

# AUDIT COMMITTEE

8 OCTOBER 2018

**PRESENT:** Councillor R Newcombe (Chairman); Councillors A Waite (Vice-Chairman), C Adams, A Christensen (in place of Mrs Harrison), M Collins, C Poll (in place of Mrs Glover), S Raven, R Stuchbury, D Town and H Mordue (ex-Officio). Councillor P Cooper attended also.

**APOLOGIES:** Councillors A Harrison and N Glover.

## 1. MINUTES

RESOLVED –

That the minutes of the meeting held on 23 July, 2018, be approved as a correct record.

## 2. EXTERNAL AUDIT - ANNUAL AUDIT LETTER

The external auditors were required to issue an Annual Audit Letter (AAL) to AVDC following completion of their audit procedures for the year ending 31 March 2018.

The Committee received, for information, the external auditors' AAL which provided an overall summary of the external auditors' assessment of the Council. The letter drew on the findings of audit work carried out on the Council's financial statements for 2017/18. These covered the key findings on the Financial Statements audit, the Value for Money conclusion, Whole of Government Accounts, Annual Governance Statement, and control themes and observations had already been reported to the Audit Committee, so were very briefly summarised in the AAL.

The external auditors were anticipating issuing the Annual Certification Report of grant claims and returns for 2017/18 in January 2019. Members attention was also drawn to Executive Summary which listed the results and conclusions on the significant areas of the audit process. This detailed that an unqualified opinion had been given that the financial statements gave a true and fair view of the financial position of the Council as at 31 March 2018 and of its expenditure and income for that financial year. There were no other matters from the areas of work that needed to be reported to those charged with governance of the Council.

The key issues identified as part of the external audit work had been as follows:-

- Misstatements due to fraud or error – the work had not identified any material weaknesses in controls or evidence of material management override, or instances of inappropriate judgements being applied. The auditors had not identified any other transactions during the audit which appeared unusual or outside the Council's normal course of business.
- Risk of fraud in revenue and expenditure recognition – the work had not identified any material misstatements or unusual transactions to indicate any mis-reporting of the Council's financial position.
- Property, Plant and Equipment – the work had not identified any material misstatements and some non-material misstatements.
- Other Risk: Pension Liability Valuation: one uncorrected misstatement had been identified in relation to a difference in the estimated value of the fund assets attributable to Aylesbury Vale and the actual outturn position. The value of this difference had been £1.328m.

When establishing the overall audit strategy, it had been determined that planning materiality was £1.959m, which was 2% of Gross Revenue Expenditure, with any differences in excess of £0.114m reported to the Committee. Further information on the strategy for reporting was included in the Committee report.

The Auditor's report had included reference to the un-adjusted Pension valuation error, which had been brought to the attention of the Audit Committee immediately prior to its Accounts Certification meeting. The report highlighted that this figure is material and requires significant estimation. It was also highlighted that it was the early estimation of this number and a subsequent recalculation by the scheme Actuary that resulted in the difference. The Auditor had report concluded that this was within acceptable tolerances.

The auditor's report also included summary information on the Value for Money conclusion and on data analytics done to help identify specific exceptions and anomalies which could then be focussed on during substantive audit testing. Analytics had been done in areas including journal entries and payroll. Areas of focus for the future reporting would include looking at the impact of the introduction of new accounting standards for IFRS 9 Financial Instruments, IFRS 15 Revenue from contracts with customers, and IFRS 16 leases.

The Committee was informed that the external audit fees for 2017/18 were in line with the scale set by the PSAA and reported in the March 2018 Audit Plan. Non-audit work outside of the PSAA requirements had not been undertaken during the period.

In response to a question Members were informed that when the Commercial Property Investment Strategy had been approved by full Council in September 2017 it had been agreed that reports would be brought to Cabinet, the Finance and Services Scrutiny Committee, Council and, where appropriate, in the Quarterly Finance Digest on the progress of the strategy.

RESOLVED –

- (1) That, this being Adrian Balmer's last Audit Committee meeting, Members thanked him for the external audit work he had done over the past few years.
- (2) That the contents of the External Auditor's Annual Audit Letter for 2017/18 be noted.

### **3. CORPORATE RISK REGISTER**

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

Since June 2018, there had been a number of changes to risks as follows:-

- 2 New Risks had been added:
  - Impact of Brexit – a working group had been established to assess the impact of different scenarios and risks to AVDC.
  - Deterioration of quality of planning service delivery – statistics indicated that planning performance was improving, although ongoing concerns had been raised over the quality of service.
- One risk had been closed:

- Failure to effectively engage with Members and the community around the Council's vision and strategy.
- 2 Risks had reduced:
  - Organisational culture does not enable the strategy (Connected Vision, Connected Culture and commercial targets). The behaviour framework and values were becoming embedded into ongoing programmes and business as usual. As such, the risk had been reduced from Medium to Low.
  - Fail to manage and deliver major capital projects on budget and to time – Pembroke Road redevelopment. The budget had been approved and the tenders received were within budget. Planning approval had also been obtained. As such, the risk had been reduced from High to Medium.

The background and comments against each risk was included in the report, as well as a summary in relation to residual risk ratings. There were now 26 risks on the Corporate Risk Register. The risks in relation to the Commercial Property Investment Strategy, the impact of BREXIT and the quality of the planning service delivery had not yet been fully assessed and rated.

When the Audit Committee had last considered the CRR in June 2018, Members had requested that a new risk be added to reflect the risk posed by a deterioration in the quality of delivery of the Planning Service. A report on planning performance in Quarter 1 of 2017/18 (April-June) was attached as an appendix to the risk register report. The Assistant Director (Customer Fulfilment) and the Group Manager – Commercial and Built Environment Services attended the meeting and provided a detailed explanation of the report, as well as answering questions from Members. Members requested information and were informed:-

- that Members should contact the Group Manager – CBES if they believed any planning applications were not accessible on the Council's website.
- that it was the Council's aspiration to determine 100% of planning applications within the determination periods set by Government targets. However, planning in a significant growth area like Aylesbury Vale was particularly challenging, in particular in relation to recruiting experienced planners and obtaining necessary information from statutory consultees such as the BCC Highways Department. The Council had recruited 16 planners in the last year, with a further 3 vacant posts still to be filled.
- that all local authorities were experiencing difficulties in retaining good planners, especially as they could get remunerated better for working for private companies. However, the range of work that planners could do in Aylesbury Vale, as a growth area, was attractive to some people. The Council's Planning Service had also recruited graduates over the last 2 years who were working towards becoming qualified planners over time.
- that information on the Council's planning performance was publicly available and was also reported regularly to the Development Management Committee.
- it was acknowledged that the Planning Service and the numbers of planners would likely need to increase in the future in response to the growth that would accompany the Expressway, east-west rail and the housing numbers in the VALP.
- that the Council was generally successful in dealing with planning appeals, with considerably less than 1% of planning applications received ending in non-determination findings.
- that Members who had queries on individual planning applications should contact Officers after the meeting.
- that the Council's planners spent the majority of their time on site visits or considering and writing up reports. However, Members or a Parish Clerk who

- had a particular technical question could schedule a phone call with a Planning Officer.
- that the Parish Liaison Officer (PLO) was in a team with 3 other people, who were able to provide cover when the PLO was not in the office.

The Committee was of the opinion that given the range of challenges facing the Planning Service the Strategic Board should continue to consider the capacity and performance of the planning service to support continued extensive growth in the Vale.

Members then considered the other CRR risks and challenged robustly some of the assumptions made in the CRR, both in specific and general terms.

Members commented as follows:-

- (i) Risk 11 – (Failure to deliver a sound VALP) – the risk needed to be reviewed and updated having regard to the recent communication from the Planning Inspector.
- (ii) Risk 9 (Fail to manage and deliver major capital projects on budget and to time – The Exchange) – Members discussed the challenges in attracting food and beverage market providers (restaurants/cafes) and were assured that the Council was doing all it could to secure tenants for the Exchange.
- (iii) Risk 21 (Support for Universal Credit) – an explanation was provided of the existing controls that had been put in place to mitigate this risk. A review of Housing Benefits, which would consider the impact of Universal Credit, was included in the 2018/19 Annual Internal Audit Plan, to be reported to the Committee in January 2019.

RESOLVED –

- (1) That the current position of the Corporate Risk Register be noted.
- (2) That the feedback from this meeting, in particular in relation to the new risk 'Quality of Planning Service Delivery', be reported to Strategic Board when the CRR was next reviewed.

#### **4. INTERNAL AUDIT PROGRESS REPORT**

The Committee received a progress report on activity undertaken against the 2018/19 Assurance Plan that had been approved by the Committee in June 2018. The following matters were highlighted:-

##### **Final Reports issued since the previous Committee Meeting**

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

- **Corporate Health and Safety (Medium risk)** – the review had identified three medium and two low risk issues where further work was required to strengthen controls in a number of areas, as detailed in the Committee report Overall, procedures were found to be working in accordance with health and safety requirements at both a corporate and operational level, and a number of areas of good practice had been noted, in particular at the Waste and Operations site at Pembroke Road.
- **Procurement and Contract Management (Medium Risk)** – the review had identified one medium and four low risk issues. The report had noted that significant progress had been made in 2017-18 in strengthening procurement and contract procedures and visibility over contract spend. A number of areas

had been highlighted where further work was required. Again, these were detailed in the Committee report.

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

### **2018/19 Internal Audit Plan Work in Progress**

The Committee was informed that two reviews (Customer comments, compliments and complaints, and Housing Benefits) had held their scoping meetings.

Three reviews (Section 106, Commercial Waste and Parking Services) had agreed terms of reference with it anticipated that final reports would be made to the Audit Committee in January 2019.

### **Summary of changes to the 2017/18 Internal Audit Plan**

To remain relevant, the annual internal audit plan needed to be flexible to respond to emerging or changing risks. With budget constraints, there was also a need to ensure prioritisation was given to work that would achieve the greatest value to the organisation.

When the 2018/19 plan had been approved in June 2018, the Waste and Recycling review had included looking at the contracts for Street Cleansing/Horticulture and Recycling. However, the Council had recently approved the proposal to bring Street Scene services in-house when the current contract concluded in January 2020. Due to changes in the recycling market, AVDC was paying for waste to be taken to a MRP rather than receiving income for recyclates. For both contracts, management procedures were in place and this was not considered a high risk for internal audit review. Audit days would be re-allocated to allow for more in-depth reviews of Commercial Waste and Parking Services.

### **Implementation of Agreed Audit Actions**

The implementation of actions and recommendations raised by internal audit reviews were monitored 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.

A detailed listing of all internal audit actions, together with a status update was included at Appendix 4. In total, 36 actions were followed up for the October 2018 Audit Committee – that included an update on all actions whether they were due or whether they had a later due date. 20 out of 36 actions (55%) had been completed.

Members sought further information and were informed:-

### **Corporate Health and Safety**

That the Buckinghamshire Safety Advisory Group (SAG) brought together all the agencies that had an interest in the safety and environmental impact of public events, including Bucks Fire and Rescue Service, Thames Valley Police, South Central Ambulance Trust, and Bucks County Council's Highway Department. It allowed public event organisers to obtain advice from multiple agencies but did not 'sign off' event proposals, nor did it accept any liability for issues arising from an event. It was explained that it was the responsibility of individual events organisers to ensure that risk assessments and the level of health and safety input required was addressed in advance of the event.

## **Procurement and Contract Management**

That the contracts team was working to ensure that the Contract Register on the Council's website was updated and met the requirement of the Local Government Transparency Code 2015.

### **Appendix 4**

- Safeguarding – that while individual managers performance managed their staff to ensure mandatory safeguarding training was undertaken, the Council needed to ensure that corporate records were regularly reviewed and updated. A new HR/Personnel system 'XCD' was in the process of being rolled out across the organisation which would address this issue.
- Lone working – it was confirmed that the Council's Lone Work Policy had recently been updated, with devices issued to relevant staff.
- Taxi Licensing – Members expressed concerns in relation to taxi licensing and driver contact with vulnerable people, particularly where drivers who had been licensed by other local authorities then operated in the Aylesbury Vale area.

Action point: To ensure that a review of the Taxi Safeguarding policy was considered for inclusion in the Internal Audit Plan for 2019/20.

RESOLVED –

That the progress report be noted.

## **5. UPDATE ON AYLESBURY VALE BROADBAND REVIEW**

On 12 June, Council resolved that:

- (1) That this Council notes that, at its meeting on 12 June 2018, the Audit Committee of AVDC accepted and agreed the twenty two recommendations of the BDO LLP review into AVB. As such, Council endorses the decision and formally adopts the recommendations which are to be applied to all its current and future commercial ventures. Further, a cross party group will be formed to oversee the implementation of the recommendations, the group to be appointed by the Audit Committee.
- (2) That in view of concerns about various financial aspects of financial matters reported in the BDO LLP report on the review of Aylesbury Vale Broadband (AVB), the Council as 95% shareholder in AVB, agrees for a detailed examination of the accounts of AVB to be carried out as a matter of urgency by AVDC's internal audit team and a report of this be delivered to the Audit Committee.

Group Leaders put forward Councillors C Branston, B Chapple, A Cole, S Cole, A Christensen, S Lambert and P Cooper to sit on the Cross Party Working Group:

The Cross Party Group held its first meeting on 10 September, 2018. The headlines from that meeting were:-

- Councillor C Branston had been elected as Chairman of the Group.
- The Group approved their terms of reference.
- The 22 AVB review recommendations and the proposed next steps for their implementation had been considered. The Group had made a number of

comments on these that would be used to update the 'next steps' information further.

- The Council's Lead Legal and Monitoring Officer had been formally asked to investigate the yellow pages breaches that had been raised during the review of AVB.
- The Corporate Governance Manager and the Director with responsibility for Finance had been asked to undertake a sample checking exercise on some areas of AVB's accounts, e.g. on customer invoices and orders placed, and on fuel receipts, to enable the Officers to give Members and the public some assurance that the accounts were an accurate record of the affairs of the company.
- The next meeting of the AVB Cross Party Group would be held in October or November, when an update on all the aforementioned issues could be reported back to Members. Any final report would be reported back to the Audit Committee.

RESOLVED –

That the membership and terms of reference of the Aylesbury Vale Broadband Cross Party Working Group be approved.

## **6. WORK PROGRAMME**

The Committee considered the future Work Programme (Appendix 1) 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.

The Audit Committee Tracker (Appendix 2) was also attached to the Committee report which highlighted ongoing and completed actions identified by Members at previous meetings.

Members would be asked to consider at the next meeting topics / issues that they would like included in the training and briefing sessions.

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