with a clear Data Security Policy, adequate training for staff and the use of AppCheck which mandates further data protection training before it is used by the Department of Work and Pensions.

Management comments

We have been working hard to upskill the team and tighten the processes and procedures. Whilst we recognise there are still some areas which require attention, for each of these there are now clear plans in place, with timeframes, to address them. Once these changes are embedded, ongoing risks will be minimised.

2. Background and Scope

Background

Aylesbury Vale District Council (the Council) uses Northgate as its revenue and benefits software, with Iclipse as the information retention system. The benefits team is led by the Group Manager and supported by three team leaders, who together manage revenue and benefits activities. The benefit entitled to an applicant is calculated through obtaining evidence of all declared income and landlord rent agreement. Overpayments are created through Local Authority error or when an applicant's circumstance changes and backdated payments are recovered.

In 2016/17 the Council was restructured which resulted in significant changes to the benefits administration team. A high risk internal audit report for 2016/17 was issued, which reflected the lack of resource and gaps in knowledge and experience of staff because of the restructure, as well as a lack of performance monitoring and reporting of key housing benefit metrics. Processing times had grown and overpayments were not effectively monitored.

The purpose of this audit is to review the design of controls and their operating effectiveness with regards to housing benefits since 1 April 2017.

Scope

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

- Discussions with the Contact Team Manager and Group Team Manager
- A sample of 5 benefit recipients (new claims and change in circumstances), testing for evidence of eligibility and timeliness and accuracy of payments
- Review of monthly quality checking processes and whether this is discussed and actioned in an appropriate manner
- Review of process documents, data protection documents and evidence of training
- Review of the overpayments reconciliation and recovery processes
- Review of appeals related to Housing Benefit during the financial year and the processes surrounding this

We also reviewed progress against prior year recommendations. This does not represent a comprehensive list of tests conducted.

3. Detailed findings and action plan

1. Reconciliation of housing benefit overpayment debt is incomplete – Operating effectiveness

Finding

When an overpayment has been identified the Council’s first approach is to recover the debt by reducing the on-going benefit the individual receives for a period of time until it is recovered. However, in some circumstances, if the debt cannot be recovered this way due to the individual no longer being eligible to receive benefits, then an invoice will be raised via Tech1. In these circumstances, the Northgate system “sends” the debt to Tech1 for an invoice to be raised, and any payments received are recoded on Tech1 and should be updated on Northgate. The “invoiced” overpayment figures on the two systems should match.

Last year, internal audit reported a high risk issue with the Tech1 and Northgate interface for housing benefit overpayment and also some weaknesses in manual processes which require data to be entered into two systems. During summer 2017 work started to reconcile Northgate and Tech1 Housing Benefit Overpayment debt and clear any discrepancies between the two systems; involving manual checks of each unmatched item and investigation of both systems to correct the difference. The Finance and Benefits teams also engaged the software providers to address the underlying issue around the interface between Tech1 and Northgate.

This process is yet to be completed. We note the following status and issues:

- **Backlog of overpayments - manual reconciliation.** The Overpayments Officer is reviewing listings of unpaid balances on Northgate debtors and reconciling each item to Tech1. This involves manual matching of invoices, payments and credit notes. Once the genuine debt has been identified, appropriate recover action should then be taken (see finding 2). This process began in August 2017 and will continue until it is complete. Current completion rates as at 27 February 2018 are:
 - **Landlord invoices:** 86% have been reconciled (£14,100 unreconciled)
 - **Claimant invoices:** 98% have been reconciled (£11,900 unreconciled)
- **Backlog of overpayments - automatic reconciliation.** The manual process can only ever operate to a defined point in time, and individual claimant accounts are constantly changing as circumstances change. The Benefits and Finance teams have been working on an automated process to reconcile Northgate and Tech1 but have not yet established a full reconciliation via automatic interface which will give an exact figure on a transaction by transaction basis.

At the time of this report, the coding has been added to Northgate to allow the bespoke reconciliation job to run; this has been tested and also now run in the live environment. The Finance System Accountant is working to create an automated data matching process from Tech1 to highlight any differences to investigate. This will enable ongoing reconciliation of the two systems. This task is extensive and requires additional support from the software supplier. This automatic process, once established, will replace the manual process, with monitoring controls in place to ensure it is working.

In the meantime, reports from Northgate and Tech 1 can be run manually to identify and monitor

the difference at a summary level. Currently the difference between the two systems is £120,000, representing unreconciled debt.

- **Benefit Officers assessment of overpayments.** Each day the Overpayments Officer reviews a listing of overpayments which have been raised in Northgate debtors; this review is to check: 1) Is the debtor genuine and what recovery method is best; 2) Is it for the right amount; 3) Is the payee the correct person/organisation; and 4) Is it the right address on the invoice. This daily check has been in place since 25 August 2017 and in the period to 3 January 2018, 719 overpayment invoices have been raised on Northgate debtors of which 84.6% pass the quality checks performed by the Overpayments Officer. This is below the benchmark of 95%. Whilst those rejected overpayment invoices raised by Benefits Officers are not issued to payees, this does increase the quality checking time of the Overpayments Officer which reduces their time to manage the backlog of overpayments.

Whilst the Group Manager and Team Leaders have made good progress in recent months in resolving these weaknesses, there remains a degree of risk around the accuracy and validity of housing benefit overpayment. This will be resolved once the backlog of reconciling items is cleared and the automated process is established and operating.

Risks / Implications

Debt may be misstated.

Debt may not be recovered and/or customers may be inappropriately chased for outstanding payments.

Finding rating

Action Plan

Finding rating	Action Plan	Responsible person / title	Target date
High	a) Complete the manual reconciliation of the backlog of overpayments	Hazel Hutt, Group Manager (a,c,d,e)	
	b) Complete the necessary steps to implement the Northgate/Tech1 automatic data matching interface	Nuala Donnelly, Strategic Finance Manager (b)	
	c) When the automatic process is established, determine frequency of reporting and investigation of any differences (at least monthly)		a) 31 March 2018
	d) Until the automatic interface is working, continue to monitor the value and movement of the unreconciled balance at a summary (total) level		b) 30 April 2018 c) 30 April 2018 d) 31 March 2018
	e) Overpayments checked daily by the Overpayments Officer need to achieve the 95% benchmark by reporting compliance and feeding back any consistent errors to Team Leaders.		e) 30 June 2018

2. Insufficient recovery of housing benefit overpayment – Operating effectiveness

Finding

In December 2017 the recovery of housing benefit overpayment debt moved to the Ratings and Recovery Team. It was envisaged that by centralising with other recovery activity it would standardise and improve efficiency. The recovery team receive reconciled debt information and raise invoices against this. Invoiced housing benefit overpayment currently stands at £4.12m but there is little to no activity to monitor this and take recovery action.

This is primarily due to a lack of capacity in the recovery team; there is currently no single designated officer to work on recovery of overpaid housing benefits including proactive recovery methods, such as attachment to earnings. In March 2018, approval has been given to engage a dedicated resource to accelerate the recovery of this debt. Under the “debt project”, work is also progressing to report and monitor collection rates, but this is yet to be embedded and is reliant on Tech1 upgrades and accurate reconciliation outlined in Finding 1.

Risks / Implications

Housing benefit overpayment is not recovered. Increased debt write-offs.

Finding rating

Action Plan

High

- a) Identify sufficient /additional resources to enable effective recovery of housing benefit overpayments. This should include proactive measures such as “attachment to earnings” and profiling of balances to ensure those with most chance of recovery are prioritised. Target recovery rates should be agreed to justify the return on any additional financial investment in resource.
- b) Produce monthly/quarterly monitoring reports of overpayment benefits debt issued and recovered, including reports of aged debt to the Finance Board.
- c) Debts deemed irrecoverable should be written off in accordance with the new debt policy.

Responsible person / title

Gary Wright, Ratings and Recovery Manager

Target date

- a) 30 June 2018
- b) 30 June 2018
- c) 30 June 2018.

3. Process and procedure documentation and training – Control design

Finding

The Customer Relationship Team as at December 2017 is staffed with 2 Team Leaders, 16 permanent staff and 11 temporary staff; there are also 3 permanent vacancies which are unfilled.

On-the-job training is delivered to staff upon joining. Those staff who were employed in April 2017 would have undergone a week long training programme covering all the key aspects of revenues and benefits and subsequent to this, local training has been delivered by Team Leaders on particular areas of risk i.e. how to document 'earned income'. We identified two areas for improvement:

- Updating procedures notes. The team have invested time to create and update procedure notes and placing these onto Box so they are accessible to staff. This includes procedure notes on how to manage overpayments, raise credit notes and run reports, amongst other areas. There are still some procedure notes to be finalised and shared with staff to ensure these can be disseminated and embedded into daily practices. The team are creating a calendar which will set out all future training for team members to ensure the correct frequency and breadth of training is delivered
- Temporary staff. Temporary staff are not given training on overpayments or Northgate when they join. As they are recruited because of their skills there is an assumed level of knowledge however, this will not pick up local processes. Whilst on-the-job training is given and new starters have their calls monitored, procedures around particular local challenges i.e. overpayments, are not covered in specific training.

To help address the issues relating to housing benefit overpayments, the Team Leader has a plan in place to ensure new and existing staff receive training. This will ensure that officers understand what housing benefit overpayments are, why they have occurred, what the impact is on the customer and authority and how to correctly action these on Northgate in line with legislation.

Risks / Implications

Benefit cases may be incorrectly assessed. Inaccurate and/or inefficient processing of claims.

Finding rating

Action Plan

Low	<p>a) A schedule identifying every member of the Team should be kept listing the training they have received. For future training, the calendar currently being developed should be finalised so that there is a clear picture of future training to be delivered. These schedules should be monitored and action taken to ensure all staff have training in overpayments and wider benefits training needed is assessed and acted upon.</p> <p>b) Complete the process of creating and updating all procedure notes and sharing these on Box. There should be a schedule created of all procedure notes recording when they were last updated and ensuring they are reviewed on an at least annual basis to ensure they are still valid and complete.</p>	<i>Responsible person / title</i>
		Hazel Hutt, Group Manager
		<i>Target date</i>
		a) 30 April 2018 b) 30 April 2018.

4. Performance monitoring of benefits needs formal senior oversight – Control design

Finding

Performance monitoring arrangements for Housing Benefits have improved significantly compared to the prior year. These improvements include: monthly meetings to monitor quality checks and taking appropriate action, a forecast of subsidy outturn to mitigate any unexpected financial loss and reviewing headline key performance indicator information on processing times.

Whilst monthly performance meetings are taking place at an operational level, this does not involve the Assistant Director – Customer Fulfilment, and updates to him are more ad-hoc. Key performance indicators should be regularly reported to senior management for oversight and Members for scrutiny (in consultation with Strategic Finance Manager around wider financial performance reporting).

Risks / Implications

Housing benefit performance is not monitored, impacting the subsidy claim and ability to collect debts. Poor service delivery to claimants; increase in complaints.

Finding rating

Action Plan

Low	Establish a standing meeting involving the Group Manager and Assistant Director – Customer Fulfilment at least quarterly to discuss the performance of revenues and benefits covering at a minimum: overall performance times, current position on quality checks and subsequent actions, monthly subsidy forecasts, team training, team staffing and position on overpayments. These meetings should be minuted or supported by an action plan.	<i>Responsible person / title</i>
		Hazel Hutt, Group Manager
		<i>Target date</i>
		31 May 2018

Appendix 1. Terms of Reference

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

Sub-process	Risks	Objectives
Parameters	Inaccurate benefit pay	<ul style="list-style-type: none"> Parameters entered onto the system are in line with national DWP circulars and sufficient verification checks are conducted to ensure the validity, accuracy and completeness of parameters entered
Eligibility	Fraudulent/invalid claims	<ul style="list-style-type: none"> Eligibility is assessed and agreed back to evidence which is recorded clearly on the system and case notes to ensure compliance with local and national guidance
Approval and payment	Fraudulent/invalid claims	<ul style="list-style-type: none"> Approval of cases is in line with local procedures and clearly evidenced in a timely manner Payments are made in line with eligibility and local/national guidance in a timely manner
Processing speed	Claimants waiting for payment. Admin delays can reduced subsidy	<ul style="list-style-type: none"> Processing times for new claims and changes of circumstance are routinely monitored and reported to maximise efficiencies
Overpayments	Inaccurate payment. Cost of non-recovery	<ul style="list-style-type: none"> Overpayments are identified in a timely manner, monitored and appropriate action taken Evidence to support decisions where overpayments are identified are recorded and approval is received Processes are in place to recover overpayments, in line with legislation, and monitor arrears. Write-offs are in line with Council procedure
Errors	Inaccurate payment, impact on subsidy claim	<ul style="list-style-type: none"> Quality checks are performed Claimant error and Local Authority Error is identified, monitored and rectified
Appeals	Cases not managed adequately	<ul style="list-style-type: none"> Policies and procedures for appeals are clear Appeals are managed in accordance with policy and monitored effectively
Data Protection	Adequate controls and Data breach	<ul style="list-style-type: none"> There is clear guidance on how to manage data in line with the Data Protection Act and local policies Data breaches or near misses are reported correctly with action taken Sufficient support and training to staff is provided to meet requirements
Reconciliations	Inaccurate financial data	<ul style="list-style-type: none"> Reconciliations between Northgate and T1 are performed and reviewed on a regular basis
Follow up of prior year agreed actions		<ul style="list-style-type: none"> External audit recommendations following the subsidy audit and have been addressed Prior year internal agreed actions have been implemented

Appendix 2. Follow-up of Previous Recommendations

#	Finding (risk)	Agreed Action	Original Target Date	Action Taken	Complete
1	Staff structure, team knowledge and training (High)	<p>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</p> <p>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</p>	<p>March 2017 – for review of team structure and experience</p> <p>June 2017 – training needs review</p>	<p>The whole team went through training in April 2016 and the use of temporary staff has reduced. The Team Structure process has completed with a new Team Structure chart in place</p> <p>Training has commenced and plans being developed</p>	<p>Complete</p> <p>In progress – see finding 3</p>
2	Quality checks are insufficient. (High)	<p>The results of quality checks undertaken must be reported to individuals on an on-going basis by at least the end of the following month which they related to, including trends being reported to the team as a whole. Action must be taken to respond to errors identified for example</p> <p>The Council should continue to test at least 5% of all cases each month and set a target accuracy rate i.e. 95% and above. The target accuracy rate should be reported and monitored</p> <p>Council should embed the review and approval (using notepad) control for cases which are greater risk until such time a new system or tool is devised.</p> <p>To assess and decide whether to purchase the DWP risk verification software. If this is not purchased, the Council should document the risk of not prioritising cases effectively and undertake an alternative arrangement.</p>	<p>April 2017 – to set a target for accuracy rates for quality checks</p> <p>May 2017 – all other actions</p> <p>June 2017 – provide targeted feedback to individuals</p>	<p>A monthly quality checking meeting is in place with checks being taken daily.</p> <p>Reviewing at least 5% of cases and achieving at least 95% compliance</p> <p>Targeted feedback is now given and this shows in the high levels of compliance and the fact the 2016/17 DWP subsidy return led to receiving money instead of paying it as in 2015/16</p> <p>Risk verification “AppCheck” is in place</p>	<p>Complete</p>
3	Performance monitoring of	Monthly KPI reports should be produced and reviewed by	April 2017 – agree KPIs and	A monthly meeting takes place which	Complete

<p>benefits is inadequate (High)</p>	<p>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.</p>	<p>develop reporting pack May 2017 – agree terms of reference of senior meeting and arrange first meeting</p>	<p>focusses on the quality checks and subsidy return attended and led by the Group Manager A quarterly meeting involving the Assistant Director, Customer Fulfilment is not in place.</p>	<p>Not complete – see Finding 4</p>
<p>4 New claims processing times (Medium)</p>	<p>Council should continue the recently established weekly process of the Duty Officer to follow-up benefit case reminders until such time a new approach is devised 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.</p>	<p>May 2017</p>	<p>The weekly Duty Officer process is in place and the Council have implemented AppCheck software to risk assess cases on a trial basis. Processing times have also significant reduced from 28 for new claims in the prior year to 18 days There is no longer any issues with misallocated Salesforce emails</p>	<p>Complete</p>
<p>5 Data protection needs to be supported via completion of e-learning modules and system reconciliations (Medium)</p>	<p>The list of those who have conducted the E-learning module on data protection should be mapped to the current staff in the Customer Relationship Team. This should identify individuals who have not undertaken the training and those who have undertaken the training more than 12 months ago. Training should be completed and thereafter undertaken at least annually A data matching exercise between iClipse and Northgate must take place at least monthly.</p>	<p>March 2017 – undertaking mapping exercise April 2017 – ensure 100% compliance with E-learning module April 2017 – undertake data matching exercise between iClipse and Northgate</p>	<p>The Council are now 100% compliant. As part of joining AppCheck every staff member had to undergo extensive DWP data training. All staff have undertaken this and records retained</p>	<p>Complete</p>
<p>6 Overpayments data is not fully understood to support effective decision making (Medium)</p>	<p>The Council must 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</p>	<p>June 2017</p>	<p>The position on overpayments is still on-going</p>	<p>Not complete – see Finding 1.</p>

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.

Appendix 3. 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	Overall report classification	Points
Critical	40 points per finding	● Critical risk	40 points and over
High	10 points per finding	● High risk	16– 39 points
Medium	3 points per finding	● Medium risk	7– 15 points
Low	1 point per finding	● 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>



Internal Audit Report 2017/18

Taxi Licensing

March 2018

Contents

1. Executive summary	2
2. Background and Scope	4
3. Detailed findings and action plan	5
Appendix 1. Finding ratings and basis of classification	14
Appendix 2. Terms of reference	15

Distribution List

For action	Lindsey Vallis, Group Manager - Regulatory Services Nicola Metcalf, Interim Licensing Team Manager
For information	Jeff Membery, Assistant Director Customer Fulfilment Tracey Aldworth, Director Andrew Small, Director Audit Committee

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.

1. Executive summary

Report classification*	Total number of findings				
	Critical	High	Medium	Low	
	Control design	-	-	2	1
Medium Risk (13 points)	Operating effectiveness	-	-	2	-
	Total	-	-	4	1

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

Summary of findings

This report is classified as Medium risk. We raised four medium and one low risk issues.

We tested a sample of 20 applications and 15 service requests/regulatory actions and sanctions for the period April 2017 to January 2018. Testing demonstrated an overall weakness on record keeping and evidence retention. In addition, we have also identified a lack of effective documented enforcement activities and management oversight and scrutiny of the performance of taxi licensing.

Our review assessed cases on the Council's platform Uniform; this has recently been replaced by Salesforce which went live in November 2017. We assessed the capabilities and functions of Salesforce in light of any design gaps we found in Uniform to assess whether Salesforce would adequately mitigate these – overall Salesforce will substantially improve the ability to retain evidence and compliance however, this will not cover all design gaps identified in this review.

The taxi licensing service has seen a significant increase in demand for both vehicle and driver licences following the introduction of the Deregulation Act 2015 with driver licence applications increasing five fold and vehicle applications three fold since the introduction of the Act. In 2017/18 AVDC underwent an organisational restructure which resulted in 50% of the staff within the taxi licensing service moving into roles in other departments within the organisation and a related period of recruitment and staff training. The Licensing Service has been subject to interim management arrangements pending a review of the service which is due to be consulted on within the next 3 months. The findings of this report should be considered within this context.

Summary of findings

- A lack of supporting evidence and records of action is retained to demonstrate whether drivers and vehicles are fit and proper and safeguarding checks are sound for both applicant and service requests (Finding 1 – Medium)
- Enforcement activities are not documented centrally or monitored and new joint working protocols are not yet working effectively (Finding 2 – Medium)
- No management information is collated and/or provided for scrutiny for the performance of Taxi Licensing (Finding 3 – Medium)

- Our sample identified 2 instances of error over penalty points and 2 instances of untimeliness over regulatory actions and sanctions. There was also an issue identified with licences associated with expired visas however, Management have accepted they cannot fully mitigate this risk in the short term (Finding 4 – Medium)
- Not all Members of the Licensing Committee have been trained and the training provided does not include all key elements of safeguarding (Finding 5 – Low)

Good practice noted

- Taxi Policy and procedure notes are in place and provide a clear framework for the taxi licensing service
- The Council has clearly defined its standards regarding Safeguarding and 'Fit and Proper Persons'
- A competency framework is used to assess officer's ability prior to being given the authority to approve applications and to revoke licences
- All Officers in the Taxi Licensing Team have received training in Data Protection and are expected to attend GDPR training in the coming months
- Officer roles and responsibilities have been defined
- Complaints are acknowledged within 3 days
- System access is sufficiently restricted and Salesforce has been designed to implement further restrictions within sensitive data records and more efficient working practices.

Management comments

Taxi Licensing is a busy demand driven service with public safety at it's core. Areas of good practice have been identified which is positive and we will seek to build on this going forward. Following the audit an action plan has been implemented to address the issues raised and this has been actively progressing since the audit date.

This review is timely in that the findings will inform the further implementation and development of our new Salesforce database system and feed into the pending review of the Licensing Service.

2. Background and Scope

Background

AVDC is responsible for the licensing and enforcing of hackney carriages and private hire vehicles under the Town & Police Clauses Act 1847, the Local Government (Miscellaneous Provisions) Act 1976 and Transport Act 1985. It has set public safety as paramount importance in respect of the taxi service.

Any vehicle which can carry up to 8 paying passengers must be licensed as must the driver and the operator.

Types of taxi: Hackney – Black cab	White plate	Aylesbury Town – Taxi ranks in Aylesbury “For hire” in Aylesbury	Max 50
Hackney – White cab	Red plate	Rural – Buckingham taxi ranks. “For hire” outside Aylesbury	No Limit
Private Hire	Yellow plate	Not allowed in taxi ranks. Must be pre booked	No Limit

Applicants must apply for a licence and meet basic requirements of being at least 21 years old and a holder of a full EU driving licence. There are a number of additional checks that must also be undertaken including an enhanced Criminal Records Bureau, Group 2 medical test, DVLA checks and driver competence tests.

AVDC is responsible for the enforcement of vehicle standards and operators’ licences and undertakes regular checks. This includes enforcement officers undertaking roadside checks late at night, early in the mornings and during weekends.

Scope

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

- A sample of 20 licence applications from April to November 2017 to check that: procedure was followed, applications were reviewed in a timely manner, and appropriate evidence was retained
- A sample of 15 service requests and regulatory sanctions from April to November 2017 to check that: appropriate communication was made to the complainant, investigations were undertaken and evidenced, and appropriate remedial actions were taken on a timely basis
- Review of the Taxi Policy and Licensing Committee Minutes.

This does not represent a comprehensive list of tests conducted.

3. Detailed findings and action plan

1. Retention of evidence and action records – Operating Effectiveness

Finding

Both licence applications and complaints require relevant and sufficient documentary evidence to support actions and decisions taken. Up until November 2017, all relevant evidence was uploaded and retained on Uniform, the Council’s integrated software. Since November 2017, Uniform has been decommissioned and replaced by a new system, Salesforce. Data covering the period April 2017 to November 2017 was migrated to Salesforce and all new application and complaints records have since been uploaded and retained on Salesforce.

During the migration process from Uniform to Salesforce, any gaps identified in Uniform to support the retention of evidence were flagged up and addressed. Licensing Officers are in the process of recommending sufficient and relevant configuration of key fields to support enhanced data control in Salesforce.

The findings identified below relate to processes and documentation on Uniform. We have highlighted what further action is needed to ensure the risks are addressed in Salesforce, and where this is not possible, compensating controls should be implemented.

During our sample testing of 20 applications and 15 complaints for the period April to November 2017, we found insufficient evidence and records of actions were retained on Uniform. This included, but not limited to:

Issue identified	Samples affected	Consequence	Salesforce requirement
Medical Report signed by Doctor missing for licence renewals – should be received within 3 months of licence renewal	2	No evidence that the driver issued with a licence is medically fit	<p>This will be uploaded by Licensing Officers. The field is mandatory for new applications but not for renewals.</p> <p>Management reports will identify medical reports that have not been received within 3 months of renewal but these will require management oversight.</p> <p>Residual gap: Salesforce will not fully resolve the issue identified</p>
MOT testing for external vehicles not uploaded to UNIFORM	1	No evidence that the vehicle is roadworthy	<p>Salesforce is automatically linked to MOT records carried out by the Council, however external MOTs will still need to be manually uploaded by the officers.</p> <p>Residual gap: this will not fully</p>

			resolve the issue identified.
Correspondence with third parties, such as the Home Office, complainants and other local authorities is not consistently recorded on UNIFORM	3	Driver may not have right to work; or may not be fit and proper Complaints may not be investigated in a timely manner	Officers will be prompted to review any blank fields in Salesforce when reviewing and updating an application, including adding comments. However, the comments box where correspondence could be added is not mandatory Residual gap: The system will always be dependent on the information that officers input into it and this issue is therefore also dependent on staff training and user processes.
DBS and DVLA checks are recorded on UNIFORM using a tick box. However, there is nowhere to record any comments to set out any unsatisfactory information identified during checks, offences, or licence points	All applications for licence – evidenced by a sample test of 5	Driver may not be fit and proper and historic offences and points are not recorded	There is comment box for the officers to record DBS and DVLA checks and associated findings. Access to the DBS data will be restricted so only certain Officers can input/access it Resolved: this will resolve the issue identified
Actions carried out by Officers in relation to investigating service requests are not fully recorded in chronological order and action logs are not held	11	Actions taken by Officers cannot be evidenced and this increases the risk of incomplete and/or duplicate checks being made	The system provides an action log and timeline for Officers to complete Residual gap: The system will always be dependent on the information that officers input into it and this issue is therefore also dependent on staff training and user processes.

In addition, any template such as confirmation of successful application letter will be generated from Salesforce and they will be time-stamped and automatically transferred to the Salesforce record. This will eliminate the risk of evidence retention for some of the above mentioned documents.

Risks / Implications

Inaccurate and/or incomplete records result in insufficient evidence to support applications and investigation. The evidence fails to provide a clear audit trail for licence approval, investigation and regulatory sanction.

Finding rating

Action Plan

Medium

- Training to be provided to Officers in order to standardise record requirements for both applications and service requests
- Management conducts sample testing on at

Responsible person/title

- Nicola Metcalf, Interim Licensing Team Manager
- Nicola Metcalf, Interim Licensing

least a quarterly basis to confirm whether applications and service request records on Salesforce contain appropriate and sufficient evidence and action records. Evidence of check must be retained and exceptions must be recorded and communicated to the Group Manager – Regulatory Services.

Team Manager

Target date

a) Complete

b) 30 June 2018

2. Enforcement activities lack centralised record and monitoring – Control Design

Finding

The Taxi Licensing Team carries out various proactive and reactive enforcement activities. There are no legal or regulatory requirements for proactive enforcement and it is therefore for AVDC to determine the level of proactive enforcement undertaken. Based on our review of individual officer's calendars and discussion, it was found that the following proactive enforcement activities have been undertaken during 2017/18:

Enforcement action	Latest date of proactive enforcement	Frequency expected by Taxi Licensing Team
Joint operation with Thames Valley Police	October 2017	Quarterly but subject to third party availability
Joint operation Bucks County Council	July 2017 as December 2017 visit was cancelled due to snow	Quarterly but subject to third party availability
Test Purchase (the Council employs a volunteer who will request taxi service and observe whether the driver and the taxi are complying with the standard set out in the Taxi Policy)	The last test purchase happened in June 2017	Quarterly but subject to third party availability
Annual operator inspections	There were 25 inspections between November 2016 and November 2017. There are a significantly greater number of operators than 25 and therefore this level of inspection is considered low/insufficient	Annual
Penalty point monitoring	March 2017	Monthly
Joint Taxi and Private Hire Enforcement Protocol with Milton Keynes Council A positive arrangement was agreed via a Memorandum of Understanding between AVDC and Milton Keynes Council (MKC) which came into force in October 2017.	To January 2018, 234 AVDC licensed vehicles working in Milton Keynes have been identified with defects by MKC. The agreement requires MKC to follow-up the defect actions but due to teething issues in the arrangement these were passed back to the AVDC for follow-up; the capacity to follow these up is limited. The MoU is seen as a positive arrangement and expected to significantly improve cross-border enforcement when fully established.	Monthly

Discussion with Officers confirmed that not all proactive enforcement activities were recorded on the central database and penalty point monitoring was not conducted on a regular basis. In addition, with the exception of operator visits, evidence of enforcement activities was seldom retained on Uniform unless a

penalty was issued.

The Council has made contact with other neighbouring authorities with the aim to agree a consistent enforcement protocol and to work in partnership. This has proven difficult as each area has its own unique way of working.

Risks / Implications

Enforcement is not appropriately targeted. Enforcement activity may be ineffective and may not best inform future decision making around licence issue.

Finding rating

Action Plan

Medium	a) A pro-active enforcement activity programme to be created. It must document the planned activities.	<i>Responsible person / title</i>
	b) Records of enforcement activities and outcomes should be documented on the salesforce system	<i>a) Simon Gallacher, Principal Licensing Officer</i>
	c) This programme must be reviewed and monitored on at least a quarterly basis. Progress and changes to the programme must be recorded in Officer meetings	<i>b) Nicola Metcalf, Interim Licensing Team Manager</i>
	d) Penalty points monitoring should happen on a monthly basis. All licences with 12 points should be reviewed by Officers as set out in the Policy. Any sanction or decision must be recorded in Salesforce	<i>c) Nicola Metcalf, Interim Licensing Team Manager</i>
	e) Building on the recent enforcement protocol with Milton Keynes, the Council should progress similar arrangements with other neighbouring authorities.	<i>d) Nicola Metcalf, Interim Licensing Team Manager</i>
		<i>Target date</i>
		<i>a) 30 June 2018</i>
		<i>b) 31 March 2018</i>
		<i>c) 30 June 2018</i>
		<i>d) 30 April 2018</i>
		<i>e) 31 December 2018</i>

3. Management Information is not collected or reported – Control Design

Finding

Our review of the Licensing Committee minutes and discussion with Officers found that management information on performance of processing applications and decisions is not captured and reported appropriately. Discussion with the Group Manager – Regulatory Services noted management information/KPIs are currently being drafted and the followings are initial ideas:

- Number of applications received by type - driver, vehicle, operator
- Number of refusals for vehicles and drivers
- Number of revocations for vehicles and drivers
- Number of suspensions for vehicles and drivers
- Length of time between valid application received to issue by type - driver, vehicle, operator
- Average waiting time waiting for a call to be answered
- % of income received against annual target by type - driver, vehicle, operator
- Number of enforcement sanctions undertaken for vehicles
- Number of drivers given points (and type)
- Number of operators visited
- Number of complaints received regarding taxi issues
- Caseload by Officer.

There should also be a data quality KPI and monitoring report around critical fields on Salesforce which, if incomplete, may indicate that inadequate safeguarding checks have been undertaken.

Risks / Implications

Lack of monitoring increases risk of errors and/or bad practice not being identified and result in poor data quality and decrease in efficiency and effectiveness

Finding rating

Action Plan

Medium	a) KPI/Management information to be finalised and agreed. This must then be reported on a monthly basis to the Licensing Team Manager	<i>Responsible person / title</i> a) Lindsey Vallis, Group Manager – Regulatory Services
	b) Variance in KPIs must be investigated and causes/reason must be recorded and provided to the Licensing Team Manager	b) Nicola Metcalf, Interim Licensing Team Manager
	c) Any agreed remedial action should be recorded and communicated to the relevant Officer	c) Nicola Metcalf, Interim Licensing Team Manager
	d) KPIs used for management information must incorporate age of service requests and outstanding checks. The outstanding checks should focus on DBS, medical report and right to work. This will help to identify instances when service requests are not attended to in a timely manner; and the latter will help to ensure that checks are completed to ensure that drivers are fit and proper.	d) Lindsey Vallis, Group Manager – Regulatory Services
		<i>Target date</i> a) 30 April 2018 b) 30 June 2018 and ongoing c) 30 June 2018 and ongoing d) 20 April 2018

4. Errors and timeliness in regulatory sanction, inability to monitor UK visa status – Operating Effectiveness

Finding

Regulatory actions, such as investigation and panel decision, and sanctions, such as penalty points, suspension and revocation of licences, must be actioned in line with policy and in a timely manner.

We tested a sample of 15 complaints and regulatory sanctions for the period April 2017 to January 2018 and identified the following issues:

6 instances resulted in penalty points being issued to licences. Of these, there were 2 where an incorrect number of points had been issued. These 2 instances related to a new member of staff and therefore this is considered to reflect a training requirement and not a systematic concern.

6 instances resulted in suspension or revocation of licence. Of these, there were 2 where there was a significant gap (more than one month) between actions carried out by the Officers.

- In the first instance, the issue was reported by the Police on 19 March 2017 and the investigation and interview were completed by May 2017. However, the Taxi Licensing Panel did not meet until 4 July 2017 when a decision of suspension was made. The delay may have been because Officers were awaiting intelligence or background checks, whilst it may have been justified, a lack of supporting information on the Uniform system made it difficult to understand the reasons for delay
- In the second instance, the sentence of a court case was issued on 26 May 2017. The Council did not request an interview with the respective driver until 11 July 2017 and the licence was not revoked until 8 August 2017.

We also tested a sample of 15 foreign passport holders which identified 2 licences that had been issued for a period that exceeds the expiration of their UK Visa. There is currently no way to record on Uniform the origin of the applicant. After our testing, the Licensing Team undertook a further sample of 20 and found 1 error.

Whilst this presents a risk that individuals have licences beyond a visa expiration date, Management concluded that they cannot undertake an exercise go through each application to rectify this. Each licence last for 3 years and to go through every licence over that period would mean reviewing c. 4000 applications of which c. 25% relate to those with foreign passports. This would be an extensive exercise and even if those cases were identified, the evidence held (see Finding 1) may not be sufficient to identify whether the visa had expired or not.

The current risk is accepted by management in the short term as the new process within Salesforce will, over the next 3 years, lead to 100% compliance. New applications will be documented correctly or old applications would expire and when they do, be loaded onto Salesforce in the correct way. Salesforce will also produce a dashboard on this which gives live information.

Risks / Implications

Drivers may be operating with a licence that should have been withdrawn, posing risk to public safety. Drivers may be operating under licence without valid visa or right to work in UK, for which AVDC can be fined.

<i>Finding rating</i>	<i>Action Plan</i>	
Medium	a) Set out standard timeline parameters for processing decisions and protocols for where the Council diverge from these timelines.	<i>Responsible person / title</i>
		a) Nicola Metcalf, Interim Licensing Team Manager
	b) Ensure Salesforce functionality enables monitoring of Visa status so that oversight of eligibility to work in the UK can be maintained, and where necessary licences cancelled on a timely basis.	<i>Target date</i>
		a) 31 May 2018

5. Licensing Committee members training and awareness incomplete – Control Design

Finding

The LGA Taxi and PHV Licensing Councillor Handbook issued in late 2017 requires that Councillors who are members of a Licensing Committee, as a minimum, are trained in:

- Licensing procedures
- Natural justice
- Understanding the risks of child exploitation
- Disability equality
- Local issues.

The Handbook also recommends that training covers difficult and potentially controversial decisions. Please note that whilst the Handbook sets out potential difficult and controversial decisions around the issue of licences, these activities are delegated to Officers and Committee Members are not involved in these decisions.

Whilst all elected members on Committee have received Licensing training this training does not reflect the recently issued LGA Taxi and PHV Councillor Handbook and should be updated to reflect this.

Risks / Implications

Members may be unaware of the new LGA Handbook in terms their role in developing suitable Licensing frameworks and policies.

Finding rating

Action Plan

Low	a) Licensing Committee Member training should be reviewed to ensure that all requirements in the Councillors Handbook are sufficiently covered b) A summarised hand out of training notes should be provided to Members for future reference.	<i>Responsible person / title</i>
		a) <i>Simon Gallacher, Principal Licensing Officer</i> b) <i>Simon Gallacher, principal Housing Officer</i>
	<i>Target date</i>	
	a) <i>31 July 2017</i> b) <i>31 July 2017</i>	

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	Overall report classification	Points
Critical	40 points per finding	● Critical risk	40 points and over
High	10 points per finding	● High risk	16– 39 points
Medium	3 points per finding	● Medium risk	7– 15 points
Low	1 point per finding	● 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
Policy and Strategy	Inadequate strategy or policy in place not setting our protocols and/or is unapproved	<ul style="list-style-type: none"> • Taxi Policy in place, including the checks which need to be undertaken to ensure a person is “fit and proper,” which is reviewed on a regular basis and approved by the Licensing Committee. • Procedures are documented
Application processing	Inaccurate/incomplete records and evidence to support applications including inadequate approval	<ul style="list-style-type: none"> • Applications are received and reviewed in a timely manner • Appropriate evidence is retained to demonstrate completion of checks and basis for decision. Including for each applicant: <ul style="list-style-type: none"> • details • that all required checks have been undertaken • assessment of each case with a decision recorded • date of expiration including follow-up • revoking and cancelling invoices.
Safeguarding	Inadequate safeguarding arrangements leading to licences being wrongly awarded and/or poorly monitored	<ul style="list-style-type: none"> • Policy in place covering “fit and proper” person standards. • Full record of applications clearly evidencing the safeguarding checks on individuals has been undertaken. • Links in place with appropriate agencies to help identify relevant convictions which occur during the life of a licence.
Enforcement	Ineffective enforcement as it is not targeted appropriately and/or effective	<ul style="list-style-type: none"> • Enforcement should be targeted to areas of known risk. • Enforcement activity must be evidence and comply with legislation.
Roles and responsibilities	Ill-defined roles and responsibilities which are ineffective	<ul style="list-style-type: none"> • Officer’s roles and approval ability are clearly identified through job descriptions and operational processes. • Officers who approve applications have been licenced and therefore evidence to prove they have the skill set for completion of their role in the team.
Complaints	Inadequate arrangements over complaints and appeals	<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. • Once investigation completed appropriate action is taken on a timely basis.
Data Protection	Inadequate storage of information securely, and made available to unauthorised persons.	<ul style="list-style-type: none"> • All personal information is held in accordance with the Data Protection Act and only shared in accordance with the Act. • System access is in accordance with the officer’s role in the team.
Management information	Inadequate/ineffective management information irregularly reported and not acted upon	<ul style="list-style-type: none"> • Performance of processing applications and decisions is captured and reported appropriately with relevant action taken • Statutory reporting data, as required, is validated and reported timely.

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Audit Committee
26 March 2018

CORPORATE RISK REGISTER

1 Purpose

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

2 Recommendations/for decision

2.1 To review the Corporate Risk Register and associated actions (Appendix 2) and identify any issues for further consideration

3 Corporate Risk Register - Supporting information

3.1 The Audit Committee has a role to monitor the effectiveness of risk management and internal control across the Council. As part of discharging this role the committee is asked to review the Corporate Risk Register.

3.2 The Corporate Risk Register provides evidence of a risk aware and risk managed organisation. It reflects the risks that are on the current radar for 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 and Cabinet.

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 and was last updated on 13 March 2018.

The CRR is regularly reported to Audit Committee and was reviewed by Cabinet on 6 March 2016. Since the last Audit Committee in January 2018, two new risks have been added (#4 & #22), three risks have increased from Moderate to High, one risk has increased from High to Extreme and two risks have reduced from High to Moderate. The changes are summarised below:

Risk Ref	Change	Comment
4) Portfolio of commercial (profit generating/cost recovery) activities and opportunities fails to produce the return on investment needed to support a sustainable Council.	New (Moderate)	Risk reflects need for continuing focus on income generation to achieve a sustainable Council.
22) Failure to adequately plan for next round of growth following adoption of VALP; including consideration of CaMKOx Corridor and need to meet updated OAN housing targets.	New (Moderate)	Need for continued coordination and communication around the growth agenda. Consideration of impact of final unitary decision.
19) Modernising Local Government: 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 impacting all areas. Potential impact on retention and recruitment.	Increased H → E	"Minded to" decision announced 12 March in support of a single unitary for Bucks; against the 2 unitary proposal preferred by the Districts. Period of uncertainty will have impact across all areas of council; staff morale, recruitment & retention, strategic decision making and deflection of resource to the reorganisation process.
2) Organisational culture does not enable the strategy (Connected Vision, Connected Knowledge & commercial targets). Behaviour framework and Values are not embedded.	Increased M → H	Recognised that staff morale (existing and new) may have deteriorated in recent months and the need for increased communication from Directors on vision and direction of the new organisation. Post behavioural assessments, work is needed to embed desired behaviours into cultural norm.
15) Failure to manage a major partnership or a significant council contractor.	Increased M → H	Significant performance issues with Street Cleaning contractor. Contractor is working on improvement plan and being closely monitored.
1) Fail to achieve the Medium Term Financial Plan. Annual sector budgets are not delivered.	Reduced H → M	Balanced MTFP to 2021/22 approved.
7) Waste Transformation Project fails to deliver commercial, customer, H&S, Environmental objectives.	Reduced H → M	Actions are being implemented in line with programme targets.

There are **22 risks** on the corporate risk register. The residual risk rating is summarised as follows:

Residual Risk Rating			
Low risk 2	Moderate risk 12	High Risk 6	Extreme risk 1
<p>16) Fraud, corruption, malpractice by internal or external threats.</p> <p>17) Equalities is not considered in decisions resulting in Judicial Review and other litigation.</p>	<p>1) Fail to achieve the Medium Term Financial Plan. Annual sector budgets are not delivered.</p> <p>4) Portfolio of commercial (profit generating/cost recovery) activities and opportunities fails to produce the return on investment needed.</p> <p>6) Council owned or partly owned companies (VC, AVE & AVB) fail to achieve the Council's objectives. Inadequate governance arrangements.</p> <p>7) Waste Transformation Project fails to deliver commercial, customer, H&S, Environmental objectives.</p> <p>8) Fail to manage and deliver major capital projects - Waterside North, Pembroke Road.</p> <p>10) Fail to deliver a sound Vale of Aylesbury Local Plan.</p> <p>11) Health & Safety - Non-compliance with Fire and Health and Safety legislation.</p> <p>14) Safeguarding arrangements, internal policies and processes are not adequate to address concerns about /protect vulnerable adults & children.</p> <p>18) Failure to manage and deliver the requirements of the SLA for HS2.</p> <p>20) Failure to effectively engage with members and the community around the Council's vision and strategy.</p> <p>21) Failure to respond to new legislation on Homelessness Duty, enforceable from 1 April 2018. Inability to recruit and train staff in complex new legislation.</p> <p>22) Failure to adequately plan for next round of growth following adoption of VALP; including consideration of CaMKOx Corridor and need to meet updated OAN housing targets.</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>9) Fail to recruit Technical Professional Specialists (Planning, IT, Property). Reliance on use of consultants / agency and not effectively managed.</p> <p>12) 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>13) Information Governance - A significant data breach, Inappropriate access, corruption or loss of data</p> <p>15) Failure to manage a major partnership (e.g. LEAP, Enterprise Zones) or a significant council contractor.</p>	<p>19) Modernising Local Government: 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 impacting all areas. Potential impact on retention and recruitment.</p>

Notes:

- 5) *Fail to deliver the Commercial Property Investment strategy and achieve planned return on investment* - has not yet been fully assessed and rated.
- *Impact of Brexit* - We continue to assess the potential 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.

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				

Page 126

	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	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.

AVDC Corporate Risk Register

Last review date: 13 March 2018

Ref	Risk Owner	Delegated Manager	Risk	Potential Consequences	Inherent Risk Rating			Capacity to Manage Risk	Existing Controls	Residual Risk Rating			DoT (up = increasing risk)	Proposed Actions/Comment	Completion Date	Connected Vision
					Likelihood	Impact	Overall Risk Rating			Likelihood	Impact	Overall Risk Rating				
1	Andrew Small	Strategic Board	Fail to achieve the Medium Term Financial Plan. Annual sector budgets are not delivered.	Failure to meet statutory obligations and business objectives; Pressure on budgets increase; Inefficient and ineffective use of resources; Poor publicity and reputation damage; Inability to meet the demands of the future and ensure continuous improvement of services.	4	5	20	Moderate	Balanced MTFP to 2021/22 (approved Feb18). Strategic Board monitoring the budget; regular reporting through Cabinet. Quarterly financial digest. Budget managers review cost centre reports.	1	4	4	↓	Developing corporate & sector budget dashboard to facilitate reporting.	Apr-18	Financially Fit
2	Andrew Grant	Strategic Board	Organisational culture does not enable the strategy (Connected Vision, Connected Knowledge & commercial targets). Behaviour framework and Values are not embedded. Lack of clarity on AVDC "Brand" and what a "Commercial Culture" means.	Failure to achieve strategy, lack of staff commitment to implement change, poor morale & performance.	4	3	12	Moderate	Behavioural Framework used for candidate selection. REACH performance development becoming embedded. Employee Relations - Collaboration and healthy challenge with trade union and staff representatives and challenges addressed in partnership. Wellbeing -Outplacement scheme implemented. Coaching programme in place.	3	3	9	→	1.Regular staff comms from Directors to be re-established to engage on corporate vision and direction (first Mar18). 2.People & Culture Strategy in development - due Mar18. 3.Connected Working Strategy development is progressing and reflecting feedback from staff. Workstreams are being identified and then priority will be determined. 4. Consider programme of work on BAU process improvement, with regular comms on actions & progress 5.Procuring new HR system which will address user and reporting issues (go live Oct18). 6. Need to formally build behaviours into the REACH process.	Mar 18 Mar 18 Oct18	Commercially Minded
3	Andrew Grant	Maryvonne Hassall	Failure to deliver the Connected Knowledge Strategy and achieve the Council's Digital objectives. Lack of alignment to wider strategic objectives.	Operational - New systems lack robust business processes and controls; poor integration between systems; failure to comply with GDPR and other legislative requirements exposing the Council to potential breaches; Data sharing of personal & sensitive information, cyber risk. Financial - VFM & unbudgeted costs Reputational - damage to reputation and standing as a "Digital Council", relationship with suppliers, disengage community through lack of access to digital services	3	4	12	Moderate	CK Strategic Board set up to ensure alignment and oversight (Sept 17). Funding agreed for 2018/19 Programme governance arrangements, steering group, regular reporting to CAVDC Board	2	4	8	→	Include CK in 2018/19 internal audit work programme		Customer & Innovation
4	Andrew Grant	Strategic Board	Portfolio of commercial (profit generating/cost recovery) activities and opportunities fails to produce the return on investment needed to support a sustainable Council.	Failure to meet statutory obligations and business objectives; Pressure on budgets increase; Inefficient and ineffective use of resources; Poor publicity and reputation damage; Inability to meet the demands of the future and ensure continuous improvement of services.	4	3	12	Moderate	"Commercial Oversight" group established to monitor activity and income. Income and costs included in budget and monitored.	2	3	6	New	SEED business plan for 18/19 and strategy in development. Similar approach to be followed for other commercial activities.	Mar-18	Financially Fit
5	Andrew Small	Teresa Lane	Fail to deliver the Commercial Property Investment strategy and achieve planned return on investment.		4	4	16	Limited	Property Investment Strategy approved by Cabinet Sept 17			TBA	New	Refine the investment strategy in line with the new Govt financial guidance and regulations regarding LA investment in commercial acquisitions. Risk assessment will be updated as the team and processes develop.		Commercially Minded
6	Andrew Small	Andy Barton	Council owned or partly owned companies (VC, AVE & AVB) fail to achieve the Council's objectives. Inadequate governance arrangements over Companies.	Inability to achieve expected distribution from the partnerships and grow AVDC's investments; security of loans. Satisfaction/relationship with existing customers/community deteriorates; Reputational damage to Council and Members if high profile ventures fail; negative impact of "commercial" decisions on Council's wider strategic & community objectives.	4	4	16	Moderate	Information to be included in Qly Digest to reflect all investments & performance. AVDC role of Corporate Commercial Strategy Manager appointed to ensure oversight/coordination of commercial activities. AVE - AVE 18/19 business plan went to Scrutiny & Cabinet Jan18. Robust challenge and stretch targets to deliver. Held Risk Workshop with AVE (Jan17) and developed risk register. Independent legal advice taken on Members' Agreement. Partnership Agreement in place, business plan process in place and plan subject to scrutiny and cabinet approval. AVDC representatives on AVE abreast of issues. On-going monitoring and monthly meetings taking place. Asset Managers have been directly advised of performance concerns. AVB - sale of AVB business completed 30.12.17. VC - Jan18 Cabinet approved Board recommendation to place Company into dormancy and transfer operational activities to AVDC. Activity absorbed into SEED and reported with standard budget processes.	2	3	6	→	AVB - sale of AVB business completed 30.12.17. Internal audit in progress in accordance with Council motion (6.12.17). Full report to Audit Committee in May18 AVE -Internal audit review in 2018/19 during which any lessons learned from AVB review will be considered.	April 18 by Mar 19	Financially Fit
7	Tracey Aldworth	Isabel Edgar Briancon	Waste Transformation Project fails to deliver commercial, customer, H&S, Environmental objectives.	Inability to deliver services to public; death or injury to public or staff; regulatory fines; criminal prosecution or civil litigation; reputational damage; financial cost.	5	4	20	Moderate	Programme of works to March 2019 mapped out. Dedicated programme manager. Monthly Programme Board oversight; quarterly updates to Strategic Board	2	3	6	↓	Operations H&S officer in post. Programme is on target.	Mar-19	Customer & Innovation
8	Andrew Small	Teresa Lane Isabel Edgar Briancon	Fail to manage and deliver major capital projects on budget and to time - The Exchange & Pembroke Road redevelopment	Costs exceed budget; damage relationships with future/existing tenants; Reputation damage	3	3	9	Substantial	Major Capital Projects Member group – Highlight reports, challenge from legal, finance and risk; Project teams with external contractors in place with established governance processes for Exchange Phase 1 & Pembroke Rd.	2	3	6	→	Review governance arrangements if and when Exchange Phase 2 starts to ensure still adequate	Feb-18	Commercially Minded

Ref	Risk Owner	Delegated Manager	Risk	Potential Consequences	Inherent Risk Rating			Capacity to Manage Risk	Existing Controls	Residual Risk Rating			DoT (up = increasing risk)	Proposed Actions/Comment	Completion Date	Connected Vision
					Likelihood	Impact	Overall Risk Rating			Likelihood	Impact	Overall Risk Rating				
9	Strategic Board	Jeff Membro/Te resa Lane/Isabel Edgar Briancon	Fail to recruit Technical Professional Specialists (Planning, IT, Property). Reliance on use of consultants / agency and not effectively managed.	Impact on service delivery; Increase in staff stress levels; financial cost of agency staff.	5	3	15	Moderate	Active recruitment ongoing with a range of strategies. Use of contractors to cover permanent vacancies. Contractor costs are monitored.	3	3	9	↓	Currently have 7 technical specialist vacancies that we haven't been able to recruit, 5 of which are Planning. Range of actions being taken: Recruitment, Graduate Fairs, review of reward packages Exit strategies for consultants. Working with County and Districts on opportunities for Planning officer recruitment. P&C involvement in consultancy contract extensions. IR35 review group established to monitor ongoing compliance.	Ongoing April 18	Financially Fit
10	Tracey Aldworth	Will Rysdale	Fail to deliver a sound Vale of Aylesbury Local Plan; Strategic partner objections	Opportunistic planning applications; Loss of local control; Government send in own planning team; Loss of New Homes Bonus.	3	3	9	Moderate	VALP approved by Council 18 October. Project manager in place. Weekly action plans and progress monitoring. Regular engagement and communication with CLG to discuss timeframes. Early engagement of QC. Support from the Planning Officers Society; Advice from Planning Inspectorate; Working with the Bucks Planning Officers Group.	2	3	6	→	VALP submitted. On target subject to inspection	Jul-18	Community Focused
11	Andrew Small	Isabel Edgar Briancon	Health & Safety - Non compliance with Fire and Health and Safety legislation.	Death or injury to public or staff; criminal prosecution or civil litigation; Service stopped; Loss of public trust; Action by Health and Safety Executive or Bucks Fire and rescue, e.g. fine up to £4m, corporate manslaughter charges; Insurance claims/ financial loss	2	4	8	Moderate	Revised H&S policy & strategy approved Sept 17. Fully staffed: Corporate H&S Manager, part-time H&S Advisor, Operations H&S Officer at Pembroke Road. Fire Risk Assessments performed for all property (Apr17) and reviewed (Dec17). Strategic Health and Safety Board monitor risk and performance. H&S Committee meets every 3 mths. Management of contractors procedure in place and training provided. Ongoing training planned throughout 2018.	2	3	6	→	1. Legionella and lone working assessment currently being undertaken 2. Sector Managers to receive IOSH Working Safely accreditation during 2018 to provide competency for carrying out their own risk assessments and risk profiling 3. New M&E service provider selected which will see a more uniformed and monitored approach to pre-planned maintenance and reactive work	Mar 18 Sep 18 Apr 18	Financially Fit
12	Andrew Small	Isabel Edgar Briancon (BC) / Will Rysdale (EP)	Fail to plan for a major or large scale incident (accident, natural hazard, riot or act of terrorism). Risk to safety of public & staff. Business interruption affecting the Council's resources and its ability to deliver critical services. Loss of IT due to failure or cyber attack.	Service delivery disruption and impact on the Council's ability to deliver critical services. Reputational damage to the council. Public safety.	2	4	8	Moderate	Community Safety Manager appointed (Apr17) with responsibility for Emergency Plan and Community Resilience. Manager responsible for BC coordination appointed (Aug17). Public Events Management steering group set up & Duty holders established. Increased use of cloud technology, less paper documents. Resilience workshop with Local Resilience Forum to focus on long term response planning. Thames Valley Local Resilience Plan in place, with AVDC representation at District level.	2	4	8	→	1. BC - workshop planned for key services to review documents on 6th Feb. Then draw together the corporate BCP that links all the services BCP's together. 2. Events safety Management plan being developed. 3. EP & BC Steering Group to be established to ensure coordination. First mtg Mar then every qtr	Mar 18	Community Focused
13	Andrew Small	Andy Barton	Information Governance - Non compliance with legislation, a significant data breach, inappropriate access, corruption or loss of data.	Exposure of confidential information or corruption of data; Prosecution or fine for statutory breach; Loss of public trust	3	4	12	Substantial	Data Governance Officer appointed May17 with responsibility for DP and info governance. IGG monitors specific risks and has its own action plan. Information Management Strategy has been revised in readiness for GDPR. IGG Workshop on GDPR to raise awareness. Mandatory training; Investigations into data breaches. Periodic data sweep. HB Law supporting GDPR.	2	4	8	→	GDPR readiness assessment undertaken (Oct 17) sets out the roadmap for compliance by May2018. Programme of work started Nov17. Information Asset Register, with identified Information Asset Owners - project has started (Jan18) Dual factor sign in roll-out commenced Oct17. Privacy Impact Assessments for all projects. Ensure due diligence for all suppliers who will be accessing/handling AVDC data	May-18	Financially Fit
14	Andrew Grant	Will Rysdale	Safeguarding – arrangements are not adequate to effectively address concerns about vulnerable adults & children who may be at risk of significant harm. Requirements of "Prevent" are not implemented and applied. Internal processes and controls are inadequate to effectively prevent dangerous individuals from gaining access to opportunities where that may place vulnerable adults and children at harm (e.g. Taxi licensing).	Failure to refer concerns to the appropriate agency for investigation; Damage to reputation; Harm to vulnerable adult or child as a result of failure to refer. Reputational damage to the council should perpetrator of terrorism be living or radicalised within the borough. A known sex offender is not prevented from having access to vulnerable adults and children.	2	4	8	Moderate	Use self reporting template/ RAG framework (S11); Meeting with Chair of Bucks safeguarding board – questions asked about current safeguarding arrangement and recommendations made; AVDC Chairs Community Safety Partnership (Prevent). Check applications for taxi licenses with disclosure Scotland. Mandatory training is in place for all staff. Whistleblowing policy in place and Managing volunteers policy in place. Members training on Prevent (WRAP) (Oct17)	2	3	6	→	Internal audit of safeguarding complete and actions identified to improve internal controls and processes (May17). When these actions are implemented risk should reduce. Manager awareness session took place 20 Jun17 Internal AVDC safeguarding board re-established with wider membership across all sectors. Mandatory training being rolled out to all staff, with training sessions to be provided to elected members too.	Mar-18	Community Focused
15	Andrew Small	Isabel Edgar Briancon	Failure to manage a major partnership (e.g. LEAP, Enterprise Zones) or a significant council contractor.	Financial Loss; Damage to Reputation; Impact on service provision; Unable to achieve Commercial AVDC objectives.	4	3	12	Substantial	Proforma high and low value contracts T&Cs developed. Contracts register developed and risk assessment of portfolio completed. Contracts & Procurement Manager & 2 officers in post. Silverstone Park Enterprise Zone Infrastructure funding has business rates retention recovery plans in pace.	4	3	12	↑	Performance issues with Street Cleaning Contract - Escalated with Contractor, Improvement plan due end Feb, legal advice on contract position 1.Roll out of procurement criteria (includes finance, data, risk assessment etc.) 2.Develop contract management procedures - differentiated for key suppliers to ensure risks are managed. 3.Review of contract register/database (update and standardise) and assign contract owners	Mar-18	Financially Fit
16	Andrew Small	Andy Barton	Fraud, financial impropriety or improper business practices. Potential for fraud, corruption, malpractice or error, by internal or external threats.	Immediate financial loss; reputational harm; inquiry costs and penalties.	2	3	6	Substantial	Compliance team focus on CT liability, Housing Benefit, Tax Reduction entitlement, exemptions and discounts. New Fin Regs & Procedures update financial controls. Internal audit reviews and oversight of fraud action plan. Fraud Awareness session provided at Manager Training.	1	3	3	→	Fraud policies to be reviewed. Finance processes training to be reviewed	Jul-18	Financially Fit
17	Andrew Small	Andy Barton	Equalities - Decisions taken by the Council do not consider equalities resulting in Judicial Review and other litigation	Reputational risk to the authority and inability to progress with strategic objectives of the organisation; potential cost to the Council if decisions made against the authority.	2	3	6	Moderate	Equalities steering group. Equality Impact Assessments performed. Annual Equalities report to Cabinet Jan18Post restructure, AVDC profile has been reviewed and is broadly consistent.	1	2	2	→	P&C Manager coordinating and setting out action plan	TBC	Community Focused
18	Tracey Aldworth	Susan Kitchen	Failure to manage and deliver as a qualifying authority the requirements of the SLA for HS2.	Loss of local control, power of qualifying authority status removed or power reverts to HS2	3	3	9	Moderate	Ensuring adequate resources, Working with HS2 and other authorities on changes in managing process.	2	3	6	→	SLA not yet signed but agreed. Challenge in recruiting appropriate planning staff, recruitment in progress.		Community Focused

Ref	Risk Owner	Delegated Manager	Risk	Potential Consequences	Inherent Risk Rating			Capacity to Manage Risk	Existing Controls	Residual Risk Rating			DoT (up = increasing risk)	Proposed Actions/Comment	Completion Date	Connected Vision
					Likelihood	Impact	Overall Risk Rating			Likelihood	Impact	Overall Risk Rating				
19	Andrew Grant		Modernising Local Government: 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 impacting all areas. Potential impact on retention and recruitment.	Adverse impact on service delivery due to deflection of resource to reorganisation; loss of key staff; inability to attract staff during time of uncertainty; uncertainty over future direction impacts all areas of activity.	5	4	20	Moderate	Minded to decision announced 12 Mar in support of a single unitary for Bucks. Ongoing comms to update members and staff. Prep work done to enable timely response to decision.	5	4	20	↑	Minded to decision announced 12Mar in support of a single unitary for Bucks. Special Council meeting 21 Mar, action plan reviewed and updated, Mgr briefings and staff comms commenced, message sent to recruitment applicants		Community Focused
20	Andrew Grant		Failure to effectively engage with members and the community around the Council's overall vision and strategy.	Poor decision making/decisions based on inadequate information; reputational risk; plans do not address needs.	4	3	12	Moderate	Comms strategy, community survey	2	3	6	→	Project starting around Member engagement (Nov17). "Connected Vision" will be live from 1 Apr. Communications strategy in development.	Apr-18	Community Focused
21	Tracey Aldworth	Jeff Membery	Failure to respond to new legislation on Homelessness Duty, enforceable from 1 April 2018. Inability to recruit and train staff in complex new legislation.	Legal challenge / breach; Reputational and political risk; Financial cost; inefficient use of resources.	5	3	15	Moderate	Budget ring-fenced for first 2 yrs. Staff recruitment programme ongoing with P&C support.	3	2	6	→	Recruitment ongoing. Then need for training for existing and new staff in revised duties NB - Universal Credit comes in Sept 2018	Mar-18	Community Focused
22	Tracey Aldworth		Failure to adequately plan for next round of growth following adoption of VALP; including consideration of CaMKOx Corridor and need to meet updated OAN housing targets.	Expose district to "planning by appeal"; developer challenge	2	3	6	Moderate		2	3	6	New	Ongoing need or coordination. Consider impact of final unitary decision on growth strategy.		Community Focused

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REVIEW OF GENERAL FUND BALANCES 2018-19

1 Purpose

- 1.1 This report presents the risk assessment methodology applied in determining the minimum safe level of General Fund Working Balance used in budget planning and invites the Committee to consider the completeness and adequacy of the provision.

2 For decision

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| 2.1 The Committee is invited to consider the risk assessment methodology and make any comments on its completeness and accuracy for use in budget planning for 2019/20. |
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3 Detailed Report

- 3.1 There is a statutory requirement on all Councils to set a balanced budget each year. A balanced budget can legitimately include the use of general uncommitted balances, where the Council agrees that it is appropriate to do so.
- 3.2 The Council holds general working balances as insurance against unexpected financial events. This includes failure to generate expected income as well as financial claims against the Council
- 3.3 The level of balance maintained by Aylesbury Vale District Council is reassessed annually and the minimum recommended safe level is applied in budget setting and planning.
- 3.4 The current minimum assessed level of balances is £2.0 million which has been arrived at based upon a risk and probability assessment of potential budgetary factors during 2018/19.
- 3.5 In agreeing the 2018-19 revenue and capital budgets, a number of risk factors in relation to government grant funding, service pressures and inflation and will have already been addressed specifically.
- 3.6 This report presents the risk assessment methodology and the general risks identified in determining the minimum recommended safe level of £2.0 million used in budget planning for 2018/19.
- 3.7 The assessment has been informed by a review of the Council risk register.
- 3.8 Members of the Committee are invited to review the methodology, the risks and the mitigations identified and consider their appropriateness in context of the budgetary pressures facing the Council.
- 3.9 The potential risks arising following the Brexit and potential Unitary decision will continue to be assessed. 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 make any financial provision.
- 3.10 Any recommendations will be passed on to the Cabinet member for Resources, Governance and Compliance, who, together with the Director with

the Responsibility for Finance, will consider these in developing a budget plan for 2019/20.

3.11 The assessment is attached to this report as Appendix 1.

4 Supporting information

4.1 Many of the financial pressures facing the Council have been the subject of previous reports to members. They are also referred to in the Quarterly Financial Digests and in the budget planning development reports.

5 Resource implications

5.1 None.

Contact Officer
Background Documents

Nuala Donnelly (01296) 585164
Budget Planning and Medium Term Financing Planning

Appendix 1

Corporate Risks	CRR Rating	Working Balance Cover Required	Risk	Risk Factor Applied	General Reserve Provision
<u>Corporate Risks : Financially Fit</u>					
Failure to achieve the Medium Term Financial Plan	4	200,000	M	50%	£100,000
Risk to Commercial activities and income stream	6	250,000	M	50%	£125,000
Council owned or partially owned companies - risk of non-performance	6	200,000	M	50%	£100,000
Failure to recruit Technical/Professional Specialists	9	300,000	H	60%	£180,000
Non compliance with Fire and Health and Safety legislation	6	150,000	M	50%	£75,000
Non compliance with Information Governance	8	200,000	M	50%	£100,000
Failure to manage a major partnership/ significant contractor	12	250,000	H	60%	£150,000
Fraud, financial impropriety or improper business practices	3	100,000	L	30%	£30,000
		<u>1,650,000</u>			<u>£860,000</u>
<u>Corporate Risks : Commercially Minded</u>					
Organisational culture does not enable the strategy	9	450,000	M	50%	£225,000
Fail to deliver the Commercial Property Investment strategy and return	tba	0	L	30%	£0
Fail to manage and deliver major capital projects on budget and to time	6	200,000	L	30%	£60,000
		<u>650,000</u>			<u>£285,000</u>
<u>Corporate Risks : Community Focused</u>					
Failure to deliver Vale of Aylesbury Plan	6	200,000	M	50%	£100,000
Failure to plan for a large scale incident	8	50,000	M	50%	£25,000
Safeguarding : ensuring adequate controls	6	100,000	M	50%	£50,000
Ensuring equality decisions	2	0	L	30%	£0
Failure to manage and deliver requirements of the SLA for HS2	6	50,000	M	50%	£25,000
Failure to meet Modernising Local Government Agenda	20	550,000	H	60%	£330,000
Failure to engage with stakeholders on vision and strategy	6	125,000	M	50%	£62,500
Failure to respond to new legislation on Homelessness Duty	6	125,000	M	50%	£62,500
Failure to adequately plan for Growth	6	125,000	M	50%	£62,500
		<u>1,325,000</u>			<u>£655,000</u>
<u>Corporate Risks : Customer and Innovation</u>					
Failure to deliver the Connected Knowledge Strategy	8	200,000	M	50%	£100,000
Waste Transformation Project fails to deliver objectives.	6	200,000	M	50%	£100,000
		<u>400,000</u>			<u>£200,000</u>
<u>Grand Total of Reserves Held</u>		<u>4,025,000</u>			<u>£2,000,000</u>

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