



AYLESBURY VALE DISTRICT COUNCIL

Democratic Services

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17 January 2019

AUDIT COMMITTEE

A meeting of the **Audit Committee** will be held at **6.30 pm** on **Monday 28 January 2019** 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: R Newcombe (Chairman), A Waite (Vice-Chairman), C Adams, M Collins, N Glover, A Harrison, G Powell, S Raven, R Stuchbury, D Town and H Mordue (ex-Officio)

AGENDA

1. APOLOGIES

2. TEMPORARY CHANGES TO MEMBERSHIP

Any changes will be reported at the meeting.

3. MINUTES (Pages 3 - 10)

To approve as a correct record the Minutes of the meeting held on 8 October, 2018, copy attached as an appendix.

4. DECLARATION OF INTEREST

Members to declare any interests.

5. EXTERNAL AUDIT PROGRESS REPORT

To receive a verbal update from the external auditors.

Contact Officer: Nuala Donnelly (01296) 585164

6. EXTERNAL AUDIT PLAN AND FEE LETTER (Pages 11 - 46)

To consider the attached report.

Contact Officer: Nuala Donnelly (01296) 585164

7. INTERNAL AUDIT PROGRESS REPORT (Pages 47 - 98)

To consider the attached report and appendices.

Contact Officer: Kate Mulhearn (01296) 585724

8. AYLESBURY VALE BROADBAND - REVIEW UPDATE (Pages 99 - 144)

To consider the attached report.

Contact Officer: Kate Mulhearn (01296) 585724

9. CORPORATE RISK REGISTER (Pages 145 - 154)

To consider the attached report.

Contact Officer: Kate Mulhearn (01296) 585724

10. WORK PROGRAMME (Pages 155 - 156)

To consider the future work programme.

Contact Officer: Kate Mulhearn (01296) 585724

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.

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Aylesbury Vale
District Council
Audit planning report
Year ended 31 March 2019

28 January 2019



Private and Confidential
Members of Audit Committee
Audit Committee Chairman
The Gateway,
Gatehouse Road
Aylesbury HP19 8FF

28 January 2019

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 auditor. Its purpose is to provide the Audit Committee with a basis to review our proposed audit approach and scope for the 2018/19 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 28 January 2019 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Andrew Brittain

For and on behalf of Ernst & Young LLP

Enc

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	06	Audit team	07	Audit timeline	08	Independence	09	Appendices	

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 AVDC in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit Committee, and management of AVDC 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 AVDC for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01

Overview of our 2018/19 audit strategy



Overview of our 2018/19 audit strategy

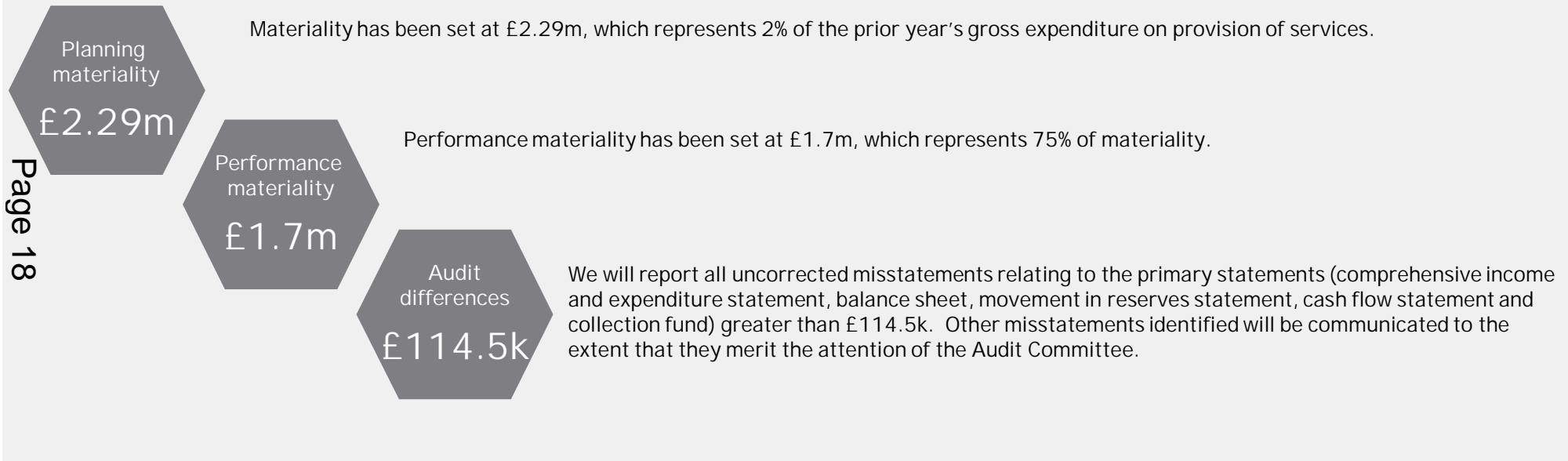
The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year. See section 02 for more information and our intended audit response.

Risk / area of focus	Risk identified	Change from PY	Details
Misstatements due to fraud or error	Fraud risk	No change in risk of 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. In addition to our overall response, we consider where these risks may manifest themselves and identify separate fraud risks as necessary below.
Risk of fraud in revenue recognition - Incorrect classification of capital spend	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. Practice note 10 issued by the Financial Reporting Council, states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition. The potential for the incorrect classification of capital spend as revenue is a particular area where there is a risk of management override at Aylesbury Vale DC because of its potential impact on asset valuation.
Property valuations	Significant risk	No change in risk or focus	The unique and material nature of the Council's non-current assets and the basis on which they are valued, means that small changes in assumptions when valuing these assets can have a material impact on the financial statements and therefore the balances are susceptible to misstatement. We note also that the carrying value may be affected by the current fragility of retail sector assets, e.g. the widespread increase in discount rates ("yield") having a negative effect on valuation.
Pension valuation	Inherent risk	No change in risk or focus	The unique and material nature of the Council's net pension liability, and the basis on which it is valued, means that small changes in assumptions when valuing this liability can have a material impact on the financial statements and therefore the balance is susceptible to misstatement.
New Accounting Standards	Inherent risk	New risk identified this year.	IFRS 9 (Financial Instruments) and IFRS 15 (Revenue from contracts) apply from 1 April 2018 and IFRS 16 (Leases) will apply from 1 April 2020. We will assess the impact of these new standards to determine whether they have been appropriately implemented by the Council.

Overview of our 2018/19 audit strategy

Materiality- Aylesbury Vale District Council

Materiality





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02 Audit risks



Our response to significant risks

Risk of misstatements due to fraud or error

What is the risk?

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.

What will we do?

- Inquiry of management about risks of fraud and the controls put in place to address those risks.
- Understanding the oversight given by those charged with governance of management's processes over fraud.
- Consideration of the effectiveness of management's controls designed to address the risk of fraud.

Performing mandatory procedures regardless of specifically identified fraud risks, including:

- Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements
- Assessing accounting estimates for evidence of management bias, and
- Evaluating the business rationale for significant unusual transactions.

In addition to our overall response, we consider where these risk may manifest themselves and identify separate fraud risks as necessary below.

Risk of fraud in revenue & expenditure recognition

What is the risk?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition.

We have considered this presumed risk in relation to those significant income streams and areas of expenditure which could be subject to manipulation, and identified the following areas of risk:

- inappropriate capitalisation of revenue expenditure

What will we do?

- Review and test revenue and expenditure recognition policies;
- Review and discuss with management any accounting estimates on revenue or expenditure recognition for evidence of bias;
- Develop a testing strategy to test material revenue and expenditure streams;
- Review in-year financial projections and comparing them to year-end position; and
- Review capital expenditure on property, plant and equipment to ensure it meets the relevant accounting requirements to be capitalised.

Other areas of audit focus

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

What is the risk/area of focus?	What will we do?
<p>Valuation of Land and Buildings</p> <p>The fair value of Property, Plant and Equipment (PPE) and Investment Properties (IP) represents significant balances in the Council's accounts and is subject to valuation changes and impairment reviews. 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>The economic uncertainty currently being experienced may affect investment values for property assets held. Consequently we may see unusual fluctuations in the values of certain assets. For example we note that the carrying value may be affected by the current fragility of retail sector assets, e.g. the widespread increase in discount rates ("yield") having a negative effect on valuation.</p>	<p>We will:</p> <ul style="list-style-type: none"> • Consider any work performed by the Council's external valuers, (Wilks, Head & Eve), 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. building areas to support valuations based on price per square metre); • Consider using our valuation experts if necessary to gain the required assurance; • Consider the annual cycle of valuations to ensure that assets have been valued within a five-year rolling programme as required by the Code for PPE, and annually for IP. We also consider if there are any specific changes to assets communicated to the valuer; • Review assets not subject to valuation in 2018/19 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; and • Test accounting entries have been correctly processed in the financial statements,

Audit risks

Other areas of audit focus (continued)

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

What is the risk/area of focus?

Pension Asset 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 the Council.

The Council's pension fund liability is a material estimated balance and the Code requires that this be disclosed on the Council's balance sheet. The economic uncertainty currently being experienced may affect investment values for assets held (including those held by pension funds). Consequently we may see unusual fluctuations in the values of certain assets.

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

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:

- Undertake IAS19 protocol procedures assisted by the pension fund audit team 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. We do this by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office 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.



Audit risks

Other areas of audit focus (continued)

The Code of Practice on Local Authority Accounting in the United Kingdom introduces the application of new accounting standards. The impact on the Council is summarised in the table below.

Standard	Issue	Impact
IFRS 9 Financial Instruments	<p>Applicable for local authority accounts from the 2018/19 financial year and will change:</p> <ul style="list-style-type: none"> • How financial assets are classified and measured; • How the impairment of financial assets are calculated; and • The disclosure requirements for financial assets. <p>There are transitional arrangements within the standard and the 2018/19 Accounting Code of Practice for Local Authorities has now been issued, providing guidance on the application of IFRS 9 and on transitional arrangements.</p>	<p>To comply with IFRS 9, the Council will have to:</p> <ul style="list-style-type: none"> • Reclassify existing financial instrument assets • Re-measure and recalculate potential impairments of those assets; and • Prepare additional disclosure notes for material items.
IFRS 15 Revenue from Contracts with Customers	<p>Applicable for local authority accounts from the 2018/19 financial year. This new standard deals with accounting for all contracts with customers except:</p> <ul style="list-style-type: none"> • Leases; • Financial instruments; • Insurance contracts; and • For local authorities; Council Tax and NDR income. <p>The key requirements of the standard cover the identification of performance obligations under customer contracts and the linking of income to the meeting of those performance obligations.</p> <p>Now that the 2018/19 Accounting Code of Practice for Local Authorities has been issued it is becoming clear what the impact on local authority accounting will be. As the vast majority of revenue streams of Local Authorities fall outside the scope of IFRS 15, the impact of this standard is likely to be limited.</p>	<p>The CIPFA Guidance Notes confirm that IFRS 15 applies to the public sector in full; however due to the revenue streams of Local Authorities the impact of this standard is likely to be limited.</p> <p>NB The standard is far more likely to have an impact on Local Authority Trading Companies who will have material revenue streams arising from contracts with customers.</p>



03

Value for Money Risks





Background

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

For 2018/19 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 the Council's arrangements to:

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

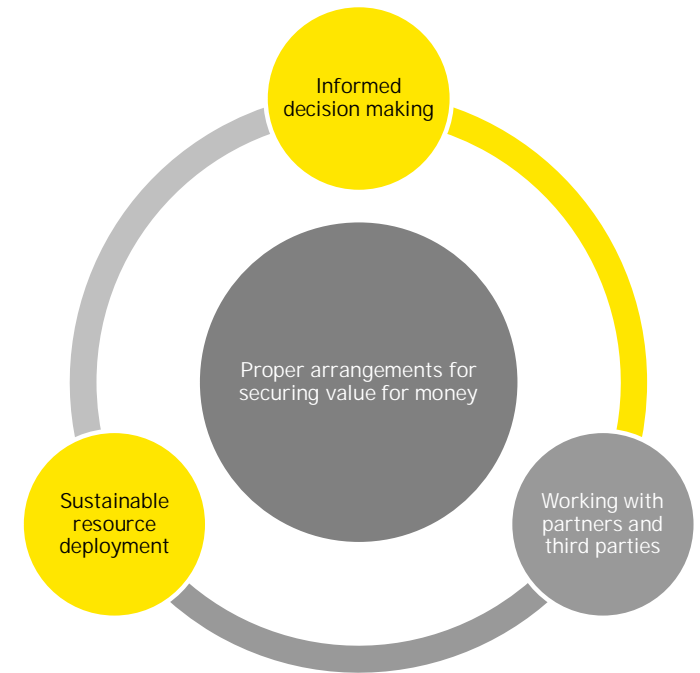
In considering this, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that the Council must already have, and to report on through documents such as the annual governance statement.

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 enables us to plan the delivery of a safe conclusion on arrangements to secure value for money, and to determine the nature and extent of any further work necessary. If we do not identify any significant risks we do not need to carry out further work.

Our risk assessment has therefore considered both the potential financial impact of issues identified, and also the likelihood that the issue will be of interest to local taxpayers, the Government and other stakeholders. We have identified one potential significant risk. As a result of the 1 November 2018 announcement by CLG that a unitary authority for Buckinghamshire will be instituted from 1 April 2020, there may be an impact on the Council's capacity to manage its operations as well as planning a smooth transition; also on managing strategic risks and medium-term financial planning.





04

Audit materiality



Materiality

Materiality

For planning purposes, materiality for 2018/19 has been set at £2.29m. This represents 2% of the Council's prior year gross expenditure on provision of services. It will be reassessed throughout the audit process.

The rationale for this is that for a public sector entity, the expectations of users (including regulators) of the entity are focused on the measurement of expenditure and cost of services. Therefore gross expenditure is the appropriate basis for determining materiality for public sector bodies.

We have provided supplemental information about audit materiality in Appendix C.

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Gross expenditure
on provision of services
£114.5m



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 £1.7m, 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.

Other uncorrected misstatements, 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.



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 [delete if not applicable]

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

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

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 for 2018/19 has identified the following component as not significant per the 2017/18 accounts: Aylesbury Vale Estates LLP. In addition there was also Novae Consulting Ltd (dormant since July 2016) and Hale Leys LLP (wholly owned by Aylesbury Vale Estates). The Council disposed of its stake in Aylesbury Vale Broadband and Vale Commerce during 2017/18. We are not aware of any other changes to the group structure since the 2017/18 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.

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 2018/19 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 meet the Head of Internal Audit regularly, 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.



06

Audit team



Audit team and the use of specialists

The core audit team is lead by Andrew Brittain, Associate Partner and Susan Gill as Manager. Beth Hendershot, Senior, will lead the fieldwork.

The 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 Valuations Team
Page 33 Pensions disclosure	EY Actuaries PWC report for the NAO on the 4 LGPS actuaries
Page 33 Management's specialists	External valuer: Wilks, Head and Eve Actuary: Barnett Waddingham NDR Appeals provision: Analyse Local

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

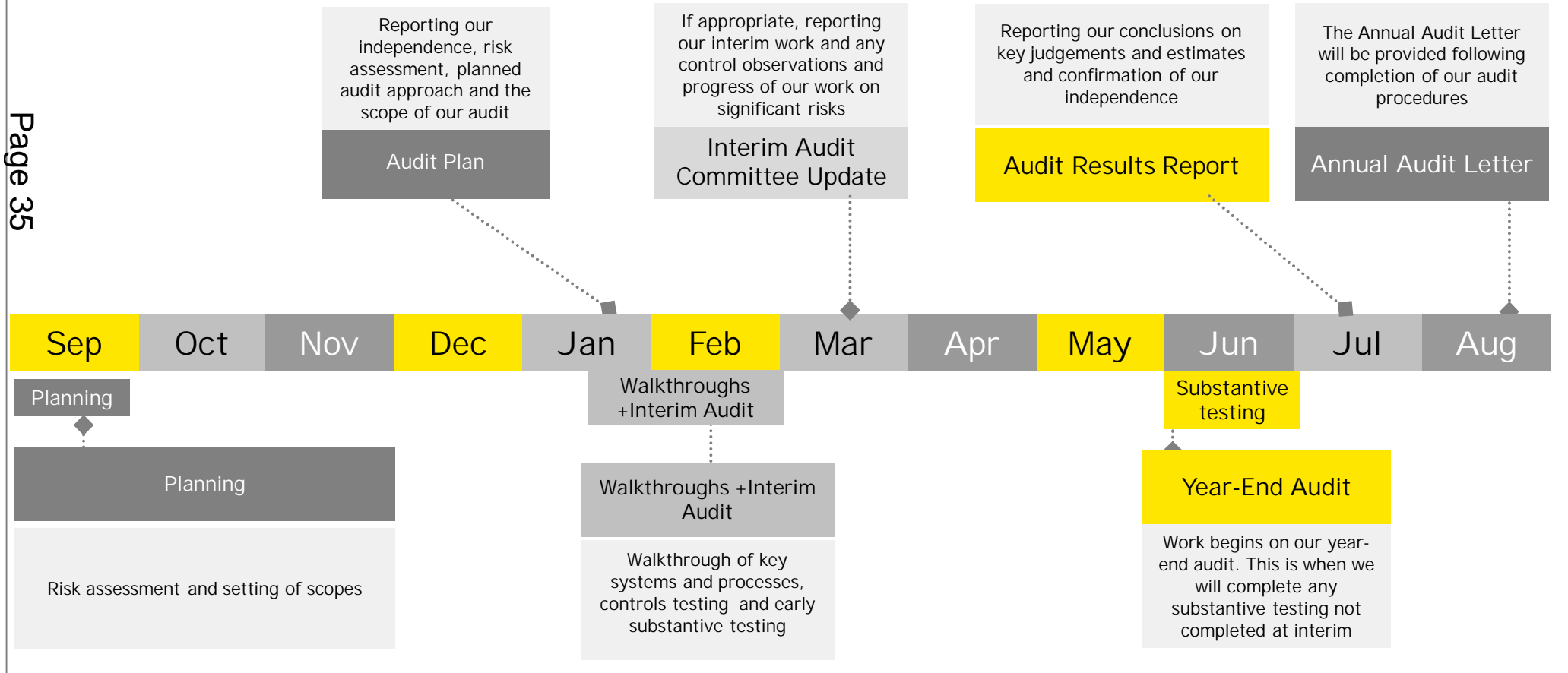
Timetable of communication and deliverables

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 2018/19.

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

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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 [note: additional wording should be included in the communication reflecting the client specific situation]</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>

During the course of the audit, we are also 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 adopted appropriately mitigate the principal threats identified, and we therefore confirm that EY is independent and the objectivity and independence of your audit engagement partner, Andrew Brittain, 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 receiving 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 the Council. 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 the Council has 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 to audit fees is not permitted to exceed 70%.

At the time of writing, the current ratio of non-audit 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 the Council.

There are no other self-interest threats at this date.

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 this date.

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 this date.

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no such threats at this date.

Other communications

EY Transparency Report 2018

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 2018 and can be found here:

<http://www.ey.com/uk/en/about-us/ey-uk-transparency-report-2018>



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.

	Indicative fee 2018/19	Actual fee 2017/18	Actual Fee 2016/17
	£	£	£
Total Fee – Code work	43,724 (1)	58,464	58,464
Total audit	43,724	58,464	58,464
Certification work on Housing Benefits	15,610 (3)	17,411 (2)	14,969
Total other and non-audit services	59,334	TBC	14,969
Total fees	59,334	TBC	73,433

All fees exclude VAT

Note:

- (1) Our 2018/19 Code work includes additional planned procedures highlighted in section two of this report to address the new accounting requirements of IFRS 9 Financial Instruments and IFRS 15 Revenue from contracts with customers for the 2018/19 accounts. At the date of our planning report the Council is yet to evidence their assessment of the impact of these standards, and so we cannot currently quantify whether this will require a fee variation for these additional procedures. If so, we will agree this with management, depending on the identified impact of the new standards.
- (2) The 2017/18 Housing Benefit fee is shown net of extra fee which has yet to be agreed with the Council and PSAA
- (3) The proposed 18/19 Housing Benefit fee is shown assuming the same level of errors as in 2016/17 (the latest available final figure), used as a baseline.

The agreed fee presented is based on the following assumptions:

- ▶ Officers meet the agreed timetable of deliverables;
- ▶ Our accounts opinion and value for money conclusion is unqualified;
- ▶ The Council provides appropriate quality documentation; 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.



Appendix B

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 Page 42	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. 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	Audit planning report
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
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: <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 	Audit results report

Required communications with the Audit Committee (continued)

Required communications	 What is reported?	 When and where
Misstatements	<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 	Audit results report
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 	Audit results report
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 	Audit results report
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 and Audit Results Report

Required communications with the Audit Committee (continued)

			 Our Reporting to you
Required communications	 What is reported?	 When and where	
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	
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	
Internal controls	<ul style="list-style-type: none"> • Significant deficiencies in internal controls identified during the audit 	Annual audit letter/audit results report	
Representations	Written representations requested 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 included 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 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 activities within the Council to express an opinion on the consolidated financial statements. Reading other information contained in the financial statements, 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.

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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 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.

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INTERNAL AUDIT PROGRESS REPORT – JANUARY 2019

1 Purpose

- 1.1 To receive the Internal Audit Progress Report of activity undertaken since March 2018.

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 2018/19 Internal Audit Plan and includes information on:
- Internal audit reviews completed and in progress
 - Changes to the 2018/19 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

January 2019





Contents

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2018/19 internal audit plan work in progress.....	4
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1. Activity and progress

The 2018/19 internal audit plan was approved by the Audit Committee in June 2018. 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
Commercial Waste	High	Jan 19	-	1	3	2
Comments, Compliments & Complaints	Low	Jan 19	-	-	1	1

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

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

Commercial Waste

The report is classified as High risk. We identified one high, three medium and two low risk findings. It should be noted that the internal audit risk assessment is a reflection of the processes and controls in operation at the time of the audit work. The Commercial Waste audit was performed during September/October 2018. Since then, significant work has taken place to address the risks identified, as outlined in the comments from management. The current and ongoing level of risk has been reduced, and this will be validated by internal audit through the follow-up process over the coming months.

The review identified the following issues:

- A site risk assessment was not completed for 12 out of 15 new customers that we tested, and high levels of non compliance with the process were noted (High)
- Current governance arrangements do not allow for a focused discussion of all commercial waste risks and performance (Medium)
- Costs are not fully allocated to the service and therefore financial performance cannot be adequately assessed and the basis for setting charges could not be substantiated (Medium)
- Customer records are not held in one place and compliance with procedures is not consistent (Medium)

- We identified some small levels of under charging of customers along with minor differences in quarterly reconciliations (Low)
- There was no process to collect customer feedback to understand customer concerns and promote the service to new customers (Low).

Comments, Compliments & Complaints

This report is classified as Low risk. We identified one medium and one low risk finding.

We tested a sample from a total of 620 comments, compliments and complaints (510 complaints, 50 comments and 60 compliments) received during the period April to November 2018. Our findings are summarised as follows:

- There were delays in responding to 7 out of 19 stage 1 complaints with a further delay where the complaint was escalated to stage 2 (Medium)
- All new starters across the Council are provided access to the e-learning but it is not a mandatory requirement for any staff member, including front line staff, to complete the e-learning. Currently, there are no targets set for the e-learning compliance. (Low)

Action has already been taken to improve the monitoring of response times and plans are in place to address other weaknesses.

2018/19 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>
Section 106 Agreements	Audit work complete. The report was due to Audit Committee in January but BDO Internal Audit team delays in finalising mean it is deferred to March.
Housing Benefits	Scoping meeting held Reporting to Audit Committee in March 2019
Parking services	Terms of reference agreed. Reporting to Audit Committee in March 2019
Company Governance – Aylesbury Vale Estates	Terms of reference being prepared Reporting to Audit Committee in March 2019
Connected Knowledge	Terms of reference agreed. Reporting to Audit Committee in March 2019

Summary of changes to the 2018/19 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. The following changes have been made to the 2018/19 plan since it was approved in June 2018:

<i>Name of review</i>	<i>Comment</i>
Waste & Recycling - Contracts	<p>The original plan included review of the contracts for Street Cleansing/Horticulture and Recycling.</p> <p>Council recently approved the proposal to bring Street Scene services in-house, the contract will conclude in January 2020.</p> <p>Due to changes in the recycling market, we no longer receive income but pay for waste to be taken to a MRF through a contract with CasePak.</p> <p>For both contracts, management procedures are in place and not considered a high risk for internal audit review.</p> <p>Audit days will be reallocated to allow for more in-depth reviews of Commercial Waste and Parking Services.</p>

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.

A detailed listing of all internal audit actions, together with status update is included in Appendix 4. In total 40 actions were followed up for the January 2019 Audit Committee – this included an update on all actions due for completion by 31 December 2018. 12 out of 40 actions are complete which equates to 30% (55% in October 2018).

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 2018/19 Annual Internal Audit Plan was approved by members of the Audit Committee in June 2018. A summary of progress on completion of the plan and changes is reported below.

Review	Description	Status/Comment	Overall Risk Rating
General Ledger	Assurance over control design and operating effectiveness of key financial processes.		
Accounts Payable			
Payroll	Review payroll processes and controls post new system implementation		
Billing, debt management and recovery	Review of processes for billing selected income streams (inc. commercial & garden waste, licensing, property), debt management and recovery		
TechOne	Review system integration and data transfer controls to ensure the data held in TechOne is complete and accurate.	Terms of Reference agreed Work planned Feb19	
Contracts & Procurement	Corporate processes	Complete	Medium
Health & Safety	Corporate processes	Complete	Medium
Customer comments, compliments & complaints	Corporate CCC process & new Customer Charter	Complete	Low
Section 106 Agreements		Audit work complete and report was due to come to January audit committee – BDO delays in report finalisation - deferred to March	
Housing Benefits	Consider impact of Universal Credit	Scoping meeting held	
Waste & Recycling - Contracts	Original plan included review of the contracts for Street Cleansing/Horticulture and Recycling. Council recently approved the proposal to bring Street Scene services in-house, the contract will conclude in January 2020. Due to changes in the recycling market, we no longer receive income but pay for waste to be taken to a MRF through a contract with CasePak . For both contracts management procedures are in place and not considered a high risk for internal audit review.		-
Waste & Recycling – Commercial Waste	Focus on customer and commercial aspects of trade waste operations.	Complete	High
Parking services	Review of all areas of the parking service	Terms of Reference agreed. Work planned Feb 19	
Connected Knowledge	Focus on benefits realisation, tracking and reporting	Terms of Reference agreed. Work planned Feb 19	
Company Governance	Assess governance arrangements for the Aylesbury Vale Estates	Following conclusion of AVB work, review of AVE will commence early 2019	
Follow up audit actions	Validation that agreed internal audit actions have been implemented.	Ongoing	
Disabled Facilities Grant	Grant compliance requirements	Complete	No issues reported

Appendix 3: Internal audit reports

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




1. Commercial Waste
2. Comments, Compliments & Complaints

Appendix 4: Summary of internal audit actions

In total 40 actions were followed up for the January 2019 Audit Committee – this included an update on all actions due for completion by 31 December 2018. The previous action dates are shown along with the new revised date.

12 out of 40 actions are complete which equates to 30% (55% October 2018). Of these, 1 High rated action is complete with 6 High actions outstanding. One action relating to Budget Monitoring has been reclassified from Medium to Low, as significant progress has been made in addressing the risk.

In-Progress and Completed internal audit actions are set out in the tables below.

Name of review	Agreed actions due	Outstanding			Completed actions
		 High	 Medium	 Low	
Accounts Receivable 2016/17	1	-	-	-	1 (1H)
Accounts Payable 2017/18	3	3	-	-	-
Budget Monitoring 2016/17	1	-	-	1*	-
Building Control 2017/18	8	-	3	1	4 (2M, 2L)
Contracts and Procurement 2018/19	7	-	1	4	2 (2L)
Corporate Health and Safety 2018/19	5	-	3	1	1 (1M)
Council Tax and Business Rates 2016/17	1	-	-	-	1 (1L)
Housing Benefit 2017/18	1	1	-	-	-
Payroll 2017/18	5	-	3	-	2 (2M)
Safeguarding 2016/17	4	2	-	2	-
Taxi Licensing 2017/18	4	-	1	2	1 (1M)
Total	40	6	11	11	12 (30%)

* The majority of actions to reduce the risk have been completed; the remaining action is considered low risk and has been reclassified

Progress update on overdue/incomplete actions

Name of review	Action	Finding risk rating	Update	Revised Date
Accounts Payable 2017/18	Review the process for receipting of invoices to automate where possible and avoid duplication, to ensure timely approval and payment.	H	The Team are currently working with Tech1. There is an issue currently where the Tech1 system is not picking up duplicate payments through an automated exception report which it should flag. This is being discussed with Tech1 to identify a solution.	31/12/2018 30/04/2019
Accounts Payable 2017/18	Produce updated guidance for staff on process and procedures to raise and approve PO and GRNs, including the 'No PO, No Pay' policy.	H	This has not progressed – the focus currently has been on trying to improve process for invoice process. There have also been improvements with ways of working with the procurement team in terms of new suppliers and ensuring all correct documentation is in place. Procedure notes will develop in the coming months.	31/12/2018 30/04/2019
Accounts Payable 2017/18	The Finance Team should run the list of PO breaches on monthly basis to identify the most frequent offending department and report to the Finance Business Partner.	H	Currently there is a report on the strategic dashboard around this however it is recognised that it needs developing. The reports currently do show invoice and if they are paid and if they are paid in 30 days. However they do not show the date of PO, date of supplier invoice and date receipted.	31/12/2018 31/03/2019
Safeguarding 2016/17	The training records for each employee and their safeguarding level should be linked to their profile in the HR system. Moreover monthly reports should be generated and sent to managers to raise awareness of the compliance rate of each unit. Non-compliance with training should be noted in individuals' performance appraisal discussions.	H	The Team have contacted both the Adults and Children's Safeguarding Boards to gain access to relevant training with a response from one received and this has been distributed to relevant Council staff with some undertaking the training. Furthermore, at the December Safeguarding Group in the Council Assistant Directors were informed that they need to assess non-compliance. However, Assistant Directors need to know levels of training required by each staff member which is still being put together and after this a deadline can be set to achieve compliance. This is still in progress.	31/12/2017 31/05/2018 31/08/2018 31/12/2018 30/03/2019

Name of review	Action	Finding risk rating	Update	Revised Date
Safeguarding 2016/17	Employees in the Level 4 Exposure list are advised to receive refresher trainings on a more frequent basis (every two years)	H	That has started and Will Rysdale and staff from HR have undergone the training. All members of the Safeguard Group have been informed of the training which is available to them however not all yet have completed this training and therefore this is in progress. N.B This training is provided by an external organisation.	31/12/2017 31/05/2018 31/08/2018 31/03/2019
Safeguarding 2016/17	Define the DS/DBS check criteria for a given job role and ensure it is consistently applied in the 'new structure'	L	HR are in the process of doing this. So far this has been done for new staff but has not yet been done for existing staff. There is some work required to go through this as it requires an assessment of every employee.	30/09/2017 31/05/2018 31/10/2018 30/05/2019
Safeguarding 2016/17	The DS/DBS check records should include the date of each check and the date it needs to be re-checked.	L	Per above, once HR have completed their assessment this can then be logged.	30/09/2017 31/03/2018 31/12/2018 30/05/2019
Housing Benefit 2017/18	When the automatic reconciliation process is established, determine frequency of reporting and investigation of any differences (at least monthly)	H	The Team have continued to work through list however have found that this is proving to be a significantly more complex task. For example, older landlord cases are very complex and can take days to assess. This being said, housekeeping tasks on an on-going basis are now operating with monthly reconciliations and processes operating. However, to deal with the more complex cases a different plan is needed. In January 2019 the Team emailed the Finance Team to convene a meeting to discuss how best to navigate this challenge and what the different options may be to resolve this - these discussions are in progress.	30/04/2018 31/07/2018 31/10/2018 31/03/2019
Taxi Licencing 2017/18	Set out standard timeline parameters for processing decisions and protocols for where the Council diverge from these timelines.	M	This is still being worked through. The Team did not anticipate a significant increase in applications due in the last quarter which hit the 3 year re-evaluation point - this added significant pressures on the team and mean the back log	30/05/2018 31/07/2018 30/11/2018 31/03/2019

Name of review	Action	Finding risk rating	Update	Revised Date
			of cases could not be dealt with as effectively. It is expected this will be cleared by March 2019 after which standard timeframes can be set.	
Taxi Licencing 2017/18	Licensing Committee Member training should be reviewed to ensure that all requirements in the Councillors Handbook are sufficiently covered	L	This is now due to take place in February 2019 alongside an update on policy changes.	31/07/2018 30/09/2018 30/11/2018 28/02/2019
Taxi Licencing 2017/18	A summarised hand out of training notes should be provided to Members for future reference.	L	This is now due to take place in February 2019 alongside an update on policy changes.	31/07/2018 30/09/2018 30/11/2018 28/02/2019
Building Control 2017/18	Policies and procedures covering all activities undertaken by the Building Control Team should be documented, approved and disseminated to all relevant Officers.	M	There is now a new customer manager system (salesforce) which rolled out in November 2018. This has changed many of the previous processes. The Council are now underway with reviewing these new processes and ensuring staff are trained to follow them appropriately however the new policies have not yet been finalised However there are now competencies for each member of staff setting out what type of work they may do for their grade which was issued on 28 September 2018. This sets out their approval rights.	31/07/2018 30/11/2018 31/03/2019
Building Control 2017/18	The Building Control fees should be reviewed to ensure that they recover all costs incurred, including: <ul style="list-style-type: none"> • Employees • Premises • Transport • Supplies and Services • Third Party Payments • Support Services. Tables 1-3 within the CIPFA Local Authority Building Control Accounting Guidance detail an example of how to calculate the productive hourly rate of the team as a whole	M	The Council have now developed a productive hourly rate and this will be presented to Scrutiny for discussion. It is expected this will go to Scrutiny by March 2019 for discussion and approval. The draft calculations have been reviewed and are significantly more robust than previous figures and include all expected costs which includes booking in time and plan inspection times.	31/09/2018 31/12/2018 28/03/2019

Name of review	Action	Finding risk rating	Update	Revised Date
Building Control 2017/18	Any changes in fees should be approved through the appropriate Committee and this should occur on an annual basis ahead of 1 April each year thereafter	M	Once the productive hour rate approach has been approved by Scrutiny the new fees will be set based on this and it is expected this will be in place by April 2019 - based on draft figures the fees which have not been changed for six years will increased by 15 to 17%.	30/06/2018 30/11/2018 30/04/2019
Building Control 2017/18	A clear marketing strategy should be documented and approved to set out the Council's requirements for increased income generation	L	This will be complete after the productive hour fee has been approved by Scrutiny and the new fees are in place. Price is one part of the strategy. The business development manager in the coming weeks is working with the building control manager to create a strategy which will also be linked to the new KPI dashboard in place.	30/06/2018 31/12/2018 30/05/2019
Contracts and Procurement 2018/19	Instances of non-compliance with the Contract Procedure Rules identified in this review (sample list provided) should be assessed and appropriate action taken i.e. obtain signed contracts, check contracts are appropriately sealed. N.B See finding 3 around training compliance and finding 4 around finalising the approval of the Contract Procedure Rules, which if actioned would help mitigate instances of non-compliance.	M	The Team have started a process to go through an extensive process to identify non-compliance. They took a listing of all expenditure from Tech1 and placed a field which forces expenditure to be classified as either contract or non-contract spend with a Yes or No field. The Team received this report in January 2019 and have since started to contact staff to identify if spend is above a certain amount and classified as No i.e. not contract spend, to identify whether this is correct or not. This will then identify non-compliance for action to be taken. This is a significant project and will take a long time to complete. This will not be complete by May 2019 however will be re-visited then to check progress.	30/11/2018 30/05/2019
Contracts and Procurement 2018/19	Resolve the data quality issue of the report from Tech One regarding vendor names and classifications	L	There are a number of fields which have vendors classified as 'sundry creditors' and a name is not given. The Team have to work with Finance who are currently busy with a Tech1 upgrade to analyse these vendors to identify	31/10/2018 30/06/2019

Name of review	Action	Finding risk rating	Update	Revised Date
			the vendor name to complete this process.	
Contracts and Procurement 2018/19	A training needs assessment for different roles and agreement of whether it is mandatory should be performed and communicated	L	A training needs assessment is held up as it required the new CPR to be approved first. This being said the new e-learning module has been created in draft in Microsoft Word. The Team are working with HR to design this so that it can be rolled out in Mid-March 2019.	31/12/2018 31/03/2019
Contracts and Procurement 2018/19	Complete the review and approval of the CPRs and ensure they are communicated and accessible to all staff	L	The CPR has been drafted and is with the Director of Finance and Cabinet Member for approval. This was issued in December 2018 and is expected to be approved in January 2019. Once approved it will be communicated and be effective from 1 April 2019.	31/10/2018 28/02/2019
Contracts and Procurement 2018/19	The contract register should be updated to comply with the Local Government Transparency Code 2015	L	The Team have added in additional columns per the recommendation. This initially dropped the compliance to 73% from 83% at November 2018. This was because by adding in more columns it required more information reducing the compliance. The Team are now working with colleagues in the Council to complete the missing data and therefore this will take time to identify and complete to 100%. It should be noted that the Team have a strong handle on what is required to be done and to analyse non-compliance however, the task to complete this to 100% is a bigger task than initially expected. This will not be complete by June 2019 however will be re-visited then to check progress.	31/12/2018 30/06/2019
Corporate Health and Safety 2018/19	A project plan is needed to appropriately resource the completion of Council wide risk assessments. It is recognised the Corporate Health & Safety Manager will need to support Managers with the process in the first	M	A project plan has been developed. Steven Foster (Health and Safety/Fire Officer) is responsible for project plan and support the managers with the process. Areas which work with external contactor and has a high number of external service users,	31/10/2018 20/04/2019

Name of review	Action	Finding risk rating	Update	Revised Date
	instance. Higher risk areas should be prioritised for completion		such as planning, environment and customer service centre, have been classified as higher risk area and their risk assessments will be prioritised for completion.	
Corporate Health and Safety 2018/19	The Corporate Health and Safety Team should develop a programme of training and communication, based on a matrix of requirements for different roles to ensure that staff are aware of the latest health and safety issues	M	The Health and Safety Team has been working with learning and development. They have delivered health and safety induction to all new starters since week 1 of 2019. This will be a rolling programme going forward. They will also participate in "Speed Dating", a 10 minute presentation of the department's roles and function to existing employee on 16/01/2019. This is a rolling programme developed by HR. A matrix of requirements for different roles has not yet been developed. The Health and Safety Team will need to discuss with HR and decide as to when and who will be developing the matrix.	31/12/2018 31/03/2019
Corporate Health and Safety 2018/19	Training material should be developed in consultation with Learning and Development, and signed off by the Corporate Health and Safety Manager	M	In conjunction with HR, the Health and Safety Team is reviewing and updating the current e-learning module.	31/12/2018 31/03/2019
Corporate Health and Safety 2018/19	Develop a policy review framework to identify all required policies	L	As part of the risk assessment project plan, the Health and Safety team will identify all health and safety policies and procedure developed locally. Once this information has been gathered, a policy review framework will be developed.	31/12/2018 30/04/2019
Budget Monitoring 2016/17	<ul style="list-style-type: none"> In the Quarterly Digest, each portfolio area should be expanded to include an overall summary of the financial position in that area. As part of the ongoing Business Intelligence project, plans should be developed to move towards integrated reporting, for example: 	M → L	<ul style="list-style-type: none"> The team are developing their own T1 capability (through Analytics) to review financial information on e.g <ul style="list-style-type: none"> – spend and income at a more granular detail – Financial and performance management report e.g. trade waste dashboard – Detailed information on 	31/07/2018 30/11/2018 30/06/2018 31/12/2018 30/04/2019

Name of review	Action	Finding risk rating	Update	Revised Date
	<ul style="list-style-type: none"> o The extension of non-financial information to support the Quarterly Digest o The incorporation of corporate key performance indicators o The incorporation of corporate / portfolio risks. <ul style="list-style-type: none"> • Quarterly Digest must be issued within 6 weeks of the quarter ending and promptly be issued to Members for scrutiny. Ideally Members scrutiny occurs within 8 weeks of the quarter ending. 		<ul style="list-style-type: none"> budget phasing – The plan is to continue to develop general and bespoke reports to need specific needs. The data is very easy to manipulate at Council, Portfolio, Cost centre level. – Once the Council have developed and tested the reports fully, these will inform future reporting needs and given the information is available in real time, this will support more timely information. • Finance continue to circulate the monthly checks and balances information and this is subject to periodic review at Finance Review Board • Finance also now issue detailed monthly reports to budget managers on use of agency staff etc. This has been identified as a specific financial risk. • There are also now detailed debt analysis reports. This is then presented for review monthly by the Finance and Payroll manager at the FRB. • Finance are working towards monthly reporting and are developing a plan accordingly. This is expected to be operational from April 2019 but will trial over the last 3mths of 2018-19. 	
Payroll 2017/18	A full review of all HR/Employment policies and procedures is in progress and is due for completion in November 2018. The Travel and Subsistence policy will be reviewed and updated as part of this.	M	Policies for Probation, Disciplinary, Capability, Sickness & Absence were reviewed and updated in April 2018. The remainder of HR policies, including Travel & Subsistence, are part of an ongoing programme.	30/11/2018 31/03/2019
Payroll 2017/18	Guidance documents will be produced including specific requirements for receipts and how to review the reasonableness of claims.	M	A decision was made in November 2018 to stop the implementation of the new payroll & HR system. iTrent will therefore continue to be used for	30/11/2018 31/03/2019

Name of review	Action	Finding risk rating	Update	Revised Date
			the remainder of AVDCs timeframe. These actions and allocation of resource need to be reviewed in terms of risk and priority in light of the Unitary decision. An update will be provided by 31 March 2019 on future plans.	
Payroll 2017/18	The new payroll system should be configured to enable the capture of sufficient detail for expenses to be reviewed, reported and monitored.	M	As above - The action to address this risk need to be reviewed in s actions needs to be reviewed.	31/12/2018 31/03/2019
Payroll 2017/18	UPDATED ACTION (JAN19): A project to develop an automated starter/leaver process involving IT, HR, Finance, Facilities, Admin teams, commenced in May 2018, but has now been put on hold. An update is required on how issues raised around manual processes will be addressed now that the new system is not being implemented.	M	The automated starter/leaver process was part of the migration to the new Payroll & HR system which is no longer happening. Instead, a process is being worked on to link new starter forms to the recruitment website (employ) and automate as much of this process as possible eg Managers can complete offer details through employ, however manual starter leaver forms are still being used. This is therefore in progress.	31/03/2019

Completed actions

Name of review	Action	Finding risk rating	Update
Accounts Receivable 2016/17	Debt management procedure notes are required for all income streams, including raising invoices, chasing payment, writing off, timeframes, escalation and recovery mechanisms	H	The Debt Strategy has now been rolled out and processes previously in place have been updated which are in line with this. These have been communicated and made available to staff via Council network folders.
Council Tax and Business Rates 2016/17	Write off procedures should be produced and approved for future use.	L	The Debt Strategy has now been rolled out and agreed. Finance provide the monthly exceptions report, which Customer Relationship are working through and these are up-to-date as previous complex ones on landlord accounts are complete.
Taxi Licencing 2017/18	Management conducts sample testing on at 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.	M	The Team undertook audits in December 2018 which were the first staff to go through the process; this was done in November 2018 for the enforcement staff. These results were discussed, and will continue to be discussed, at monthly management meetings with action taken as appropriate.
Building Control 2017/18	As already underway, KPIs should continue to be reviewed, with a complete set of measures and targets being produced	M	<p>On the back of salesforce the Council have reviewed KPIs and there is a dashboard which is viewable by management which is shown in real time, this includes; market share, income and time take to process cases - this is therefore deemed complete.</p> <p>It should be noted that the Council will continue to monitor the dashboard data as there are some concerns with the underlying data i.e. with income it shows actual income per month and therefore this may show a pre-inspection fee in one month and inspection fee in another month. Having these also showing together in addition to per month as currently shown would be beneficial.</p>
Building Control 2017/18	Once the KPIs have been identified, standard reports should be produced and formulated into a monthly reporting pack to the Group Manager within two weeks of the relevant	M	The dashboard data of KPIs is now live. This is already leading to change particularly around challenging the underlying data as per above and has highlighted interesting information

Name of review	Action	Finding risk rating	Update
	month. Performance should be monitored and poor performance addressed, including escalation procedures to the Assistant Director – Customer Fulfilment.		on processing times which are acted upon by the Group Manager.
Building Control 2017/18	Management should consider ways of automating the manual process that is currently in operation for the checking of charges.	L	Now the Council have Salesforce as much as possible has been automated and the Council are building further efficiencies moving forward which have driven out many of the previous manual processes.
Building Control 2017/18	A benchmarking exercise should be undertaken to review the Council's fees against other similar neighbouring Authorities to establish whether fees are competitive	L	As part of the productive hour fee a comparison to neighbouring authorities has been undertaken. This compares draft figures against different dwelling types and shows with the expected increase the Council will go from behind the average to slightly above average all other things being equal.
Contracts and Procurement 2018/19	Complete the contract register to 100%	L	The Team have added in additional columns per the recommendation. Each of these were checked and found to be added.
Contracts and Procurement 2018/19	Consider the comparison of financial levels and quotations required from other Buckinghamshire Councils (information provided). This should be assessed to ensure the levels assigned are acceptable	L	In the draft CPR the quotations required were re-evaluated. For example, those balances between £1k to £30k it asked for one quotation to be evidenced however the guidance was expanded to state that for balances between £1k to £5k it is preferential to use a credit card to be more efficient and not obtain a quotation.
Corporate Health and Safety 2018/19	Work with the Estates and Properties Team to clarify which properties/assets require the Council to conduct a risk assessment	M	The Health and Safety Manager has also with Estate and Property Manager on 08/01/2019 to discuss which properties/assets require the Council to conducts risk assessments. A register of properties has been updated to include information such as the date of the latest legionella and fire assessment. This register sits with the Estate and Property Manager. The Health and Safety Team has also arranged the property's fire assessments based on the risk exposure. This information is maintained by a programme held by

Name of review	Action	Finding risk rating	Update
			the Health and Safety Officer
Payroll 2017/18	Staff should be reminded that all Starter and Leaver Forms should be completed in a timely manner	M	HR Admin Officer contacts each HR business partner monthly to confirm any starters/leavers and check they have all been put through on the system. There is also now a process to notify end of probation period is due.
Payroll 2017/18	Variation letters should be checked by one other member of the HR team to verify accuracy before issuing.	M	We have seen evidence that this is now taking place.

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Internal Audit Report 2018/19

Commercial Waste

January 2019

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Distribution List

For action	Rebecca Newbutt, Operations Delivery Group Manager Amy Bridgford, Operations Manager Jo Collins, Business Development Manager Henry Allmand, Group Manager Commercial and Built Environment
For information	Will Rysdale, Assistant Director Community Fulfilment Tracey Aldworth, Director Andrew Small, Director Commercial Overview Board Quarterly Commercial Waste Meeting 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	1
High Risk (22 points)	Operating effectiveness	-	1	2	1
	Total	-	1	3	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 identified one high, three medium and two low risk findings.

The Council has a target to generate £1.25m of income in 2018-19 from commercial waste activity and deliver a financial return. There are also obligations to achieve safe working practices. To achieve this there are two principal teams: Operations Team and Commercial Team. The Operations Team manage the customer facing services i.e. fleet, routes and actual collection of waste and the Commercial Team identify and win new business and promote the service.

The most significant finding from this review is that Site Risk Assessments have not been completed (or can be evidenced) for a large number of commercial waste customers. Each site from which commercial waste is collected should be assessed to identify any risks that may pose a threat to the safety of collection crew and the general public, e.g. 'is there adequate space to maneuverer', 'is there adequate lighting' and 'is reversing required'. This should be undertaken prior to the adoption of a new customer and at set intervals thereafter to allow mitigations to be put into place to manage any risk of physical harm. The team capacity and capability needs to be assessed to determine what is required to ensure all risk assessments are in place, additional resources to complete them may be required.

We observed that the current governance structures in place do not allow sufficient discussion around commercial waste concerns across both the operational and commercial perspectives in one forum. There is also not a clear and defined understanding of how concerns would be dealt with. An assessment of all relevant meetings needs to be undertaken with terms of reference agreed to improve clarity. There is also limited reporting on commercial waste activity in terms of performance indicators. During the audit, the teams have already started to make improvements here with the introduction of two new meetings which aim to develop a suite of performance indicators and reporting to support decision making on commercial waste.

The audit also concludes that improvements should be made to substantiating the cost base for commercial waste activities as it currently does not include all expected costs; this should then inform any pricing decisions. We found that there are some discrepancies between the pricing plan a customer requested i.e. direct debit and invoicing (the latter attracting an additional cost) and the rate actually being charged to the customer, leading to instances where customers are undercharged.

These challenges are recognised and activity is already underway to refresh commercial waste branding, the external website, pricing and customer engagement (finding 6). Some of these changes are expected to take place in January 2019 with others to follow later in the year.

Summary of findings

- A site risk assessment was not completed for 12 out of 15 new customers that we tested, and high levels of non compliance with the process were noted (Finding 1 – High)
- Current governance arrangements do not allow for a focused discussion of all commercial waste risks and performance in one forum (Finding 2 – Medium)
- Costs are not fully allocated to the service and therefore financial performance cannot be adequately assessed and the basis for setting charges could not be substantiated (Finding 3 – Medium)
- Customer records are not held in one place and compliance with procedures are not consistently applied (Finding 4 – Medium)
- We have identified some small levels of under charging of customers along with minor differences in quarterly reconciliations (Finding 5 – Low)
- There is no process to collect customer feedback to understand customer concerns and promote the service to new customers (Finding 6 – Low).

Good practice noted

- The rates charged to commercial waste customers are clear and split by type of organisation and type of collection
- Over November 2017 to April 2018, the Operations Team carried out a review and redesign of commercial collection routes to ensure waste from schedule II customers (schools and charities) was not mixed with other commercial customers. The new routes have been in place since May 2018. This identified route efficiencies and cost savings
- The balances on the Bartec (waste management system) and Tech1 (Council general ledger system) balance with only trivial differences.

Management comments

Amy Bridgford 17 December 2018

Finding 1 - Non-compliance with risk assessment for new customers

Prior to the circulation of the report to the management team, the decision was made to transfer the responsibility of managing new and existing commercial customer site risk assessments from the Commercial Business Development Team to the Operational Delivery Team. This suited the structure and individual's roles. Since then, the following has been achieved:

- The site risk assessment form has been redesigned with sign off from the Health and Safety Manager
- The site risk assessment process has been rewritten and agreed between both teams managing commercial waste. This process has been mapped from end to end and includes the administration of documentation
- A site risk assessment tracker has been produced to ensure all sites are risk assessed at a standard interval

- Trade waste Driver Team Leaders have received bespoke site risk assessment training from the Health & Safety Manager to ensure they were capable of completing assessments during their day to day. They have signed for this training and it has been placed on their personnel file. In doing so this has eliminated the need to outsource this task to a costly organisation, and/or hire in temporary staff
- Driver Team Leaders have completed site risk assessments at 301 customers premises, 228 of these did not highlight any known risks however correspondence has been made with 73 customers to make alterations to their current collection method
- The project is on schedule to be completed by the end of February 2019 and the process designed ensures that these are revisited at regular intervals.

Amy Bridgford 10 January 2019

- Since the above comments, I can confirm 589 sites have been site risk assessed and the remaining 500 (approx) are on track to be completed by the end of February 2019.
- 1 account has been closed due to significant risks to collection crew. This decision was not taken lightly and only enforced following 4 different site risk assessments to determine if significant risks could be mitigated.

Jo Collins 14 January 2019

Finding 2 - Governance is not adequately designed to discuss and report all commercial waste risk/performance

- A trade waste meeting has been arranged including all key members of the management team involved with commercial waste. These are being held on a bi-weekly basis with the purpose being to discuss all key projects/KPI's and plans concerning commercial (trade waste). The following are all included in this:
 - Rebecca Newbutt, Operations Delivery Group Manager
 - Amy Bridgford, Operations Manager
 - Henry Allmand, Group Manager Commercial and Built Environment
 - Jo Collins, Business Development Team Manager
 - Kathryn Hobbs, Senior Comms & Marketing Officer (Commercial)
 - Megan Williams, Comms and Marketing Officer
 - Abigail Friston, Trade Waste Supervisor
 - Adam Hildreth, Business Development Manager
- On a quarterly basis we have now implemented a whole team meeting which will include all members of the commercial team from both The Gateway and the depot. During these meetings all the KPI's are discussed, including additional ones which have recently been created. This is the opportunity to discuss new strategic objectives and plan for these as a whole team.

Finding 3 - Lack of complete/accurate cost base to assess financial performance

A project has begun around understanding our true costs so we can compare this with our total income. Following on from this we will be then be reviewing our pricing to ensure our structure is both competitive and sufficient to give us a profitable margin.

- All price recommendations will be taken to our Trade Waste meeting and to Commercial Overview

Board for approval, along with the Cabinet member for Waste & Licensing.

Finding 4 - Improvement needed in customer information management and monitoring compliance with procedures

- Our trade waste manager now reviews the new accounts each week to ensure all required documentation is being received and processed correctly. This check includes the Duty of Care, risk assessment, assignment to a bin schedule and payment/invoice details.
- In response to the bin delivery completion notification we have reviewed this process. Consequently the process has been streamlined, and in doing so the trade waste team at the depot now adds the new accounts to a schedule. This removes the need for the team at The Gateway to know when the bin has been delivered.

Finding 6 - There is no process to collect customer feedback to understand customer concerns and promote the service to new customers

We have just received the results from our first customer survey which aims to understand, from our customers point of view, what we do well, and what they feel needs to be improved. The outcome of this survey was on the most part positive. The intention is to run this survey yearly, monitoring the progression of our service.

2. Background and Scope

Background

Businesses producing waste or managing waste on behalf of others, such as local councils and private collection companies, have a legal Waste Duty of Care. The Waste Duty of Care expects waste producers to be responsible for knowing where they are sending their waste and ensures that the producers are taking steps to ensure those they contract to collect and manage their waste are operating legally.

The Council has an in-house team to offer trade waste collection services to businesses in the Vale. The Operational Delivery Team, based at Pembroke Road, manage all operational aspects of the Commercial Waste business, including scheduling routes, management of collection crew, vehicle maintenance, transfer of waste to Buckinghamshire County Council for disposal, and have a budget for their costs set annually.

The Commercial Business Development team, in Customer Fulfilment, holds the commercial waste income target. This team's role is to market the service, determine rates charged to customers, create product cards, secure and site risk assess new customers and the ongoing management of customer accounts. The transactional finance team issue invoices to customers and are responsible for debt recovery. AVDC is actively trying to encourage customers to pay for the service via direct debit rather than invoice.

The 2018/19 annual income target for commercial waste is £1million. Commercial waste operates in a competitive market open to private firms. AVDC offers a unique flexible product to local businesses, with shorter contracts, fixed rates, and greater flexibility to tailor rounds to meet customer requirements (e.g. collection outside of school hours).

Governance for commercial waste activities is at two levels: the Waste Board, which discusses operational activities, and the Commercial Board, which has oversight of all AVDC commercial activity.

Scope

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

- Review of a sample of 15 new commercial waste customers from the period 1 April to 30 September 2018 to check whether procedures were followed in setting them up i.e. site risk assessments, and to assess whether charges were applied in line with agreed rates and billed correctly
- Review of the governance structures and reporting of commercial waste activity including key performance indicators and approval of key decisions such as charges applied
- Review of the expenditure and income in terms of whether all costs have been applied and if transactions have been reconciled between sub-systems and the Council general ledger.

This does not represent a comprehensive list of tests conducted.

3. Detailed findings and action plan

1. Non-compliance with site risk assessments for new customers – Operating effectiveness

Finding

When a new customer is created, a 'Site Risk Assessment' must be undertaken; this is completed, the form is dated and signed prior to any services being delivered. The process is designed to assess the risks with providing services to the site both to the collection crew and to the public i.e. 'is there adequate space to maneuverer', 'is their adequate lighting' and 'is reversing required'. Originally this task was the responsibility of the Commercial Team to complete. During review, on discussion with the teams, it was agreed it was more sensible for this to be the responsibility of the Operations Team, who have the skills and experience to complete the initial assessment and update real-time for changing/new risks.

We tested a sample of 15 new customers and found for 12 locations no Site Risk Assessment was completed (80% non-compliance from sample).

The high level of non-compliance was compounded by a misunderstanding of what constituted compliance. For example:

- For six of the non-compliant samples, we were informed that these were not undertaken as they had been assessed under previous owners
- Three had not been completed as staff had knowledge of the area
- Two had not been completed as sites near-by had been risk assessed.

We also found that there are no controls in place to re-assess a site at a set interval and to keep track of when these re-assessments are due. Officers confirmed that in every case for a new customer a new form must be completed and the above reasons are not acceptable.

It was accepted that the level of non-compliance in the sample is reflective of the whole population and needs to be urgently addressed as it places Council staff and the public at risk of harm.

Risks / Implications

Injury to staff or public.

In the event of an incident the Council could not evidence their assessment of risks to the Health Safety Executive (HSE) and this could lead to financial penalties and operational restrictions.

No evidence that the collection crew are aware of the risks and how to mitigate them e.g. 'deploy a reverse assistant', 'avoid at peak times', 'use pavement only'.

Finding rating

Action Plan

High	a) Assess resourcing needs to complete all site risk assessments. Determine whether this can be done in-house (capability and capacity), or whether external resource is required.	<i>Responsible person/title</i>
	b) A site risk assessment needs to be completed for every customer where services are being delivered. Ongoing processes to be established to ensure site	<i>a) Rebecca Newbutt, Operations Delivery Group Manager b) to d) Amy Bridgford, Operations Manager and Jo Collins, Business Development Manager</i>
		<i>Target date</i>

risk assessments are in place before waste is collected.

- c) A schedule to be developed that provides data on when the last site risk assessment was conducted and when the next one is due

- d) Report this schedule to every Quarterly Commercial Waste or Operations Board meeting to enable compliance monitoring and action.

a) 31 December 2018

b) 31 March 2019

c) 31 March 2019

d) 30 May 2019

2. Governance is not adequately designed to discuss and report all commercial waste risk/performance – Control design

Finding

The current meetings to provide a forum to govern commercial waste activities are set out in the table below.

Meeting	Remit	Key Attendees	Frequency
Commercial Overview Board	Assess overall Council commercial performance and to assess progress/activity of the Social and Entrepreneurial Development Team (SEED)	Chief Executive, Directors, Assistant Directors, Sector Leads for each service, Corporate Commercial Strategy Manager (and SEED Team) and Business Development Team Manager	Monthly
Waste Board	Discussion of particular projects covering all waste services i.e. garden waste stickers programme or new Fleetwave application	Lead Member, Director, Assistant Director, Business Development Manager, Customer Fulfilment Manager, Operation Delivery Group Manager, Senior Project Manager, Senior Communication and Marketing Officer	Monthly Formed 18/24 months ago
Business Development Team	Discuss commercial waste performance and individual projects across commercial activities. Report high level KPIs around customer numbers and income	Business Development Manager, Key Commercial Account Managers, Trade Waste Sales and Customer Executives and Parish Liaison Officer	Monthly

From review of agendas/minutes and discussion with staff our conclusions over commercial waste governance are:

- There is no specific meeting in place to discuss the activity and performance of commercial waste i.e. performance against indicators and overall financial and operational performance over the prior quarter
- Current meetings in place are not sufficient forums to discuss commercial waste:
 - Commercial Overview Board. This group has a much wider remit and therefore would not be a feasible place to discuss quarterly performance of commercial waste
 - Waste Board. This group was set up to focus on all waste related projects and not day-to-day performance or overall strategy
- There is not a defined remit for either the Commercial Overview or Waste Board documented in a terms of reference and there is not an overall governance structure which documents how each group interacts with one another. From discussions with staff it was confirmed that at meetings there can be duplication and questions raised about why certain reports are presented to a particular meeting which confirms our view that clarity is needed
- There is no regular meeting that brings operational and commercial staff together.

Commercial waste performance monitoring does not capture performance of the whole operation and provide meaningful information for decision making. Commercial waste specific Key Performance Indicators (KPIs) are only measured and reported within the Business Development Team. This covers high level information such as total numbers of customers, current income levels and customers lost. These KPIs

are not shared more widely and do not cover KPIs around operational issues e.g. number of risk assessments undertaken for new customers. These governance concerns are understood by both the commercial and operational managers and steps have already been taken during the audit to mitigate the above challenges. This has been achieved by the creation of two new meetings set out below.

Meeting	Remit	Key Attendees	Frequency
Operations Team – Commercial Waste	Discuss activities specifically around commercial waste, covering both operational and commercial teams	Operations Manager, Trade Waste Supervisor and the Business Development Manager	Fortnightly First meeting to take place late November 2018
Quarterly Commercial Waste	Review formally reported commercial waste KPIs and assess progress against strategic objectives. Also be the forum to consider whether to escalate concerns to the Commercial Overview Board or others	Whole Trade Waste Team from Operations, Communications Officer, Business Development Manager and Group Manager for Commercial & Built Environment Services	Quarterly First meeting on 3 December 2018

Risks / Implications

Commercial waste performance is not captured in sufficient detail and presented for scrutiny to the right stakeholders. This may lead to ineffective decision making resulting in financial loss, operational risk exposure or reputational damage

Finding rating

Action Plan

Medium	<ul style="list-style-type: none"> a) Terms of reference should be developed and approved for each of the five governance groups listed in this finding. This needs to specify the remit of the group, expected attendance and where agenda items are escalated, if required b) Ongoing review of the effectiveness for the two new meetings needs to be completed to assess if they bring together operational and commercial staff and are an effective forum to take a holistic view of commercial waste activity. These assessments should be reported to the respective meeting with actions then taken to make improvements accordingly c) A suite of KPIs should be developed and defined covering both operational and commercial activities. These then should be reported to the Quarterly Commercial Waste meeting. 	<i>Responsible person / title</i>
		<ul style="list-style-type: none"> a) Will Rysdale, Assistant Director and Jeff Membery, Assistant Director b and c) Amy Bridgford, Operations Manager and Jo Collins, Business Development Manager
		<i>Target date</i>
		<ul style="list-style-type: none"> a) 31 January 2019 b) 30 April 2019 c) 31 January 2019

3. Lack of complete/accurate cost base to assess financial performance – Operating effectiveness

Finding

It is essential for any commercial venture to substantiate a credible cost base. This will inform the breakeven point, determine pricing strategies and impact on profit margins. Cost base information should then support any pricing decisions with the principle being that these cover expected costs. This is even more important for local authorities to avoid the risk of cross subsidisation or breaching local government legislation on commercial operations.

We assessed the completeness of the cost base the Council has developed and the basis upon which pricing has been established.

Cost base line completeness

Commercial waste financial activity is recorded on the Council's general ledger system Tech1. There are two teams involved in these services:

- Operational Team - has responsibility for the costs to deliver the service i.e. collection crew and supervisory staff payroll costs, containers, fuel and oil
- Commercial Team - has responsibility for the income derived from the service i.e. staff time to identify new customers and set them up and also undertake activities to promote the service.

All incomes and expenditures relating to commercial waste sit in the cost centre 1145 - Commercial Waste Services. Through review of this cost centre and discussion with staff we found:

- The salary cost does not include staff from the Business Development Team (who spend some of their time setting up and generating new customers), the Bin Delivery Team and supervisory staff at the Pembroke Road Depot. Without apportioning these costs, there is an incomplete picture over the financial performance of commercial waste activities
- Bin Delivery Team costs are not included such as the cost of the vehicles, maintenance and fuel and the actual cost of the bins
- Operations Team also raised a concern as it is unclear how income is coded. For instance, certain income is coded to '41175 - Sale of Bins – Trade' however, they expected all rental and collection of commercial refuse bins to be coded under '41174 - Sale of Bins'.

Pricing

The Council last increased its prices for commercial waste on 1 April 2018 by 5%. A review of the current market and commercial activities should have supported the prices set. Through discussion we found:

- The 1 April 2018 price increase is not supported by documentation to justify why 5% was determined to be appropriate
- There is no documentation held justifying prices or for the correlation between underlying costs and prices set

Budget vs. actual discussions

Once a month the Operational Team and Commercial Team separately have a meeting with different Finance Business Partners. These meetings are to discuss the overall financial position, budgets vs. actuals and any accounting adjustments needed to certain ledger codes. The Operational Team find the quality of reported financial information is not useful to inform decision making e.g. for expenditure, an overall figure year-to-date is provided and not more detailed financial information or trend analysis, which limits discussion.

It was noted that recently a Finance Business Partner attended a weekly meeting with the Commercial

Team and provided a more detailed breakdown from Tech1 and explained the report and functionality available on Tech1 to analyse financial information. This was found to be very useful and a good platform to build upon across both teams.

Risks / Implications

Full costs of the service are not allocated and reported effectively each month against income, which could lead to AVDC running a service which is not commercially viable

Pricing not based on thorough assessments of what will achieve a commercially viable proposition, which could lead to a loss of customers and a commercially unsustainable business model

Finding rating

Action Plan

Medium

- a) A list of all staff costs contributing to the delivering of commercial waste whether directly or in-directly (i.e. Business Development Team) should be analysed. It should then be assessed what proportion of this staff time relates to commercial waste activities
- b) The full costs associated with Commercial Waste should be identified, captured and compared against all income on at least a quarterly basis and reported to the Quarterly Commercial Waste meeting
- c) Operational and commercial teams should speak with their respective Finance Business Partners to agree financial reporting requirements and agree actions over better report formats
- d) Any future price changes should be supported by an assessment and approved by the Quarterly Commercial Waste Meeting and if required, the Commercial Overview Board.

Responsible person / title

- a) *Amy Bridgford, Operations Manager and Jo Collins, Business Development Manager*
- b) *Henry Allmand, Group Manager Commercial and Built Environment*
- c) *Rebecca Newbutt, Operations Delivery Group Manager and Henry Allmand, Group Manager Commercial and Built*
- d) *Henry Allmand, Group Manager Commercial and Built*

Target date

- a) *31 January 2019*
- b) *31 March 2019*
- c) *28 February 2019*
- d) *28 February 2019*

4. Improvement needed in customer information management and monitoring compliance with procedures – Operating effectiveness

Finding

Customer management information

Service delivery customer information is held on Bartec. This includes basic information such as contact, address and payment details. When a new customer is set up, information such as the risk assessments of locations (see finding 1; and Duty of Care records and information sheets, per below) are stored in a number of places and not on Bartec.

It was agreed as part of this review that having all customer information in one place would improve overall management, tracking and reduce risk e.g. enable monitoring of whether each customer has all associated checks (forms and evidence) which should be undertaken in place. The Salesforce platform could potentially be used to support commercial waste, but it is not currently part of the programme of work.

Compliance with procedures

We reviewed a sample of 12 new customers set up in the period 1 April to 30 September 2018 to check compliance with certain procedures – our findings are summarised in the table below.

Procedure area	Purpose of procedure	Findings from sample
Duty of Care	<p>Each customer has a responsibility to take all reasonable steps to ensure that waste is managed properly – these responsibilities are set out in S.34 Environmental Protection Act 1990</p> <p>The Council should issue each customer with Duty of Care guidance which they need to sign and return; these also need to be re-signed at set intervals</p>	<ul style="list-style-type: none"> • Four out of 12 customers had not been sent the form • We could not confirm whether a further four customers had been sent the form • No signed form had been received/ documented for any of those in the sample <p>Note - A full issue was made to all customers requiring them to complete the Duty of Care form in 2018</p>
Information sheets	<p>Once the Business Development Team has set up a new customer on Bartec, they should complete an information sheet for the Operations Team. This sheet informs them about the new client and any potential issues i.e. narrow alley way, dim lighting etc.</p>	<ul style="list-style-type: none"> • Five out of 12 information sheets had not been provided by the Business Development Team to the Operations Team • One information sheet had not been shared with the crew by the Operations Team
Bin delivery completion notification	<p>Once a bin has been delivered to a new customer, the Bin Delivery Team should send a notification to the Business Development Team so that they can set up a collection schedule for the new customer</p>	<ul style="list-style-type: none"> • For all 12 there no evidence of bin delivery completion notification could be found <p>Note - This process was introduced in May 2018. The process is not yet embedded effectively</p>

Risks / Implications

Non-compliance with expected procedures which could put staff and customers at greater physical risk or lead to lower levels of customer service.

<i>Finding rating</i>	<i>Action Plan</i>	
Medium	a) Develop a schedule which checks the response rate for duty of care responses and report compliance levels to the Quarterly Commercial Waste meeting	<i>Responsible person / title</i>
		<i>a and b) Jo Collins, Business Development Manager</i>
	b) Re-affirm via email and local meetings the expectations for information sheets and bin delivery completion notifications	<i>Target date</i>
		<i>a) 28 February 2019 b) 31 December 2018</i>

5. Low levels of under charging to customers and small differences in quarterly reconciliations – Operating effectiveness

Finding

Invoicing

We reviewed a sample of 15 new customers set up in the period April to September 2018:

- Six customers are set up for direct debit payments on Bartec (waste management system) whereas in practice they are paying via invoices on Tech1
- One customer has sent in the direct debit information, however the Tech1 record is showing this as an invoice customer.

The consequence of these errors is that customers who should pay a higher charge for choosing to use invoices as a method of payment are charged at the lower rate of using direct debit. The team recognise this issue and are in the process of issuing letters to all customers to promote moving to direct debit payment or incur a £10 per invoice fee if they remain on invoices. As part of this, data on the system will be cleansed.

Reconciliation

Commercial waste customers are invoiced on a quarterly basis in arrears. The Business Development Team records what needs to be invoiced on the Bartec system for the quarter; this is then downloaded onto Tech1 and invoices are raised as necessary. We re-performed the process for Q1 and Q2 in 2018-19 and found a variance of £24.90 and £189.65 respectively. Both variances have been investigated and it is noted that they are due to two inputting errors on Bartec. This was rectified at the time of the audit.

We further compared the file generated by Bartec to the actual records on Bartec. In the Q1 and Q2 files, there are the following differences:

- Q1 7000003 has not been charged £27
- Q1 7036791 has been undercharged £100.50
- Q1 There is a display issue in 7037335, leading to a difference of £59.40
- Q1 7037058 has been overcharged £34.55
- Q2 There is a display issue in 7037058, leading to a difference of £73.30.

(Note - This review did not assess the design or effectiveness of commercial waste debt recovery. A separate review in the 2018-19 Internal Audit Plan will look at all Council debt including commercial waste.)

Risks / Implications

The Council collect less income than agreed with the customer resulting is a weaker financial position

Finding rating Action Plan

Low	a) A letter be sent to every customer explaining the price plan they are on and that remaining on invoices instead of direct debit will cost £10 more per invoice	<i>Responsible person / title</i> <i>Jo Collins, Business Development Manager</i>
	b) A 100% review of customer accounts should be undertaken to ensure customer payment preferences/rates on Bartec match agreements and match what is on Tech1	<i>Target date</i> <i>a) 30 November 2018</i> <i>b) 31 January 2019</i>
N.B Invoices are going to move from quarterly in arrears to monthly in arrears from January 2019 which along with the above improvements, should remove trivial differences identified in reconciliations undertaken		

6. There is no process to collect customer feedback to understand customer concerns and promote the service to new customers – Control design

<i>Finding</i>		
<p>There is currently no process to collect customer feedback. This is a customer facing service and the ability to obtain and analyse feedback is beneficial as it allows the Council to respond to customer needs but also use the data to promote the service.</p> <p>The Council is currently working to generate a Net Promotor Score (NPS) survey that will be issued to all customers; this will score the service and also provide details about what customers do and do not like. This can form the basis to set targeted action plans to make improvements to the customer experience.</p>		
<i>Risks / Implications</i>		
<p>Lack of engagement with customers could undermine the viability of the commercial waste activities leading to a financial loss. Opportunities for improvement may be missed.</p>		
<i>Finding rating</i>	<i>Action Plan</i>	
Low	a) A Net Promotor Score (NPS) survey should be issued to all customers	<i>Responsible person / title</i>
	b) The NPS survey results should be analysed and reported to the Quarterly Commercial Waste Meeting with appropriate subsequent actions agreed	<i>Jo Collins, Business Development Manager</i>
		<i>Target date</i>
		a) <i>31 December 2018</i> b) <i>28 February 2019</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.

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

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

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
Governance	<ul style="list-style-type: none"> Inadequate oversight leading to operational and commercial risks not being managed 	<ul style="list-style-type: none"> Operational and commercial governance arrangements are adequate and effective to manage risks and achieve commercial objectives Processes ensure a “joined-up” Council view is taken
Strategy	<ul style="list-style-type: none"> Ineffective strategies to direct and assess the commercial waste activities in a competitive market 	<ul style="list-style-type: none"> A strategy that outlines the vision and key objectives of commercial waste Analysis of competitors and a clear understanding of market position to direct commercial activity A sales and marketing strategy is in place, acted upon, and monitored against clearly defined KPIs
Customer identification	<ul style="list-style-type: none"> Weak customer relationships Loss of business Risk to health and safety of AVDC crew/public Breach of Duty of Care Under recovery of income 	<ul style="list-style-type: none"> Processes are in place to identify customers, assign account managers and set up contracts Risk assessments of new customers are performed to ensure AVDC crew are not subject to health and safety risks Risk assessments for existing customers are reviewed/updated Environmental health issues are appropriately reported Communication between commercial and operational teams is effective to meet customer expectations and deliver an efficient, cost effective service Customer feedback is obtained, reviewed and appropriately acted upon “Stop lists” are communicated, acted upon and reviewed Review duty of care when issuing and renewing customers
Route and efficiency management	<ul style="list-style-type: none"> Operational activities are inadequately assessed leading to increased costs and missed opportunities 	<ul style="list-style-type: none"> Regular and robust review of driver routes Assessment of activities holistically to identify opportunities which are then acted upon
Compliance with operational policies	<ul style="list-style-type: none"> Lack of compliance to procedures expose Council staff to unacceptable risks Non performance of service 	<ul style="list-style-type: none"> Up to date procedures are documented, communicated and understood by staff to direct operational activities including waste transfer notes Relevant and timely training is delivered to staff and records are maintained Activities are performed in line with procedures
Pricing, budget and costs	<ul style="list-style-type: none"> Full costs of service are unidentified. Activities are cross subsidised Business model is not commercially viable 	<ul style="list-style-type: none"> Costs for all commercial waste activities are identified, captured and reviewed against budget Pricing structure is justifiable based on fully costed model
Invoicing	<ul style="list-style-type: none"> Under recovery of income Inaccurate/incomplete invoicing for services delivered 	<ul style="list-style-type: none"> Billing structures and frequency are appropriate to maximise income recovery Regular and accurate/complete invoicing takes places based on good interfaces between the commercial waste and general ledger systems Reconciliations are performed

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Internal Audit Report 2018/19

Comments, Compliments and Complaints

January 2019

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Distribution List

For action	Hazel Hutt, Group Manager, Customer Relationship Georgie Hannon, Customer Relationship Supervisor Robert Bowman, People & Culture
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	-	-	1	-
Low Risk (4 points)	Operating effectiveness	-	-	-	1
	Total	-	-	1	1

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

Summary of findings

This report is classified as Low risk. We identified one medium and one low risk finding.

During the period under review being 1 April to 20 November 2018 the total number of complaints, comments and compliments were c. 620 (c. 510 complaints, c. 50 comments, c. 60 compliments). The most significant finding from this review is that the customer did not always receive an outcome to the complaint within the 15 working days target. Where the target was breached there was limited/no evidence to support that the customer had been contacted to notify them of the delay. Our sample testing also identified that where a complaint is escalated to stage 2, there was no prompt notification back to the complainant to state this, as per the policy. Lack of or late responses can further affect the relationship with the customer who is already dissatisfied with a service or outcome.

The audit also concludes that improvement should be made to standardising who receives the initial training regarding the handling of comments, compliments and complaints. The Local Authority Ombudsman document from March 2009 “Guidance on running a complaints system” was issued some time ago but the context and good practice stated can still be regarded as current. It states that “all council staff should be aware of the complaints process and how to access it” and “front line staff have a crucial role, not only in ensuring access to the complaints procedures but in capturing information about things that may be going wrong”.

Summary of findings

- There were delays in responding to 7 out of 19 stage 1 complaints with a further delay where the complaint was escalated to stage 2 (Finding 1 – Medium)
- All new starters across the Council are provided access to the e-learning but it is not a mandatory requirement for any staff member, including front line staff, to complete the e-learning. Currently, there are no targets set out for the e-learning compliance. (Finding 2 – Low)

Good practice noted

- The complaints policy was reviewed in October 2018 which is broadly in line with the Local Government Ombudsman good practice guidance
- There is clear reporting of complaints referred to the Local Authority Ombudsman in service areas

such as planning, revenues and benefits, to the Council's Appeals and Complaints Committee

- Automatic acknowledgement letters go out for comments and compliments which ensures everyone is responded to immediately for these
- Reporting includes summarising transaction data onto a dashboard which covers a number of indicators to assess activity particularly around complaints. This includes trends of complaints month on month and measuring timeliness by percentages to ensure high levels of compliance are reached. This is reported to a wide audience which includes the Leader of the Council and discussion around trends are undertaken
- Upgrading of the comments, compliments and complaints case management system is taking place in early 2019 to allow enhanced system functions.

Management comments

We will continuously look at ways to improve the response times to customers and, following the audit, we have put in place extra procedures to ensure response timelines are met.

Overall there is a good range of controls in place for CCCP since it was handed over to Customer Relationship. We have tightened the controls, monitoring and reporting of the process and these measures are more robust and lead to greater accountability.

2. Background and Scope

Background

In AVDC's Customer Charter, the Council has promised to provide its customers with a great service and be open, trustworthy, innovative and efficient. AVDC has recently updated its comments, compliments and complaints process (CCCP) and policy to ensure that it is in line with its Customer Charter and to simplify the process for the customer, reflecting the digital approach to contact. Customers can raise compliments, comments and complaints via the following routes:

- Online form
- Call the Customer Relationship Team
- Written form/post.

The customer can provide AVDC with the following information:

- Comments - suggestions for how AVDC could improve
- Compliments - feedback on what AVDC has done well
- Complaints - dissatisfaction with the quality of a service provided by AVDC
- Councillor Conduct - to make a complaint about the conduct of an AVDC Councillor.

The coordination of the CCCP was recently moved to the Customer Relationship Team. They are supported by service liaison officers (SLOs) who manage and allocate complaints. iCasework is used to process and report complaints. The system is being upgraded, with the new version planned to go live in January 2019.

When a complaint is received, SLOs will review it and contact the complainant by phone within 48 hours. If the complaint cannot be resolved by the SLO during the call, it will be escalated to follow the stage one process. There should be a formal acknowledgment of a complaint within 5 working days of the call. The complaint will also be assigned to the relevant officer and the manager should respond within a further 10 working days. If the customer is satisfied, the complaint will be closed

If the complaint is not resolved satisfactorily by the response of the manager and the customer has notified AVDC of the dissatisfaction, the complaint will be escalated to follow the stage two process. An acknowledgment should be sent to the customer within 5 working days and the complaint will be assigned to the relevant manager, head of service or director. The complaint should be investigated and responded to within a further 10 working days. If the customer remains unsatisfied with AVDC's response at the end of the stage two process, the customer can ask the Local Government Ombudsman to look into the complaint.

Scope

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

- Review of a sample of 25 comments, compliments and complaints from the period 1 April to 20 November 2018 to check whether procedures were followed as per the Comments, Compliments and Complaints Policy 2018 (3 comments, 3 compliments and 19 complaints).
- Review of the outcome of comments, compliments and complaints to ascertain lessons learnt.
- Review of the training given to staff in dealing with comments, compliments and complaints received.

This does not represent a comprehensive list of tests conducted.

3. Detailed findings and action plan

1. Instances of non-compliance with Complaints Policy particularly around evidencing response to complainants – Operating effectiveness

Finding

The Council uses a system called iCasework to manage and record comments, compliments and complaints. In order to test compliance with the policy, we received a list of all comments, compliments and complaints from 1 April 2018 until 20 November 2018. A sample of 25 was selected covering 3 comments, 3 compliments and 19 complaints. In addition, we reviewed iCasework to determine the evidence that is retained during the process.

Complaints

- In seven cases, the responsible service manager did not respond to the complaint within 15 working days from the original date that the complaint was received for stage 1, and in three cases for stage 2 complaints the complainant was not responded to within a further 15 working days. It should be noted that a new procedure has been put in place in January 2019 in light of this finding. The new process means that at day 12 a chaser email will be sent to the service manager and if no response received at day 13, the service liaison officer will notify and escalate to Group Manager Customer Relationship who will insist of a response from service manager in order to meet timeline
- In five cases, an extension email or a letter was not sent to the complainant where the investigation timescales breached the reporting timescales as per the policy. Per above, the Council have put in place a new procedure which should resolve this moving forward
- In another case, the acknowledgement letter was not sent within five working days of the stage 2 escalation request date.

Comments

- In one case, the responsible service manager did not respond to the comment for over 40 working days. A review of the case on iCasework identified that this was a service request and should have been rejected as per the complaints policy
- In another case, the responsible service manager responded within 15 working days of the comment being received by the Service Liaison Officer, however the manager concluded that the comment was not related to their service area and the case was immediately closed. There was no evidence to suggest that the resident had been contacted for more information. In this case the classification was incorrectly recorded therefore the service manage was not aware they needed to respond.

Other

Furthermore, the complaints policy does not identify a date for next review.

Risks / Implications

If complaints are not addressed as per the policy timeframes, there is a risk that this will further increase customer dissatisfaction and cause damage to customer relationships. Dissatisfied customers may escalate issues to the Local Government Ombudsman.

Finding rating	Action Plan	
Medium	a) Monitoring of the status of a comment, compliment or a complaint should be undertaken using iCasework by the Service Liaison Officer as per the policy with the relevant investigating manager being contacted for progress. Evidence will be obtained and added to ensure a case is not closed prematurely.	<i>Responsible person/title</i>
		<i>a - d) Hazel Hutt, Group Manager</i>
	b) Reminders will now be diarised	<i>Target date</i>
	c) Where there are delays in the concluding of an investigation the customer should be contacted to make them aware of the delay d) The Council should record a next review date for the relevant policies and include the document change history for policies.	<i>a – d) April 2019</i>

2. Training compliance is low and no specific targets are set – Control effectiveness

Finding

For training on the handling of comments, compliments and complaints, there is an e-learning module available for staff. This e-learning was last updated on 22 October 2018. All new starters across the Council are provided access to the e-learning but it is not a mandatory requirement for any staff member to complete the e-learning.

The compliance rate for e-learning was 53% for all staff and 80% for all staff excluding the depot. Currently, there are no targets set for the e-learning compliance. It was confirmed by Group Manager (Customer Relationship) that compliance of e-learning is for Human Resources to action and Customer Relationship does not have a control over it.

Risks / Implications

If front line staff are not required to complete training to identify and address comments, compliments or complaints there is a risk that they are inappropriately managed and result in customer dissatisfaction.

Finding rating

Action Plan

Low

a) The complaints E-learning should be made mandatory for frontline staff who have regular contact with customers. All staff who join should complete training as part of their induction.

b) An e-learning compliance rate should be set and monitored and reported regularly by service area.

Responsible person / title

a) Robert Bowman, HR

b) Hazel Hutt, Group Manager

Target date

a) June 2019

b) March 2019

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.

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

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

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
Policy and procedure	The Policy and procedure is not reflective of the Council's working practice Non-compliance with LGO requirements	<ul style="list-style-type: none"> The Policy has been approved by management and Members at appropriate intervals The policy & procedures can be readily accessible by staff and customer
Roles and Responsibilities	Roles and responsibilities across the Council are not clearly assigned	<ul style="list-style-type: none"> A structure for management and coordination of CCCP is in place with clearly defined roles and responsibilities
Comments, Compliments and Complaints	Damage to customer relationship Unable to use the information to improve systems, processes and practice Potential fines and reputational damage	<ul style="list-style-type: none"> Complaints are appropriately identified/recognised. Documented process in place and followed for management of comments, compliments and complaints Lesson learnt from comments, compliments and complaints are shared across the service/Council Corrective action is taken where necessary to address the underlying causes of complaints Evidence of comments, compliments and complaints are retained in accordance with policies
Training	Staff have not received appropriate training in relation to the management of comment, compliments and complaints	<ul style="list-style-type: none"> Training to new starters is in place Compliance for training is monitored to ensure expected levels are met On-going training for relevant personnel is identified and given
Monitoring & Reporting	Poor oversight from management. Inability to learn from lessons and ensure corrective action has been carried out. Lack of ability to manage performance	<ul style="list-style-type: none"> There is agreed and regular reporting that identifies trends and meets expected compliance/performance indicators which have been set CCC are shared appropriately with those concerned. CCP information is used to assess performance against the customer charter.

UPDATE ON AYLESBURY VALE BROADBAND REVIEW

1 Purpose

- 1.1 To update the Audit Committee on the cross party working group established to oversee the recommendations of the Aylesbury Vale Broadband report; and
- 1.2 To review the updated “Guide to Creation and Working with Companies in which AVDC had a Financial Interest” (the “Guide”) and consider whether the recommendations from the AVB review have been appropriately included in accordance with Audit Committee resolutions.

2 Recommendations/for decision

The Committee is asked to:

- 2.1 Note the work of the Cross Party Group.
- 2.2 Approve the amendments to the Guide, which is included as part of the Council’s Constitution at Section G (Codes and Protocols).

3 Supporting information

- 3.1 On 28 June, 2018, 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.
- 3.2 Prior to this Council meeting, on 12 June 2018 the Audit Committee resolved that:
 - (3) That the recommendations identified in the report be reflected in the Council’s “Guide to the Creation and Working with Companies in which AVDC has an interest”.
 - (4) That the Council’s Code of Conduct be affirmed in relation to the divulgence of confidential papers and the Democratic Manager be instructed to take account of the AVB review recommendations in his review of the Councillors Code of Conduct, in particular the section relating to the divulgence of confidential papers.”

Update on work of Cross Party Group

- 3.3 The Cross Party group (Councillors Branston (Chairman), B Chapple, A Cole, S Cole, Christensen, Lambert and Cooper) met on 6 December 2018 to consider the progress made on implementation of recommendations arising from the AVB review report.
- 3.4 A report was presented which included details of how the recommendations had been incorporated into the "Guide to Creation and Working with Companies in which AVDC had a Financial Interest" (the "Guide") together with a draft of the updated Guide.
- 3.5 Members considered the updated table of recommendations, which included details of how the recommendations had been incorporated into the updated Guide. Their attention was drawn, in particular, to Recommendation 17 (Confidentiality requirements and the Code of Conduct). The new Members' Code of Conduct had been drafted taking into account the Audit Committee's request that particular attention be given to the divulgence of confidential papers. The Chairman of the Audit Committee had been closely involved in this process. An updated Code of Conduct had been agreed by the Standards Committee on 3 December 2018 and would now be submitted to full Council in February 2019 for final approval.
- 3.6 The investigation into the 'yellow pages' breaches that had been raised during the review of AVB was ongoing and would be reported to Members in due course.
- 3.7 The Group then considered the AVB Financial Review that had been requested at the last meeting and undertaken by the Corporate Governance Manager.
- 3.8 Members were informed that sample testing of income and expenditure incurred by AVB from inception to 31 March 2018 had been performed. Samples had been selected from the AVB Nominal Ledger. The AVB annual accounts had been prepared by external accountants (Tax Assist) on the basis of the information contained in the nominal ledger. A report was presented detailing the testing performed and the results.
- 3.9 The report concluded that no exceptions had been identified in the sample testing. On the basis of the documentation reviewed and the testing performed no concerns had arisen that would indicate that the financial accounts of AVB did not present an accurate record of the affairs of the company.
- 3.10 Following consideration of the updated actions taken against the 22 recommendations stemming from the BDO LLP report, including the updating of the Guide to Creation and Working with Companies in which AVDC had a Financial Interest, and on the financial review of some areas of the AVB accounts, the Group resolved that:
 - (1) That the Corporate Governance Manager be thanked for the work undertaken and submitted to the AVB Cross Party group.
 - (2) That the 'Guide to Creation and Working with Companies in which AVDC had a Financial Interest' should be updated with regard to information required in support of business cases, as discussed at the meeting.

(3) That, subject to recommendation (2) above, the AVB Cross Party Group was satisfied that the 22 recommendations stemming from the BDO LLP report on the review of AVB had been actioned.

(4) That a report of the AVB Cross Party Group's findings should be reported back to the Audit Committee in January 2019.

3.11 It was agreed that the work of the Cross Party Group had been concluded in accordance with Council's resolution and no further meeting was required.

Updated "Guide to Creation and Working with Companies in which AVDC had a Financial Interest"

3.12 The Guide has been update to reflect the recommendations set out in the AVB report.

3.13 Further updates requested by the Cross Party Group to strengthen the information required to support business cases have also been included. This is attached as Appendix 1.

Contact Officer	Kate Mulhearn – Corporate Governance Manager Tel: 01296 585724
Background Documents	None

AVB recommendations and implementation plan – Update December 2018

The majority of recommendations made in the Aylesbury Vale Broadband (AVB) Review (June 2018) will only become applicable when a new company is formed or financial investment made. To ensure that the learnings identified from the review become embedded, our policies, procedures and working practices need to be updated. The “Guide to creation and working with companies in which AVDC has a financial interest” (“the Guide”) sets out the current protocols and is already part of the Council’s Constitution (Section G, Appendix K). For other recommendations, updates to the Code of Conduct are required.

The internal audit plan for 2018/19 includes a review of the governance arrangements for Aylesbury Vale Estates, the only other commercial venture in which the Council has an interest. This will assess whether the recommendations raised from AVB are operating effectively.

The Guide has been updated and the 22 recommendations have been actioned as follows:

Recommendation	Next steps	Update (Dec 18)
<i>When establishing new commercial ventures and overseeing the ongoing business planning cycles (Inception):</i>		
1	Robustly evaluate pilots of new commercial ventures before making further investment a) Update the Guide to reflect the need for and the information requirements to enable robust evaluation of pilots b) Identify appropriate committee to scrutinise and approve further investment c) Provide training for members d) Obtain external expertise where applicable	Guide updated - page 13
2	Sign a Shareholder Agreement requiring permission for wholly or partly owned companies to deviate significantly from agreed business plans a) The Guide currently states that AVDC <i>should</i> appoint a shareholder representative who would normally be an elected member of the Council. Update so that this is a requirement b) Update the Guide to require a Shareholder Agreement, including specific points the agreement should contain such as the requirement for shareholder approval for material changes to business plans	Guide updated - pages 11 & 12
3	Improve scrutiny of business plans to ensure they are realistic a) The Guide already includes the requirements for a business case and the objectives, which must be at least one of : – Reducing Council operating costs by delivering Council	Guide updated - pages 4 & 5

Recommendation	Next steps	Update (Dec 18)
	<p>service at lower cost than the Council is able to do.</p> <ul style="list-style-type: none"> - Delivering services which the Council is not empowered to deliver - Generating cash to the Council through Dividend payments - Generating a cash lump sum by enabling the Council to sell its shares at a point in the future at a significant profit. <p>All business plans should clearly outline the objectives of the investment and report on the achievement of those objectives.</p> <p>b) The Guide sets out the minimum requirements for a business plan. To ensure robust scrutiny, each of these requirements should be considered in turn prior to approval</p> <p>c) The Guide already sets out the minimum reporting & performance monitoring requirements which includes quarterly reporting of:</p> <ul style="list-style-type: none"> - Current cash flow and profit and loss position - Current investment position (including any loan position) - Income and expenditure forecast for the 4 rolling quarters - Current position compared to current business plan - Any expected issues reserved in the companies articles of association that may be need to be reported to AVDC formally over the next 6 months. - High level reporting of planned strategic marketing activities. <p>The business case should include a template for reporting to ensure there is agreement over what will be reported and that this information is captured from the start.</p> <p>d) Updated the Guide to make it clear that the original Business Case and annual Business Plans must include an assessment of risks and any new issues arising. Members should ensure they are satisfied with the way these risks are being addressed.</p> <p>e) Identify appropriate committee to scrutinise and provide training for members</p> <p>f) Obtain external expertise where applicable</p>	

Recommendation		Next steps	Update (Dec 18)
4	Undertake more thorough market research before entering new markets. Future business plans for commercial ventures should include scenario planning and risk assessments	a) Update the Guide to reflect the need for market research and ensure the results are shared with members prior to approval of new business plans.	Guide updated - page 5
5	Structure the business planning cycle to set a clear vision for the future and assess performance against previous plans	Update the Guide to reflect that business plans and reporting need to: a) help the Board and, where relevant the Council, to: – Agree clear direction of travel over the coming year; – Provide a suite of KPIs which allow the Board and the Council to assess performance against that plan; – Review performance against last year’s plan. b) include specific, measurable, assignable, realistic and time bound (SMART) key performance indicators. c) contain forecast cash flow, profit and loss and balance sheet as well as actual financial information from the last year.	Guide updated - page 5
6	Ensure commercial ventures have a clear and consistent strategic direction.	a) The Guide already includes the requirements for a business case and the objectives, which must be at least one of : – Reducing Council operating costs by delivering Council service at lower cost than the Council is able to do. – Delivering services which the Council is not empowered to deliver – Generating cash to the Council through Dividend payments – Generating a cash lump sum by enabling the Council to sell its shares at a point in the future at a significant profit. All business plans should clearly outline the objectives of the investment and report on the achievement of those objectives.	Guide updated - pages 4 & 5
<i>When considering governance arrangements for new commercial ventures (Governance):</i>			
7	Avoid placing Cabinet members	a) Update the Guide to reflect the recommendation to avoid placing	Guide updated - page 10

Recommendation		Next steps	Update (Dec 18)
	on the Boards of commercial ventures unless this can be justified on exceptional grounds such as specific sector knowledge	Cabinet members on the Boards of commercial ventures unless this can be justified on exceptional grounds such as specific sector knowledge	
8	Institute a conflicts of interest policy for all commercial ventures	a) Update the Guide to reflect that Companies should have a conflict of interest policy	Guide updated - page 10
9	Place a Shareholder Representative on the Board of commercial ventures from the outset to avoid potential conflicts of interest	a) The Guide currently says AVDC <i>should</i> appoint a shareholder representative who would normally be an elected member of the Council. Update so that this is a requirement at the outset.	Guide updated - pages 7 & 11
10	Select Board members with sufficient sector knowledge and independent oversight and commission training on Director responsibilities and being an effective Director either shortly before or soon after Directors are appointed	The Guide already sets out the requirements for effective Boards. a) Review and approve all current board memberships. Ensure there is sufficient sector, financial, marketing, governance experience. b) Review any potential conflicts of interest for existing board members. c) Provide training on Director responsibilities for all current, and any new Directors prior to appointment	Guide updated - page 10
11	Undertake a capacity, capability and conflicts assessment of potential Directors to avoid high turnover of Board members	As for 10.	Guide updated - page 10
12	Check Board Members, and key management, have sufficient capacity to discharge their full range of functions, supported by	As for 10.	Guide updated - page 10

Recommendation		Next steps	Update (Dec 18)
	appropriate resilience arrangements		
13	Keep a clear record of meetings to provide a robust audit trail.	a) Update the Guide to reflect the requirement for Board minutes to be maintained b) Include the requirement for minutes in any future Shareholder Agreements	Guide updated - page 12
<i>When developing reporting arrangements at Board level, Council level and to customers of future commercial ventures (Reporting):</i>			
14	Clarify from the outset what company information will be reported to Board and invest in capacity to provide this;	<ul style="list-style-type: none"> • Update the Guide to reflect the requirement for the Board of commercial ventures to agree their reporting requirements, which in turn satisfy the Council's requirements for oversight of performance of the investment, this should be reflected in the Shareholder Agreement. • At a minimum the Board should receive: <ul style="list-style-type: none"> - monthly management accounts showing profit and loss, balance sheet and historic/forecast cash flow. - monthly information on the activity of the business against KPIs - risk register 	Guide updated – pages 5 & 12
15	Agree the format and data sources of information which will be reviewed at Board meetings;	a) As for 14, the Shareholder Agreement must specify the format of Board reporting to ensure accurate, complete and comparable information.	Guide updated - page 12
16	Reporting to Members needs to be more proactive and reflective of the venture's current rather than potential future position whilst still respecting the bounds of commercial confidentiality.	As for Recommendation 3: a) All business plans should clearly outline the objectives of the investment and report on the achievement of those objectives. b) The Guide already sets out the minimum reporting & performance monitoring requirements which includes quarterly reporting of:	Guide updated – pages 5, 12 & 13

Recommendation	Next steps	Update (Dec 18)
<p>The Council's Democratic services team must support this by ensuring that formal minutes of meetings reflect accurately the content of remarks by Members in Council meetings.</p>	<ul style="list-style-type: none"> - Current cash flow and profit and loss position - Current investment position (including any loan position) - Income and expenditure forecast for the 4 rolling quarters - Current position compared to current business plan - Any expected issues reserved in the companies articles of association that may be need to be reported to AVDC formally over the next 6 months. - High level reporting of planned strategic marketing activities. The business case should include a template for reporting to ensure there is agreement over what will be reported and that this information is captured from the start. <p>c) Update the Guide to make it clear that the original Business Case and annual Business Plans must include an assessment of risks and any new issues arising. Members should ensure they are satisfied with the way these risks are being addressed.</p> <p>d) In relation to council minutes, Democratic Services already have a four step checking process in place to ensure accuracy of meeting minutes. The process has been reviewed and no changes are required, however, it is important that the process is supported by Officers and Members reading, checking and commenting on minutes at the appropriate check point.</p>	<p>Process is ongoing</p>
<p>17 If the Council's wider Members are to have greater oversight of the Council's commercial ventures, then the confidentiality requirements of 'yellow papers' must be respected;</p>	<p>a) Councillors Code of Conduct, in particular the section relating to the divulgence of confidential papers to be reviewed and updated.</p> <p>b) The Council's Monitoring Officer to Investigate breaches and take action accordingly</p>	<p>New Code has been drafted taking account of the Audit Committee's request that particular attention is given to the divulgence of confidential papers. The Chairman of AC has been closely involved. The Standards Committee will now</p>

Recommendation		Next steps	Update (Dec 18)
			consider the draft which will then go on to full Council. Investigation into breaches is ongoing.
18	Invest sufficiently in communications and engagement with current and potential customers.	a) Future Council-owned commercial ventures need to ensure they have invested sufficiently in communications platforms to manage customer expectations and avoid 'over promising and under delivering'	No action required
<i>In terms of arrangements for agreement of, and release of funds to new commercial ventures (Investment):</i>			
19	Sign loan agreements prior to loans being issued	Noted	Guide updated - page 15
20	Sign service level agreements to cover Council staff delivering services for a Council-owned commercial venture and charge this time accordingly	a) The Guide already includes a template Service Level Agreement. This should be used for all new Council owned commercial ventures to clearly identify and capture recharges and agree quality of service.	Guide updated – pages 18 & 20
21	Clarify arrangements from the outset for release of funds from the Council to commercial ventures	a) Update the Guide to reflect a clear process for drawdown of funds, including responsibilities approval and sign off. This should be reflected in the Shareholder Agreement.	Guide updated – pages 12 & 15
22	Require Section 151 Officer sign-off for release of funds from the Council to companies owned by the Council.	As for 21	Guide updated - page 15



AYLESBURY VALE DISTRICT COUNCIL

GUIDE TO CREATION AND WORKING WITH COMPANIES IN WHICH AVDC HAS A FINANCIAL INTEREST

December 2018 - DRAFT

REVISED

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1 BACKGROUND

WHY GOVERNANCE IS IMPORTANT

The governance of any company owned or invested in by AVDC is important as there is a need to:

- Ensure that it is clear for staff, public, members and the company staff who is responsible for what, when and why?
- Ensure that AVDC and the company is clear on its roles and responsibilities
- Ensure that nothing is developed that conflicts with AVDC, or places AVDC in an unlawful position
- Ensure that any and all legal or contractual issues are complied with
- Ensure that the company is operating ethically and transparency is in line with the council's legal responsibilities.

Good corporate governance is aimed at ensuring that the above are adhered to, to maintain and improve the reputation of both the company and AVDC, and overall ensure that the company delivers against the reasons it was created and to its business plan.

It is also important that there is consistency across all companies that AVDC may own or relate to, so that there is a common understanding for all partners involved in oversight and management.

The aim of any company owned or part owned by AVDC is to produce overall benefits for the residents and businesses of the Vale. This may be through investment, commercial opportunity, a host of other reasons or simply by generating cash for the council through divided payments funded from profit. This also may be through purchasing or reselling elements of council services which may result in an overall better position for the council. This overarching aim should be at the heart of all decision making, and that this document seeks to assist in developing.

This document sets out a number of principles that owned (part or whole) companies should deliver. It is recognised that companies created preceding the publication of this guide may not be fully compliant, however where possible those should be moved to align with this guide where practical. It is recognised however that each company and circumstance is different, and hence sometimes departures from these principles can be justified, but the guidance forms a starting point and any departure must be justified and documented and such deviation agreed with as a minimum a Cabinet Member and potentially full Cabinet.

It is assumed that the company will operate legally at all times.

2 START UP

Possibly the most important phase of launching a new company is its start up process. This section of the guide gives a high level set of issues to be considered and the requirements that should be addressed when developing new companies – especially when wholly owned. It is not intended to be a detailed implementation plan, rather the key phases and key issues to consider.

Establishing the most appropriate method of delivery

It is important that there is a solid basis for developing a company.

Developing a company should only be undertaken where there is a clear reason for doing so. A number of options are available for AVDC to gain many of the advantages that a company provides without the need for setting one up, and the running costs that this incurs. Advice **must** be sought from AVDC legal to assist in this decision making.

Principally the main reason AVDC is likely to wish to set up a company is to gain access to something or some activity that as a council it can not. This is likely to be related to making a profit in areas it is prohibited from doing or that it needs some freedom or flexibility from the bureaucratic process in local government that it can't gain in any other way. In general the Council will be setting up companies with a specific aim in mind. This may be that a Company is required in order to create an outcome for the community that the Council is not empowered to deliver itself but in general it is more likely that a Company is being set up either because a company can carry out a Council function better or more efficiently, at lower cost or to generate profit for the council in the form of cash which can be reinvested in Council services or other commercial initiatives. The important point to bear in mind is that the Company must deliver benefit to the Council either through:

- Reducing Council operating costs by delivering Council service at lower cost than the Council is able to do.
- Delivering services which the Council is not empowered to deliver
- Generating cash to the Council through Dividend payments
- Generating a cash lump sum by enabling the Council to sell its shares at a point in the future at a significant profit.

The Business Case must clearly set out which of these objectives is in focus and how the company will deliver them. **The business case should include the performance indicators against which achievement of the objective will be measured and reported.**

Once the decision is made that a company is the right option, there are 3 distinct phases of developing a company in the AVDC environment.

PHASE 1 – BUSINESS CASE AND DECISION MAKING (APPROVAL)

The key activity in this phase of developing the company is to establish the business case behind the company and to gain the necessary decisions to progress. A checklist for company set up is shown in Annex 6.

BUSINESS CASE

Comment [KM1]: Introduction updated to emphasise the need to carefully consider whether a company is the most appropriate vehicle for delivery of the objectives

Comment [KM2]: This is now a requirement rather than a recommendation

Comment [KM3]: Rec 3 and Rec 6 – set out the KPIs in the business case to support improved scrutiny and accountability for performance

A business case needs to be developed. This should ideally take the form of a 'green book'¹ compliant business case (the government standard for business cases).

The business case in support of a new commercial venture must evidence:

- That the proposed venture is supported by a compelling case for change that provides holistic fit with other parts of the Council's objectives (strategic)
- That the venture represents best public value for money, including options appraisal, risk assessment, sensitivity analysis (economic)
- That the proposed venture is attractive to the market place and is commercially viable (for example, using market research and competitor analysis) (commercial)
- That the proposed investment is affordable and sustainable (financial)
- That what is required from all parties is achievable for example, adequate time and resource to deliver, use of Specialist Advisers (management)

Comment [KM4]: Additional guidance provided on business case requirements (Rec 3)

Comment [KM5]: Rec 16

As a minimum the Business Case should clearly set out:

- the objectives of the business
- The investment and other resources required to achieve those objectives.
- the performance indicators against which achievement of the objectives will be measured and reported
- What the alternative options for delivering this are – including benefits and dis-benefits of each
- An assessment of the best option
- What form the company should take
- A consideration of the taxation and potential State Aid issues (see Annex 1)
- How the company will generate cash for reinvestment in the Council rather than just profits for reinvestment in the Company's growth.
- Consideration of AVDCs exit strategy should be included in the initial business case
- Evidence, normally backed by legal opinion, that the option is not ultra vires
- A business plan must be included in the initial Business Case. This should include:
 - Financial projections (ideally no less than 5 years) and a matching financial cash flow forecast including how start up will be funded
 - Assessment of risks the business may face and the significance of these risks
 - Results of market research, competitor analysis, advice from independent/technical experts – this must be a robust assessment e.g. using Porters 5 Forces model of analysis
 - Expected financial results of the business, Return on Investment and projected dividend payments to the Council
 - Any non-financial outcomes that the business is expected to achieve
 - The business case should include a template for reporting to ensure there is agreement over what will be reported and that this information is captured from the start.

Comment [KM6]: Rec 3 and Rec 5

Comment [KM7]: Added at request of Cross Party Group

Comment [KM8]: Rec 4

Comment [KM9]: Added at request of Cross Party Group

Comment [KM10]: Added at request of Cross Party Group

Comment [KM11]: Rec 14

The Business Case for the commercial venture and the initial Business Plan will be rigorously scrutinised and any Business Plan that does not demonstrate a clear understanding of the target

¹ <https://www.gov.uk/government/publications/the-green-book-appraisal-and-evaluation-in-central-government>

market, costs, opportunities, and the competition, barriers to entry and pricing and profit strategy is likely to be rejected.

The Governance arrangements for the new company should be agreed as part of the initial Business Case. This must include agreement on:

- Composition of company board of directors, this may include the requirement for independent expert
- Scrutiny committee and frequency
- Appointment of shareholder representative

Comment [KM12]: Emphasis on agreeing the governance arrangements at the outset

Comment [KM13]: Rec 9

Further guidance on Governance Arrangements is set out in Section 3.

GAINING PERMISSION

Company set up is a reserved matter for Council. This means as a minimum Cabinet recommendation and Full Council resolution to set up is required. In reality much work prior to these formal stages will need to be undertaken with senior managers, stakeholders and members.

To complete the decision making process in full, a minimum of 3 months is required at the very earliest.

PHASE 2 – PRE LAUNCH PREPARATION

Once agreement to proceed is granted, there is an intensive effort in launching the company. This will include (but not limited to):

- Who and how the company will be staffed – internal staff seconded, cost recovery options, direct employment (if the latter then personnel advice will be required)
- Clear Statement of Cost recovery arrangements to a level that would be expected if the services were being procured from a third party.
- Clear statement of which costs of setup will be funded by AVDC and which will be attributed to the Company.
- Clear explanation of how the company will generate surplus cash to be returned to the Council in the form of dividends or stock splits and what level of reinvestment of profit is expected.
- Explanation of the risks to the Council's reputation which may arise from the Company's operation and how they will be managed
- Assets – where will the company operate from, what IT will it use, what data does it need etc. – see using assets section below. What consideration the Company will give to AVDC for their use.
- Financial arrangements – any loan or capital, who the company will bank with, accountancy, VAT and corporation tax considerations, insurances etc.
- Clear statements of the controls that AVDC will require the company to put in place, and any audit processes that AVDC may require in relation to
 - Information Security and Data Protection
 - Financial Controls
 - Intellectual property
- Media & Communications – how will the messages be communicated, how will you get to your customers, how will they contact you etc. The relationship between AVDC Customers

and any other company customers, and a clear role/responsibility understanding between AVDC and the company.

These areas are considered in more detail in the following sections of this guide.

ARTICLES OF ASSOCIATION

One key part of company set up is the articles of association. These govern the way the relationship between AVDC and the company works, and how the company itself runs. These are different for each case, but as a minimum the Articles should cover:

- Business Plan
- Access to information by AVDC regarding the company
- Management of the company
- Board of Directors
- Share Management
- Termination
- Confidentiality
- Reserved Matters – see Annex 5

PHASE 3 – POST LAUNCH EARLY DAYS

Once the initial set up phases are completed and the company starts to operate in a more stable sense there should be every effort made to move the company into an independent state as soon as possible.

START UP SUPPORT

AVDC will help in the start up process where it can but it is limited in what it can provide and when. The guiding principles around start up support are:

- Up to the point of decision – everything can be done by AVDC, it is in the process of developing the business case for a company and that is a legitimate activity it can do as the council.
- Post decision and pre launch – things will start to get less clear. AVDC is still setting up the company and hence can fund most things, however once the company entity exists the distance between the company and AVDC needs to become more distinct. The guiding rule is at this point that any company will pay for itself.
- Best practise is to use the company incorporation date as a dividing line between setup by AVDC and the company existing by itself. At this point technically the company exists and should start to operate separately. This means that by that point all of the issues in this guide should be either agreed or both AVDC and the company should be clear about how they will work. Any council resources used by the company from the point of incorporation will be charged to the company at full cost recovery. If necessary Service Level Agreements (SLA) between AVDC and any company can be entered into on a full cost recovery basis – more of which is explained further on in this guide.

3 GOVERNANCE ARRANGEMENTS

When forming a company we are creating a separate entity from AVDC. As such it has its own rules, roles, finance and purpose. Because it is its own entity we need to ensure that we (staff, members, customers and the public) don't confuse the company with AVDC and vice versa.

This does not mean that two can't and will not work closely together, but it does mean we have to be clear where the dividing line is.

Set out below are some principles around general governance for specific things, people or actions. They are not exhaustive but they are intended to set a minimum level of things that should be addressed.

EXISTING COMPANIES

Our existing companies that pre date the adoption of this document may not be in full compliance with the content set out. There should be an effort made to move the companies to become compliant over the medium term.

ROLES OF MEMBERS AND STAFF

AVDC and the Company need to be aware of which entity Members and staff are working for and under what rules, and what their role is for the company and/or AVDC. We need to operate an element of compartmentalisation or 'Chinese walls' between the different roles that Members and staff play – especially when they are working for both AVDC and the company at any point.

This means that:

- There should be clear governance and transparency to the residents of the Vale.
- When talking to members, the public or customers – clarity and transparency are key, and people need to be able and ready to explain the relationship between the AVDC and the company.
- Staff, the Company and AVDC are clear what data, equipment and resources can be used by the company (see later sections regarding the principles around these issues).
- Information and knowledge that is gained in one role is **NOT** used in the other – for example knowledge obtained by AVDC should not be used in the company and vice versa. There may be exemptions to this where agreements are in place – but the default is **NO** transfer between the two.
- Staff working for the company should be formalised in some way – this could be via rolling secondment, or by buying staff time and ideally under a SLA for clarity. AVDC Staff **can not** do work for the company without this type of arrangement being in place, once the company has moved past the inception stage (i.e. post company incorporation).
- Specific guidance/induction should be given to members and staff before they work for an AVDC company regarding these issues to avoid any accusation of State Aid or procurement/contractual breach.

- Staff should be selected to avoid potential conflicts of interest if they remain in roles with AVDC - this is particularly important when regulatory services are involved - for example when companies may be applying for permissions where AVDC is the decision maker.
- The above also applies to elected members, and as part of member induction/training we need to cover the same issues.
- These messages should be reiterated regularly to members and staff (working for the company or not).

NORMAL COMPANY STRUCTURE

Companies are bound by Company Law, set out in the Companies Act 2006. This defines the duties of the Board of Directors and requires directors to promote the success of the company and act in a way that benefits the shareholders as a whole.

With the exception of the Reserved Matters, the Business and all affairs of the Company shall be managed by the Board. To that end but subject to those exceptions, the Board shall have full and complete authority, power and discretion to direct, manage and control the Business and the affairs and properties of the Company, to make all decisions regarding those matters and to perform any and all other acts or activities customary or incidental to the management of the Business.

To assist in the day to day running of the company AVDC should appoint a shareholder representative. They act in the role of shareholder in making major decisions. This would normally be an elected member of the Council (see further guidance below).

APPOINTMENT OF AVDC DIRECTORS TO COMPANIES

As part of owning companies AVDC will appoint representative directors to the boards of those companies. Notwithstanding public sector responsibilities, all Directors of companies have legal responsibilities, as defined under the Companies Act 2006, and under a wide variety of other laws and regulations such as insolvency and health and safety legislation.

The general duties of directors are set out in Chapter 2 of Part 10 of the Companies Act 2006:

- to act within powers in accordance with the company's constitution and to use those powers only for the purposes for which they were conferred
- to promote the success of the company for the benefit of its members as a whole
- to exercise independent judgement
- to exercise reasonable care, skill and diligence
- to avoid conflicts, or possible conflicts between interests as a Director and the interests of the company
- not to accept benefits from third parties, if they may be regarded as likely to give rise to a conflict of interest
- to declare any direct or indirect interest in a proposed transaction or arrangement.

Directors appointed by a public sector body have the same responsibilities as any other director under the Companies Act 2006. They must also continue to act in accordance with other applicable legislation, relevant civil service and public sector guidelines, including around managing public money and standards for conduct in public life.

When appointing directors the following guiding principles should apply. The current (and periodic updates) of AVDC standing orders or constitution should also be reviewed to ensure no conflicts are present.

Potential Directors :

- must be aware of the ramifications of acting as a director for a company – this includes that the director would be working for in the interests of the company and not the individual or indeed AVDC. They should be able to manage any conflicts that may occur.
- should be selected so that they are sufficiently senior to act at the level required by the role
- should be selected on their ability to demonstrate skills or knowledge pertinent to the operations of the company
- should be insured against liability claims by the company so as to limit their personal liability
- should be informed of the potential risks of acting as a Company Director
- will by default be unremunerated positions
- can be either executive or non executive positions
- should be selected to avoid potential conflicts of interest if they remain in roles with AVDC
- board Members should be provided with letters of appointment which clearly explain both the role and the conditions of the appointment.

AVDC must ensure that there is sufficient sector, financial, marketing and governance experience on the Boards of its companies.

Comment [KM14]: Rec 10

Prior to appointment of new directors, their capacity, capability and potential for conflicts must be assessed to avoid high turnover of Board members. AVDC will provide training on Director responsibilities for any new Directors prior to appointment.

Comment [KM15]: Rec 11 & 12

Comment [KM16]: Rec 10

CONFLICTS OF INTEREST

Companies should have a conflict of interest policy and a process should be in place to periodically review any potential conflicts of interest for existing board members.

Comment [KM17]: Rec 8

Comment [KM18]: Rec 10

To avoid conflict of interest (either real or perceived) and to enable AVDC to hold the company to account, the following roles should not be directors of external companies:

- the Section 151 officer
- the Monitoring Officer
- the Chief Executive
- the Leader.
- Cabinet members, unless this can be justified on exceptional grounds, such as specific sector knowledge

Comment [KM19]: Rec 7

When companies set up their boards, there should be consideration paid to use of external board members. Ideally companies should not be set up solely with AVDC staff and/or members. This is to

ensure the independent operation of the company. External board members can be remunerated if required.

SHAREHOLDER REPRESENTATIVE

The shareholders of a company are effectively the company's financial supporters. They provide finance to a company by purchasing shares in the company, and thus become shareholders – and part owners of the company. A shareholder has certain rights, roles and duties to perform as set out in the Companies Act 2006 and the company's Articles of Association.

When AVDC purchases shares in another company it becomes a 'corporate shareholder'. The rights of a corporate shareholder are exactly the same as the rights of a non-corporate shareholder. They are defined in the prescribed particulars attached to their shares. Most shares provide:

- The right to vote at general meetings.
- The right to receive a portion of business profits as dividends.
- The right to receive capital contribution if the business is wound up.

A corporate shareholder has to appoint a representative to attend general meetings, exercise voting rights on their behalf and represent their needs. The representative will conduct themselves as if they were the shareholder, but they can only act in accordance with the powers granted to them by the corporate shareholder.

AVDC must identify a suitable representative, at the outset of the company formation, to act on its behalf. The role of 'shareholder representative' will, as a minimum, need to be an elected member who is able to action issues that relate to the role. In larger concerns there may also be merit in having an officer level assistant as well, however this would be in addition to, and not in lieu of, the member. The shareholder representative is an important conduit between AVDC and the company, and should serve as both a liaison and reporting.

For ease it is also worth the company identifying its representative(s) at this point. It is for the company to determine who should be this role, but ideally it should not be a director of the company and be more at the operational level.

SHAREHOLDER AGREEMENT

A shareholders' agreement is an agreement between the shareholders of a company. Whilst the company's articles of association and company law provide some safeguards, its purpose is to protect the shareholders' investment in the company, to establish a fair relationship between the shareholders and govern how the company is run, and can help to ensure there is common understanding of all the shareholders' expectations of the business.

A shareholders' agreement between AVDC and the other shareholders should be in place when the company is formed and issues the first shares.

The key provisions that should be included in the agreement are those relating to:

Comment [KM20]: Rec 9 – additional guidance provided around the role of Shareholder Representative

Comment [KM21]: Rec 9

Comment [KM22]: New section included to outline the purpose, content and requirements for a Shareholder Agreement

Comment [KM23]: Rec 2

- Regulating the sale, issuing and transferring of shares – including provisions to prevent unwanted third parties acquiring shares, what happens to shares on the death of a shareholder and how a shareholder can sell shares.
- Providing some protection to holders of less than 50% of the shares – including requiring certain decisions to be agreed by all shareholders.
- Paying dividends.
- Competition restrictions.
- Dispute resolution procedures.
- Running the company, including:
 - appointing, removing and paying directors,
 - frequency of board meetings and the standard agenda and format for board meeting minutes
 - deciding on the company's business and the approval of material changes to business plans,
 - making large capital outlays,
 - the format, content and frequency of provision of management information to **Board**. At a minimum this must include:
 - monthly management accounts showing profit and loss, balance sheet and historic/forecast cash flow.
 - monthly information on the activity of the business against KPIs
 - risk register
 - the format, content and frequency of provision of management information to **Shareholder** (see below). This should consider whether information is able to be made publically available or is commercially sensitive and to be treated as confidential.
 - banking arrangements and financing the company, including the arrangements for approval and release of funds from the Council to the company.

Comment [KM24]: Rec 13

Comment [KM25]: Rec 2

Comment [KM26]: Rec 14 & 15

Comment [KM27]: Rec 16

Comment [KM28]: Rec 17

Comment [KM29]: Rec 21

4 REPORTING & PERFORMANCE MONITORING

In its role as shareholder there should be clear and regular performance monitoring of companies that AVDC has shares in. This is to ensure that the investments made in the company are being well managed according to the business plan, and to ensure transparency to members and the electorate. Reporting and performance monitoring requirements should be agreed at the outset, set out in the shareholder agreement, and kept under regular review.

Comment [KM30]: Rec 16

Where the original business case is for a “pilot” business venture, to test the concept and future business viability, the same requirements for reporting and performance monitoring apply. The performance of a pilot commercial venture must be robustly evaluated before making further investment.

Comment [KM31]: Rec 1

QUARTERLY REPORTING TO THE SHAREHOLDER

As a minimum these should include the items below:

- Current cash flow and profit and loss position
- Current investment position (including any loan position)
- Income and expenditure forecast for the 4 rolling quarters
- Current position compared to current business plan and agreed KPIs
- Any expected issues reserved in the company’s articles of association that may be need to be reported to AVDC formally over the next 6 months.
- High level reporting of planned strategic marketing activities.

FORMAL ANNUAL REPORTING

Formal reporting of companies will be annual via Scrutiny and Cabinet. This will become due on or at the end of each financial year. Where Company incorporation occurred within the last quarter of a financial year then the first formal report will be fall due in at the following financial year end.

The approval of the annual business plan for the vehicle is a matter reserved for shareholders’ approval in the form of Cabinet, with the appropriate scrutiny review.

This reporting should be in the form of a narrative suitable for an AVDC member report and an updated business plan. The reporting should include as a minimum:

- Those items listed above for quarterly reporting
- Should cover a retrospective look since the last annual report
- Should set the business and financial targets for the forthcoming years and projections for two further years
- An assessment of risks and any new issues arising
- Any key reporting agreed with the Shareholder Representative
- As a minimum the forward reporting should cover the next 12 months.

Comment [KM32]: Rec 16

Where possible all reporting provided by the company should be able to be made public. Where this is not possible confidential elements should be clearly marked in accordance with AVDCs current information security policy. AVDC and the company will come to a decision regarding what level of

confidentiality should be applied. This will range from 'yellow pages' through redaction to full withholding of the information

As a minimum all reporting should have at the very least a summary commentary of progress and summary financial position able to be made public. For further information see the information security section of this guide.

5 FINANCIAL ARRANGEMENTS

The main reason why AVDC will own shares in company is likely to be due to the need to create new income or to protect its financial interests. As such the financial management of shares and the companies they reside in are of fundamental importance. This section of the guide sets out principles for managing these aspects in relation to AVDC. It does not seek to replicate or substitute the normal legal, tax and financial regimes that exist for any company – it is only concerned with the direct relationship between AVDC and the company.

As with all parts of this guide each ownership or company is different and these are subject to individual negotiation.

LOANS

When setting up companies it is possible that there will be some form of loan to the new company for start up (see start up section).

When loaning to the company AVDC will be guided by:

- The need to loan at a marginal commercial rate – by this we mean that there will be some element of interest payment over and above the cost of borrowing on all loans given to owned or part owned companies. This will be proportionate to the size of loan, term and risk. The guiding principle is that the loan will not be to the detriment of AVDC, and will be made on commercial terms.
- Payback terms, level of interest and level of loan shall be determined in the company set up stage. The level of loan will be clear in any business case prepared to support the investment. The Loan is then to be agreed by resolution by the company once it is set up.
- Where possible, there should be benchmarking evidence that the rate used is commercially comparable.

AVDC and the company must sign a loan agreements setting out the terms and conditions of the loan before any funds are transferred.

Comment [KM33]: Rec 19

Arrangements must be established from the outset for release of funds from the Council to commercial ventures with a clear process for drawdown of funds, including responsibilities approval and sign off. This should be reflected in the Shareholder Agreement.

Comment [KM34]: Rec 21

AVDC's Section 151 Officer is required to sign-off for release of funds from the Council to companies owned by the Council.

Comment [KM35]: Rec 22

DIVIDENDS AND EXTRACTING FUNDS FROM COMPANIES

The key point of investments in companies is to raise general income for the council over the longer term. There are a variety of ways in which these can be extracted and it this guide cannot determine a rigid approach to this issue due to the number of specific and unknown factors facing each set of circumstances.

When extracting/receiving funds from its investments AVDC will:

- Seek to extract funds from the company in a planned and known way
- Seek to not harm the ability for the company to fulfil its purpose or agreed business plan. Business Plans will need to feature how this will be achieved in their forward plans.
- Will do so in the most in a way as to be most advantageous to both AVDC and the company with regard to the ruling financial arrangements at the time.

AVDC ANNUAL ACCOUNTS

Summary accounts suitable for inclusion in the Councils Annual Accounts will be required. These will largely replicate those required for the companies own tax issues. These may however vary from time to time linked to legislative or regulatory changes.

The Company will need to provide draft accounts a maximum of 4 weeks after the close of the financial year, in a format agreed with AVDC.

AVDCs auditors may require further information or access to financial records during this process. If this is required AVDC and their auditors will work with the company to deal with any specific issues.

Articles of Association for companies will need to reflect these issues.

BANKING, TAXATION AND ACCOUNTANTS

As with other areas of new company formation, AVDC is not concerned with the day to day operation of the company. Therefore choices regarding bank suppliers etc. are for the company to decide (within the reputational guidelines set out earlier). Due diligence will be need to ensure that any provider meets the minimum legal requirements required by UK Law.

It is strongly recommended that external accountants are used for companies so that the dividing lines between AVDC and the company are clear and transparent.

During the set up phases of any company there should be due consideration to the best approach to taxation issues, including registration for VAT etc. and advice should be externally sought or verified.

6 MEDIA AND PUBLIC RELATIONS

AVDC investments in companies are created so that the companies can have a clear focus on particular issues and activities. The company is a separate entity and best placed to make day to day operational decisions on all press, marketing and PR activity. To support this there will be an overarching principle that the company makes its own decision regarding these activities, with hands off approach from AVDC.

However the company and its Board should have due regard to the political and community arena that AVDC operates within and should seek to uphold AVDCs broad aims and principles.

In doing so this general guidance applies:

- The Company should do nothing to harm the reputation of AVDC in the general eyes of the electorate, and vice versa.
- It should be clear on key media (such as website and significant marketing material) that the company is owned (part or full) by AVDC.
- An explanation as to the company and AVDC relationship should be on all websites. This helps with transparency to customers and the electorate. This should include reciprocal links to and from AVDCs website.
- It should be clear to the average customer what entity they are transacting with at any time (i.e. the company should not seek to pass itself off as AVDC, there should be a clear understanding by customers of who they are dealing with at any time).
- AVDC may assist in the launch of new companies and at significant events – where these are deemed in the overall public interest and are requested by the company.
- AVDC will limit its activity in the day to day communications and marketing by the company – company activity should be by the company not AVDC.
- In return, AVDC will aim not to influence or interfere in the commercial activities of the company through a politically driven agenda.
- There may however be issues where a co-ordinated approach between AVDC and the company may still be required (for example major launch or crisis). This will need to be addressed preferably in advance but if necessary in a time critical manner depending on the issue.

At times of normal operation the above should suffice to ensure a healthy and clear relationship between companies and AVDC. However where there are reputational risks alternative approaches may be necessary.

It is recommended that planned significant marketing activities form part of the quarterly reporting set out elsewhere in this guide so that both parties are aware.

7 USE OF COUNCIL ASSETS

AVDC wants to ensure that any company it invests in succeeds. As such the council has access to significant assets that may be able to assist in the new company set up or over the longer term; subject to satisfying state aid issues.

However many of the assets have been procured or are contracted in such a way that their use by commercial concerns is limited. This for example may be that procurement has been through government frameworks or license for products are limited to public sector use. In addition the rules around State Aid (see the section of this guide regarding this) may mean that use of such assets may not be possible.

The basic principle is therefore that there should be NO assumption that any asset can be used by the company. Starting from this position means that each request is thoroughly considered before being agreed.

In all circumstances all assets will also be charged at for at a minimum full cost recovery rate. This should include a profit element where legislation allows, and should include the recovery of all costs – including those leading up to the provision of service.

All requests for assistance regarding assets will originate from the company. AVDC will seek to fulfil those requests subject to the issues covered in this guide.

Where fulfilling requests AVDC will need to pay careful regard to balancing the needs of the request and any detriment to existing council service that may occur – e.g. where fulfilling the request may mean that normal day to day council business is impacted on. This does not mean that this can not occur, but it does mean it needs to be explicitly considered.

Set out below are some principles that will apply to specific topics. These are not exhaustive but do give some guidance on the principles. **When a company is using the assets of AVDC the basis for this must be set out in a signed Service Level Agreement (SLA).**

Comment [KM36]: Rec 20

IT

The council has significant IT resources, however in most cases these have been procured or are supplied through public sector restricted contracts.

There should be no assumption that ANY IT resource can be used by or for a company activity. This includes hardware and software. Data protection issues also apply – see other sections of this guide.

Known exemptions to this are:

- Printers – these are able to create auditable charge back codes which can be charged out to the company. This is currently actively managed via the conference centre.
- WiFi – free public WiFi is available through our offices. Any member of the public can use this facility (subject to sign up conditions) and therefore the company can also intermittently

use this same facility. AVDC do however reserve the right to limit access in relation to this facility.

- Some licensed software is only for use by AVDC under the terms of its licence and cannot be used by any company without explicit consent.
- AVDC can generally procure hardware at prices which are more attractive than those available to low volume purchasers. In most cases these prices are available to AVDC related companies.
- Telephony services – AVDC have procured telephony services at attractive rates which can be used by AVDC wholly owned companies.

PROPERTY & ACCOMMODATION

The council has significant property assets. As with other areas these are however funded for by the tax payer for AVDC business, therefore the default position of NON use applies. Known exemptions are:

- Public areas of offices – a number of public areas in our buildings exist. The company would have access to these areas in a similar vein to those of any member of the public and to enjoy any of the facilities in these areas. This excludes full operation of the company from these public areas.

All other property assets will be charged for at the commercial rate. For example this may include use of the conference facilities, meeting rooms or serviced office space. Where only part time use is being considered (for example during start up) there may be a case for linking this to staff recharging (see below).

STAFF

The biggest asset that AVDC has at its disposal is its staff. In many cases and especially during start up, AVDC staff are likely to be used in helping to launch a company (especially where wholly owned).

The use of staff, especially on a flexible basis, in companies is possible but it is likely to be only possible on an agreed voluntary basis. The principle would be that the staff member always remains an AVDC employee on AVDC terms & conditions and is charged out to the company at a full cost recovery rate applicable to their grade.

Two rates are possible to form this type of recharge:

- Staff employment cost (this includes ALL employment costs of staff including employment costs)
- Staff employment cost + operational costs related to employment (for example this would include accommodation overheads) – this may be a viable alternative to separate accommodation costs in start up phases.

These two rates are expressed as hourly rates and hence time recording of activity will be required to determine the charge.

Any other arrangements are likely to require detailed HR input in to the process and may well involve detailed employment law consideration include TUPE. It is not the purpose of this guide to address this issue in any depth and HR input should be sought if long term significant use of AVDC staff is considered. This protects both staff, AVDC and the company.

HOW CHARGES SHOULD BE MADE

Whatever the asset provided, rates, conditions and payment cycles should be clearly set out prior to delivering the service in a signed service level agreement. Normally charges should be recovered on a quarterly basis, to reduce overheads this should be via a combined invoice for all services provided, and they should be subject to AVDC normal terms of payment (i.e. no special favours to the company).

Comment [KM37]: Rec 20

8 DATA HANDLING & PROTECTION

Data and data protection is a key area for consideration when working with AVDC companies. The security of AVDC data has significant security, financial, legal and reputational risks attached to it. As such this guide is only a summary position on these issues. Reference for specific issues should be made to AVDCs current Data Protection Policy and Information Governance Group and this guide is subservient to those policies and groups.

Where any data is to be shared between the Company and AVDC a Data Sharing agreement **MUST** be put in place and agreed by the AVDC Information Governance Group which clearly addresses issues such as

- Data Ownership
- Restrictions that may apply to the use of the data
- Security requirements that the data owner may require
- Restrictions on locations to which data may be transferred
- Retention schedules
- Responsibility for response to Freedom of Information Act requests.

Any transfer of data to a Company which is not covered by a prior Data sharing agreement will be treated by AVDC as an Information Security incident and investigated as such. The outcome could result in a Disciplinary Investigation and Action being taken against individuals involved in the transfer.

Data of any sort normally limited by either legal, contractual, security or probity regulations. The assumption around the movement, transfer or access to around ANY data should be that it can NOT happen unless it is explicitly agreed. This protects AVDC, staff and the company. AVDC will seek to collaborate with any request from its companies but this presumption has to exist to protect AVDCs overall position.

Customer data in particular is highly regulated and has significant implications for individuals and organisations if mishandled. In particular the issue regarding the need to only hold data for the time necessary, and to only use it for the explicitly agreed purpose is a key one for consideration when considering the movement or sharing of data.

In the start up phases of new companies (especially wholly owned) it is likely that employees may be working on a seconded or cost recovery basis. Staff need to be very clear that they may have access to data in their AVDC role which should not be exposed or access when working for the company. This will need to be reinforced in any communications with staff, and staff should be very clear that they can not 'leak' data from ADVC to the company.

If it has been agreed that data can be moved between bodies the following must be adhered to:

- The data being moved should be checked by at least 2 people
- That only the data agreed as being moved should be moved – i.e. some element of redaction may be required
- Movement of data should be accompanied by a data movement form (see Annex 2) which sets out the data being moved, tracks how it is being moved, the people involved in the

process including approvals, the mode of movement, security considerations and the time and date this occurred. This is necessary to it is clear what and how data is being moved.

- Data should be moved in the most secure way available – which should include options around encryption, passwords, destruction of any hard media involved in the process once successful transfer has occurred.
- Once moved any data should be secured to a sufficient and agreed level as set out in the data movement form. This should include the standards of industry accredited protection as well as storage locations.

FREEDOM OF INFORMATION

As a body covered by Freedom of Information (FOI) legislation, AVDC is compelled to make certain data available on request. In line with our public and transparent practises the default is to make data accessible unless there are reasons why not.

Companies will be expected to work with AVDC on responding to data requests. Annex 3 sets out draft contractual positions that may form part of company set up or understand on this issue.

The simple stance to take is that if anything is given to AVDC it should be considered to be able to be made public unless there is a commercial reason why not.

9 CONTRACTS & AGREEMENTS

It is likely that during the life of an ADVC company there will be some form of contractual relationship between the council and the company. These should be treated no differently to those between the council and any other body (except where specific legal exemptions apply – for example teckal). No advantage should be given to an AVDC company over any other who can undertake a similar role and standard procurement rules apply.

Earlier sections of this document have set out a number of issues that will guide the development of any contracts as they come forward, and these should form the basis of the n- going contract development when the need arises.

Exemptions to this may be where a company has been set up for a specific purpose and this results in the company being legally exempt from these standing arrangements.

In some cases a less formal arrangement may be required for lower level activity. Where appropriate a Service Level Agreement (SLA) approach may be appropriate. Annex 4 sets out an example SLA that may be a useful starting point.

As with any contractual arrangement a named AVDC contact should be provided as a liaison point who should serve as the first point of contact, payment information, terms etc. should also be included.

ANNEXES

ANNEX 1 – STATE AID

This is a summary version of the state aid² rules and regulations. If you have ANY query regarding state aid please refer to legal advice. As a first stage you may wish to refer to the government guidance referred to in the footnote.

Definition – “State aid is any advantage granted by public authorities through state resources on a selective basis to any organizations that could potentially distort competition and trade in the European Union (EU)”.

The definition of state aid is very broad because ‘an advantage’ can take many forms. It is anything which an undertaking (an organisation engaged in economic activity) could not get on the open market. Whilst it is unusual for councils at the district level to come near to State Aid issues due to size and scale, when dealing with companies and investments it is more likely and hence you should have an understanding of the principles.

State Aid Rules

State aid rules can (among other things) apply to the following:

- grants
- loans
- tax breaks
- the use or sale of a state asset for free or at less than market price (including intellectual property)

The rules can apply to funding given to charities, public authorities and other non-profit making bodies where they are involved in commercial activities. In principle, state aid is not allowed in the EU. However the state aid rules allow for good aid, which is necessary to deliver growth and other important objectives.

The UK government supports the need for effective state aid rules to prevent distortion of competition and to create an open and competitive market in the EU on which UK firms can fairly compete and grow.

Compliance with the state aid rules

Public authorities are responsible for ensuring their policy measures and projects comply with the rules. *We should think about state aid early and seek advice to avoid problems and save time.*

² Based on the BIS State Aid Assessment form Nov 2010 - see <https://www.gov.uk/government/publications/state-aid-a-beginners-guide-guidance-notes>

The rules can be complex and getting it wrong can mean recovery of state aid and suspension or withdrawal of funds as well as penalties. This might have serious consequences for the recipients of aid and the delivery of policy objectives.

Is the activity state aid?

To ensure that state aid has been considered a screening form will need to be kept (see below). This should be lodged somewhere safely in case any accusations of state aid are lodged.

If your proposal can answer 'yes' to any four questions set out below then it is most likely state aid.

If you are AT ALL concerned about state aid – seek legal advice early.

INITIAL STATE AID ASSESSMENT
<p>1. Is the support provided granted by the State or through State resources?</p> <p>The definition of state resources is aid that is granted by the state; this includes all public and private bodies controlled by the state to distribute public funds. State resources include, for example, Lottery, tax exemptions, grants, subsidies, provision of service at below market rate, the selling of public land at below market rate, etc. Funds not permanently belonging to the state but which the state may direct, such as European funds like Structural Funds, ERDF.</p> <p>Yes/No:</p> <p>If no, please provide an explanation.</p>
<p>2. Does the support confer a selective advantage to an undertaking?</p> <p>A benefit which is granted for free or on favorable (non-commercial) terms to some selected undertakings (but not others), could be state aid.</p> <p>Definitions:</p> <p>Advantage: An advantage can take the form of direct payment of state resources in the form of grants and subsidies as well as indirect benefits that affect the public budget such as tax breaks, rate rebates, low interest loans, sale of public land below market value and the provision of services for free or at below-market rates.</p> <p>Selectivity: Support that targets particular businesses, regions or types of firm e.g. SMEs or particular sectors and not others is selective.</p> <p>Undertakings: An undertaking is defined as any entity, regardless of its legal status, which is engaged in economic activity and where there is a market in comparable goods or services. It does not have to be profit-making as long as the activity carried out is one which, in principle, has commercial competitors. It can include voluntary and non-profit-making public or public authorities when they are engaged in economic activity. Charities, universities, research institutions, voluntary entities, social enterprises and public sector bodies may therefore be deemed to be undertakings when they are engaged in economic activity. Support in favour of non-undertakings (i.e. entities which are not involved in economic activity) is not state aid.</p>

Economic activity: Activity which consists of offering goods or services on a given market and which could, at least in principle, be carried out by private actors in order to make profits.

Yes/No

If no, please provide an explanation.

3. Does the support distort or have the potential to distort competition?

If the support has the potential to strengthen the position of the beneficiary relative to other competitors then this criteria is likely to be met. The potential to distort competition does not need to be substantial or significant, and this criterion can apply to relatively small amounts of financial support and firms with little market share.

Yes/No

If no, please provide an explanation.

4. Does the support affect trade between Member States?

Commission's interpretation of this is broad - it is sufficient that a product or service is tradeable between member states, even if the recipient of support does not itself export to other EU markets. This test is not met only in very limited circumstances e.g. where a single, small business is involved in very localised activity e.g. hairdressers.

Yes/No

If no, please provide an explanation.

There are then a number of other conditions that apply – in particular a de minimis rule (€200,000 in any rolling 3 year period – around £140,000 in Dec 2015). There are tight regulations about the use of this and the de minimis regulations will need to be followed, which include record keeping and standard text to be used on notices. Do not anticipate that this is automatic exemption.

ANNEX 2 – DATA MOVEMENT FORM

AVDC Originator	<i>Insert name of officer</i>
Destination	<i>Insert company and staff members name</i>
Description of Data being moved	<i>Set out in detail the data being moved – where it currently exists, what form etc.</i>
What conditions are being applied	<i>Set out any conditions/limits/redaction etc. being made</i>
How will the transfer be made	<i>Email/ftp/shared link etc.</i>
Identify any sensitive data within the transfer	<i>Set out if there is any</i>
How will data security risks be addressed	<i>Describe how this will be managed during the transfer process</i>
Frequency	<i>Is this data transfer a one off or regular – if regular state how and reason</i>
When the data was collected does AVDC have the powers to pass this on	<i>Yes/No</i>
Data Ownership	<i>Who will own the data once transferred</i>
Restrictions on use of data	<i>List any restrictions on it use</i>
Restrictions on Location of end data	<i>Where will this data be stored – system and location</i>
Retention Schedules	<i>What are the retention schedules for the data</i>
Named person for any FOI requests	<i>Named person in the company</i>
Checked by AVDC officer	<i>Second officer agreeing the above</i>
IGG Sign off	<i>Detail IGG meeting that this was agreed to including extract of minute</i>

ANNEX 3 – FOI DRAFT CONTRACTUAL CONDITIONS

FREEDOM OF INFORMATION ACT REQUIREMENTS

The Shareholder and the Company acknowledge that the Shareholder is subject to the requirements of the FOIA and the EIR and the Company shall, where reasonable, assist and co-operate (at its own expense) with the Shareholder to provide information to enable the Shareholder to comply with these information disclosure obligations.

Where the Company receives a request for information under either the FOIA or the EIR in relation to information which it is holding on behalf of the Shareholder in relation to the Company, it shall:

- transfer the request for information to the Shareholder as soon as practicable after receipt and in any event within two Business Days of receiving a request for information;
- provide the Shareholder with a copy of all information in its possession or power in the form that the Shareholder requires within ten Business Days (or such longer period as the Shareholder may specify) of the Shareholder requesting that information; and
- provide all necessary assistance as reasonably requested by the Shareholder to enable the Shareholder to respond to a request for information within the time for compliance set out in the FOIA or the EIR.

Where the Shareholder receives a request under FOIA or EIR which relates to the operations of the Company (a request), it shall notify the Company and afford it an opportunity to make any comments or representations in respect of the disclosure of the information sought. The Company shall respond within five Business Days of receipt of this notification. The Shareholder shall take into account any such comments or representations and shall not respond to the Request until the 5 day response period referred to above has passed.

ANNEX 4 – ILLUSTRATIVE SERVICE LEVEL AGREEMENT (SLA)

Set out below is an example of what an IT based SLA might contain. It is provided as example text to consider when considering developing a SLA for any purpose. This is not an exhaustive example but is provided to illustrate the types of things that would be covered in such a document.

Service Level Agreement (SLA)

for *Customer*

by

Company name

Effective Date: xx/xx/xxxx

Document Owner:	Company name
-----------------	--------------

Version x.x

Version	Date	Description	Author

Approval

(By signing below, all Approvers agree to all terms and conditions outlined in this Agreement.)

Approvers	Role	Signed	Approval Date
Company name	Service Provider		Xx/xx/xxxx
Customer	Customer		Xx/xx/xxxx

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Agreement Overview

This Agreement represents a Service Level Agreement (“SLA” or “Agreement”) between *Company name*. and Customer for the provisioning of IT services required to support and sustain the Product or service.

This Agreement remains valid until superseded by a revised agreement mutually endorsed by the stakeholders.

This Agreement outlines the parameters of all IT services covered as they are mutually understood by the primary stakeholders. This Agreement does not supersede current processes and procedures unless explicitly stated herein.

Goals & Objectives

The **purpose** of this Agreement is to ensure that the proper elements and commitments are in place to provide consistent IT service support and delivery to the Customer(s) by the Service Provider(s).

The **goal** of this Agreement is to obtain mutual agreement for IT service provision between the Service Provider(s) and Customer(s).

The **objectives** of this Agreement are to:

- Provide clear reference to service ownership, accountability, roles and/or responsibilities.
- Present a clear, concise and measurable description of service provision to the customer.
- Match perceptions of expected service provision with actual service support & delivery.

Stakeholders

The following Service Provider(s) and Customer(s) will be used as the basis of the Agreement and represent the **primary stakeholders** associated with this SLA:

IT Service Provider(s): Company name. (“Provider”)

IT Customer(s): Customer (“Customer”)

Periodic Review

This Agreement is valid from the **Effective Date** outlined herein and is valid until further notice. This Agreement should be reviewed at a minimum once per fiscal year; however, in lieu of a review during any period specified, the current Agreement will remain in effect.

The **Business Relationship Manager** (“Document Owner”) is responsible for facilitating regular reviews of this document. Contents of this document may be amended as required, provided mutual agreement is obtained from the primary stakeholders and communicated to all affected parties. The Document Owner will incorporate all subsequent revisions and obtain mutual agreements / approvals as required.

Business Relationship Manager: Company name

Review Period: Bi-Yearly (6 months)

Previous Review Date: xx/xx/xxxx

Next Review Date: xx/xx/xxxx

Service Agreement

The following detailed service parameters are the responsibility of the Service Provider in the ongoing support of this Agreement.

Service Scope

The following Services are covered by this Agreement;

- ***Manned telephone support***
- ***Monitored email support***
- ***Remote assistance using Remote Desktop and a Virtual Private Network where available***
- Planned or Emergency Onsite assistance (extra costs apply)
- Monthly system health check

Customer Requirements

Customer responsibilities and/or requirements in support of this Agreement include:

- Payment for all support costs at the agreed interval.
- Reasonable availability of customer representative(s) when resolving a service related incident or request.

Service Provider Requirements

Service Provider responsibilities and/or requirements in support of this Agreement include:

- Meeting response times associated with service related incidents.
- Appropriate notification to Customer for all scheduled maintenance.

Service Assumptions

Assumptions related to in-scope services and/or components include:

- Changes to services will be communicated and documented to all stakeholders.

Service Management

Effective support of in-scope services is a result of maintaining consistent service levels. The following sections provide relevant details on service availability, monitoring of in-scope services and related components.

Service Availability

Coverage parameters specific to the service(s) covered in this Agreement are as follows:

- Telephone support : 9:00 A.M. to 5:00 P.M. Monday – Friday
- Calls received out of office hours will be forwarded to a mobile phone and best efforts will be made to answer / action the call, however there will be a backup answer phone service
- Email support: Monitored 9:00 A.M. to 5:00 P.M. Monday – Friday
- Emails received outside of office hours will be collected, however no action can be guaranteed until the next working day
- Onsite assistance guaranteed within 72 hours during the business week

Service Requests

In support of services outlined in this Agreement, the Service Provider will respond to service related incidents and/or requests submitted by the Customer within the following time frames:

- 0-8 hours (during business hours) for issues classified as **High** priority.
- Within 48 hours for issues classified as **Medium** priority.
- Within 5 working days for issues classified as **Low** priority.

Remote assistance will be provided in-line with the above timescales dependent on the priority of the support request.

ANNEX 5 – MODEL RESERVED MATTERS

All Reserved Matters shall only be effective if approved by the Shareholder.

The following matters are Reserved Matters unless (where relevant) they have been approved in advance by the Shareholder under the Business Plan:

Constitution of the Company

1. Varying in any respect the Articles or the rights attaching to any of the shares in the Company.

Officers and Shareholders of the Company

2. Agreeing the appointment and the appointment terms (including any remuneration terms) of all Directors.
3. Agreeing the removal of all Directors (including any terms on which Directors are removed from their office as Directors).
4. Approving the admission of further shareholders to the Company or agreeing any rights or restrictions attaching to any shares allocated to such new shareholders.
5. Agreeing or approving the maximum size of the Board.

Future direction and development of the company

6. Forming any subsidiary or acquiring shares in any other company or participating in any partnership or joint venture (incorporated or not).
7. Amalgamating or merging with any other company or business undertaking.
8. Selling or disposing of any part of the Business.
9. Entering into any arrangement, contract or transaction with either a capital value over [£50,000 (fifty thousand pounds)] or otherwise a value of over [£100,000 (one hundred thousand pounds)].
10. Adopting or amending the annual Business Plan and any in-year changes.
11. Passing any resolution for its winding up or presenting any petition for its administration (unless it has become insolvent).
12. Apply for the listing or trading of any shares in its issued capital or debt securities on any stock exchange or market.

Management of the business of the Company

13. Changing the Company's registered office.
14. Changing the Company's name.
15. Creating or agreeing to create a charge, security or Encumbrance over the Company's assets, shares or income.

16. Adopting or agreeing any changes to any remuneration and redundancy policies of employees of the Company.
17. Adopting or agreeing any changes to any pension arrangements of any employees or officers of the Company.
18. Changing the nature of the Business or commencing any new business which is not ancillary or incidental to the Business.
19. Agreeing to enter into or entering into any acquisition or disposal of any material assets by the Company.
20. Selling rights (by license or otherwise) in or over any intellectual property owned or used by the Company.
21. Changing the Company's auditors.
22. Agree to make or making any loan (otherwise than by way of a deposit with a bank or other institution, the normal business of which includes the acceptance of deposits or in the ordinary course of business) or granting any credit (other than in the normal course of trading or giving any guarantee (other than in the normal course of trading) or indemnity.
23. Changing the Financial Year End of the Company to anything other than the other than the Shareholder's financial year end.
24. Increase or reduce the amount of its issued share capital, grant any option or other interest over or in its share capital, redeem or purchase any of its own shares or otherwise alter, or effect any reorganisation of, its share capital.

ANNEX 6 – CHECKLIST FOR COMPANY SET UP

Set out below are the main items that should be completed as a new company is formed. This is in the form of a checklist to facilitate ease of understanding. Certain items may vary depending on the type of company and specifics in each case.

Completed	N/a	Item	Detail
		Business case completed	
		Business case approved	
		Staffing arrangements agreed	
		Naming logos etc. agreed	
		URLs and Domains purchased	
		Cost recovery and recharging agreements (SLAs) in place	
		Loan amount and agreement in place	
		Directors Appointed	
		Company registered	
		Articles of Association filed	
		Bank Account set up	
		Accountants appointed – inc VAT	
		Company secretary appointed	
		Shareholder representative Appointed	
		Company Representative Appointed	
		Shareholder agreement signed	
		Website and email set up	
		Support arrangements from AVDC clarified	
		Accountancy needs clarified	
		First scrutiny scheduled of business plan	
		Launch Media in place and agreed	
		Registration with ICO if required	
		Others?	

Audit Committee
28 January 2019

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.

Since the last audit Committee in October 2018, the Secretary of State has announced his decision for a single unitary authority for Buckinghamshire. The Corporate Risk Register has been fully refreshed and updated to reflect the changing context for AVDC risks. The risk register was last reviewed by Strategic Board on 9 January 2019 and by Cabinet on 14 January 2019.

Over time the nature and scale of the Council's risks change. This means it is difficult to make direct comparison or provide meaningful comment on trend. However, when we take a view of the corporate risk profile over the last year, it is apparent that the impact of the Unitary decision in November 2018 has significantly increased the overall level of risk within the Council. Two new risks have been added and the rating of other risks has increased. This reflects the impact of both the level of uncertainty over the influence of the Shadow Authority and the high likelihood of the loss of key staff, on AVDC's ongoing ability to deliver its objectives and services in line with the current business model. The table below shows the changing risk profile over time.

	Total	Low	Moderate	High	Extreme	Not yet assessed
January 2019	23	3	8	7	4	1
October 2018	26	2	13	7	1	3
June 2018	25	2	12	9	1	1
March 2018	22	2	12	6	1	1
Direction of Travel		↔	↓	↔	↑	-

There are **23 risks** on the corporate risk register. The residual risk rating is summarised as follows:

Residual Risk Rating			
Low risk 3	Moderate risk 8	High Risk 7	Extreme risk 4
<p>1) Fail to achieve the Medium Term Financial Plan. Annual sector budgets are not delivered.</p> <p>22) Fraud, corruption, malpractice by internal or external threats.</p> <p>23) Equalities is not considered in decisions resulting in Judicial Review and other litigation.</p>	<p>10) Fail to manage and deliver major capital projects on budget and to time - The Exchange</p> <p>12) Aylesbury Vale Estates (AVE) does not deliver capital receipts and objectives of business plan.</p> <p>13) Fail to deliver a sound Vale of Aylesbury Local Plan before the transition to new unitary council.</p> <p>16) Deterioration of quality of planning service delivery, decisions and timeliness of response to applications in the face of increasing growth demand; compounded by vacancies in the planning team (although reducing), reliance on consultants and the rate of growth within the Vale</p> <p>17) Health & Safety - Non-compliance with Fire and Health and Safety legislation. Failure to provide a safe place for staff and visitors on AVDC property and/or events.</p> <p>19) Business interruption affecting the Council's resources and its ability to deliver critical services.</p> <p>20) Information Governance - A significant data breach, Inappropriate access, corruption or loss of data</p> <p>21) Safeguarding arrangements, internal policies and processes are not adequate to address concerns about /protect vulnerable adults & children.</p>	<p>5) Failure to deliver the Connected Knowledge Strategy and achieve the Council's Digital objectives within AVDC lifetime. Lack of alignment to wider strategic / unitary authority objectives. New and existing systems/processes are not fully integrated.</p> <p>8) In-housing of Street and Horticulture service (Streetscene) is not completed by the end of the current contracts (January 2020), and in line with AVDC Council decision.</p> <p>9) Fail to manage and deliver major capital projects on budget and to time - Pembroke Road redevelopment</p> <p>11) Decline in retail sector reduces ongoing viability of AVDCs Town Centre assets and limits success of regeneration programme</p> <p>14) Inadequate working with stakeholders to ensure safety of residential buildings following Grenfell.</p> <p>15) Impact of BREXIT - financial (eg fuel costs), procurement, employment, regulatory, environmental, major projects//partnering arrangements</p> <p>18) Fail to plan for a major or large scale incident. Risk to safety of public & staff.</p>	<p>2) Unknown impact of the influence of the Shadow Authority on AVDCs ability to deliver strategic goals and priorities in line with agreed objectives and the current business model. Focus on priority projects and planned transformation diminishes with competing demands of unitary authority.</p> <p>3) Deterioration in core service delivery due to loss of key staff & inability to recruit or retain high performing staff. Poor morale, or lack of foreseeable opportunity leads to "the best" seeking alternative employment, or not being willing to join AVDC.</p> <p>4) Lack of clarity and/or political engagement with partners hinders ability to engage in & influence next round of growth including consideration of CaMKOx Corridor, HS2, housing need targets. A Bucks wide plan could result in even more housing in the Vale geography.</p> <p>7) Depot Transformation Programme fails to deliver commercial, customer, H&S, Environmental objectives.</p>

Notes:

The following risk has not yet been fully assessed and rated:

- 6) Fail to deliver the Commercial Property Investment strategy and achieve planned return on investment - has not been assessed. The viability and priority of the investment strategy needs to be reviewed in light of the Unitary change.

Risk Matrix

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

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

Risk Ratings - Impact

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

Risk Rating – Likelihood

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

Capacity to Manage

Capacity to Manage	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: 9 January 2019

Ref	Risk Owner	Delegated Manager	Risk	Potential Consequences	Inherent Risk Rating			Capacity to Manage Risk	Existing Controls & Mitigation	Residual Risk Rating			DoT (up = increasing risk)	Proposed Actions/Comment	Completion Date	AVDC Priority
					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	Substantial	Longer term view, still maintain 4 years balanced budget, but working towards March 2020. Strategic Board monitoring the budget; regular reporting through Cabinet. Quarterly financial digest. Budget managers review cost centre reports.	1	3	3		Draft 19/20 budget and MTFP to 2023 to Cabinet in December, scrutiny in January and Full Council in Feb 2019. Balanced budget for the timeframe of AVDC.		Financially Fit
2	Andrew Grant	Strategic Board	Unknown impact of the influence of the Shadow Authority on AVDCs ability to deliver strategic goals and priorities in line with agreed objectives and the current business model. Focus on priority projects and planned transformation diminishes with competing demands of unitary authority.	Uncertainty over future direction impacts all areas of activity; inability to deliver objectives and vision of AVDC; continued improvement of customer service delivery ceases, deflection of resource and focus has adverse impact on service delivery; AVDC reputation for innovation and forward thinking is diminished.	4	4	16	Moderate	Ongoing monitoring of KPIs and metrics established to support AVDC updated "vision"	4	4	16	New	Clear process for assessing priorities - finish/continue to progress/stop		All
3	Andrew Grant	Strategic Board	Deterioration in core service delivery due to loss of key staff & inability to recruit or retain high performing staff. Poor morale, or lack of foreseeable opportunity leads to "the best" seeking alternative employment, or not being willing to join AVDC.	Loss of key staff; inability to attract staff during time of uncertainty; Deterioration of service delivery; failure to achieve strategy, lack of staff commitment, poor morale & performance; Increase in staff stress levels; financial cost of agency staff; improvement projects are delayed/cancelled.	4	5	20	Moderate	Unitary HR protocols in place - recruitment aligned across all 5 councils. Behavioural Framework used for candidate selection and case studies being refreshed and new "cloud" introduced REACH performance development becoming embedded and REACH toolkit produced. This includes building behaviours more formally into the REACH process. Employee Relations - Collaboration and healthy challenge with trade union and staff representatives and challenges addressed in partnership. New E'ee reps added to current group Wellbeing - Outplacement scheme implemented. Coaching programme in place. Connected Working programme linked with other projects to support CK and IT Strategy. Regular staff comms from Directors to engage on corporate vision and direction. Recruitment ongoing with a range of strategies - new roles updated to reflect Unitary decision. Use of contractors to cover permanent vacancies. Contractor (Agency) costs are monitored monthly.	4	4	16	New	Budget pressure to be recognised for foreseeable increase in agency costs. Regular internal comms needed. Ongoing focus on staff development. Review all sector risk registers to reflect impact of unitary and highlight key pressure points - approx 90 staff over 55yrs, 60% current employees <2yrs.		All
4	Tracey Aldworth	Will Rysdale	Lack of clarity and/or political engagement with partners hinders ability to engage in & influence next round of growth including consideration of CaMKOx Corridor, HS2, housing need targets. A Bucks wide plan could result in even more housing in the Vale geography.	Lack of engagement in planning issues impacting the Vale geography; expose district to "planning by appeal"; developer challenge; Government sanctions; lack of ability to secure strategic infrastructure; additional housing growth absorbed by Aylesbury Vale.	4	4	16	Moderate	AVDC and other Bucks DCs are part of Central Area Growth Board . Close working with other neighbouring LA's.	4	4	16		Need to start thinking about the process for preparing a Bucks wide plan for growth. Need engagement with Parishes AVDC and other Bucks DC's agreed to join Central Area growth Board but BCC is not part of this. Need focus on delivering local plans as a priority (refer risk #13). Uncertainty over influence of Shadow Authority on AVDC planning process - secure legal opinion on impact on Development Management. Clarity on comms with external partners and key stakeholders. Visibility of AVDC and "seat at the table" important to maintain.		Partners, Community & Environment
5	Andrew Grant	Maryvonne Hassall	Failure to deliver the Connected Knowledge Strategy and achieve the Council's Digital objectives within AVDC lifetime. Lack of alignment to wider strategic / unitary authority objectives. New and existing systems/processes are not fully integrated.	Unitary - AVDC achievements and plans for digitisation of services is not pursued. 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. Staff - capacity issues to implement changes whilst still delivering "day job" - flight risk of key people.	3	4	12	Moderate	CK Strategic Board set up to ensure alignment and oversight (Sept 17). Funding agreed for 2019/20 Programme governance arrangements, steering group, regular reporting to CAVDC Board	3	4	12		Currently half way through Phase 2 of programme. Phase 3 plans have been agreed. Focus on completing what we have started and need to consider impact of Unitary on new activities. AVDC Digital programme lead engaged with Unitary Programme Planning Group.		Customer & Innovation
6	Andrew Small	Teresa Lane	Fail to deliver the Commercial Property Investment strategy and achieve planned return on investment.	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	4	16	Limited	Property Investment Strategy approved by Cabinet Sept 17. Board in place to oversee governance arrangements. Financial strategy does not depend on investment income. Delivery of strategy deferred to take account of consultation and subsequent revised Prudential Code. Meeting held with Montague Evans to review strategy in light of the new Code and strengthen governance arrangements. Proposed that most roles and tasks relating to delivery will be outsourced for at least the first year.			TBA		Viability of investment strategy as originally envisioned needs to be reviewed in light of Unitary decision . All significant financial investments/spend will be required to come forward to the Shadow Authority. No financial dependency on outcome of investments.		Financially Fit
7	Tracey Aldworth	Will Rysdale	Depot Transformation Programme 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.	3	4	12	Moderate	Programme of works to March 2019 mapped out. Dedicated programme manager. Operations H&S officer in post. Monthly Programme Board oversight; quarterly updates to Strategic Board	4	4	16		Review of EA requirements for new site, particularly wrt Fire Prevention Plans is in progress. An assessment of additional works and potential cost impact is required. Process in place to move to Competent Authority status to remove need for reliance on key individuals to ensure compliance with operating licence requirements. Also staff capacity review and wider training programme in progress. Original business plan for ATF lane to be reviewed as no more licences are being granted.	Mar-19	Customer & Innovation

Ref	Risk Owner	Delegated Manager	Risk	Potential Consequences	Inherent Risk Rating			Capacity to Manage Risk	Existing Controls & Mitigation	Residual Risk Rating			DoT (up = increasing risk)	Proposed Actions/Comment	Completion Date	AVDC Priority
					Likelihood	Impact	Overall Risk Rating			Likelihood	Impact	Overall Risk Rating				
8	Tracey Aldworth	Will Rysdale	Inhousing of Street and Horticulture service (Streetscene) is not completed by the end of the current contracts (January 2020), and in line with AVDC Council decision.	Failure to deliver services, financial costs, damage to AVDC reputation.	4	4	16	Substantial	Full Council approval, Project Manager, Operations Board for oversight & governance, budget approved	3	3	9	New	Project plan developed and work has commenced. Need to ensure continued focus and relevant priority given to project given tight timescale and potential for delays.	Jan-20	Financially Fit
9	Andrew Small	Teresa Lane /Will Rysdale	Fail to manage and deliver major capital projects on budget and to time - Pembroke Road redevelopment	Costs exceed budget; inability to expand services and generate commercial income (e.g. HGV MOTs); damage relationships with future/existing tenants; Reputation damage	3	4	12	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.	3	3	9		Delays to workshop (2020) due to discharge of 2 reserve planning matters (archaeological & contamination) with requirements for additional surveys.		Financially Fit
10	Andrew Small	Teresa Lane	Fail to manage and deliver major capital projects on budget and to time - The Exchange	Costs exceed budget; damage relationships with future/existing tenants; Reputation damage; impact on wider Town Centre Regeneration programme and ability to enhance existing assets.	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.	2	3	6		More of vacant units have been let. More positive outcomes of recent negotiations with potential tenants. Financial impact (2019/20) being monitored through budget pressures		Leading & Shaping of Place
11	Andrew Small	Teresa Lane	Decline in retail sector reduces ongoing viability of AVDCs Town Centre assets and limits success of regeneration programme	Decline in town centre investment, vacant property, reduced return on investment, increasing unemployment, reduction in business rates income.	4	4	16	Moderate	Aylesbury Town Centre plan and regeneration programme; joint Officer Steering Group (AVDC, BCC, ATC) monitors progress against action plan and receives new ideas/challenges. AGT Board and Project Team is overseeing & reviewing the masterplan for the Garden Town which includes the town centre.	3	3	9	New	AVDC investment in The Exchange will deliver new public space, restaurants, businesses, helping to change the town centre offering. AGT status is enabling bids for funding to support the town centre. Bids for the new £675m High Street fund are currently being considered.		Leading & Shaping of Place
12	Andrew Small	Teresa Lane	Aylesbury Vale Estates (AVE) does not deliver capital receipts and objectives of business plan.	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 included in Qly Digest to reflect investments & performance. AVE business plan went to Scrutiny & Cabinet Jan18. Robust challenge and stretch targets to deliver. Held Risk Workshop with AVE (Jan17) and developed risk register. 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.	2	3	6		Private sector uncertainty. Unclear about working with new authority. Internal audit review of AVE governance arrangements in early 2019	Mar-19	Financially Fit
13	Tracey Aldworth	Will Rysdale	Fail to deliver a sound Vale of Aylesbury Local Plan before the transition to new unitary council.	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		Examination held. Awaiting Planning Inspectors response to our comments (refer risk #4).	TBA	Leading & Shaping of Place
14	Andrew Grant	Will Rysdale	Inadequate working with stakeholders to ensure safety of residential buildings following Grenfell.	Death or injury to public; loss of public trust; damage to reputation	2	5	10	Substantial	Liaising with MHCLG, working with leaseholder and housing association	2	4	8		Friars House in Aylesbury is over 18 meters tall and is fitted with ACM cladding. We are working closely with Moreland Estate Management, the Vale of Aylesbury Housing Trust (VAHT), Bucks Fire and Rescue and MHCLG to ensure the safety of residents. New government guidance and powers issued January 2019. AVDC to take next steps accordingly.	TBA	Partners, Community & Environment
15	Andrew Small	Andy Barton	Impact of BREXIT - financial (eg fuel costs), procurement, employment, regulatory, environmental, major projects//partnering arrangements	Impacts all areas of Council activities	4	4	16	Substantial	Detail risk register and action plan, working group monitoring	3	3	9		Next meeting of working group in Jan/Feb19 post HoC vote.	Feb-19	Financially Fit
16	Tracey Aldworth	Jeff Membery	Deterioration of quality of planning service delivery, decisions and timeliness of response to applications in the face of increasing growth demand; compounded by vacancies in the planning team (although reducing), reliance on consultants and the rate of growth within the Vale	Damage to reputation, customer complaints/appeals, status as Planning Authority.	4	3	12	Substantial	Planning performance report to Audit Committee October 18; customer journey analysis, member case load, planning updates & communications etc.	2	3	6		2 new roles approved November 18 - ongoing focus on recruitment and retention		Leading & Shaping of Place

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					Likelihood	Impact	Overall Risk Rating			Likelihood	Impact	Overall Risk Rating				
Corporate compliance/safety risks:																
17	Andrew Small	Andy Barton	Health & Safety - Non compliance with Fire and Health and Safety legislation. Failure to provide a safe place for staff and visitors on AVDC property and/or events.	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 started. 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 mnths. Management of contractors procedure in place and training provided. Ongoing training planned throughout 2018. New M&E service provider selected (Apr18) which will see a more uniformed and monitored approach to pre-planned maintenance and reactive work	2	3	6	→	1. Management of asbestos & legionella currently being reviewed in line with new M&S service contract. Statutory programme to be followed - ongoing. 2. Sector risk assessments and risk profiling to be reviewed 3. Action plan developed following assessment visit in April from Counter Terrorism Prevention Advisor (CTPA) about the new CSC, safety of staff and general security of the building. 4. Resource/capacity challenges - recruitment of full time H&S manager early 2019.	Feb-19	
18	Andrew Small	Will Rysdale	Fail to plan for a major or large scale incident (accident, natural hazard, riot or act of terrorism). Risk to safety of public & staff	Public safety. Service delivery disruption and impact on the Council's ability to deliver critical services. Reputational damage to the council.	2	4	8	Moderate	Community safety manager appointed (Apr17) with responsibility for Emergency Plan and Community Resilience. Table top exercise run Dec2018. Public Events Management steering group set up & Duty holders established. EP & BC Steering Group established to ensure coordination. 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	→	Events Safety Management Framework to be agreed to ensure consistent approach and accountability. To reflect learnings from Whizzfizz, Waterside, Christmas. Crowd Safety consultancy to be arranged prior to Whizzfizz.	Feb-19	
19	Andrew Small	Andy Barton	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.	2	4	8	Moderate	EP & BC Steering Group established to ensure coordination. Increased use of cloud technology, less paper documents.	2	3	6	↓	All the BCPs being reviewed and updated to ensure fit for purpose.	Feb 19	
20	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 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. Mandatory training; Investigations into data breaches. Periodic data sweep. HB Law supporting. Information Asset Registers, identified Information Asset Owners, retention schedules in place. Privacy Impact Assessments for all projects	2	3	6	↓	GDPR programme targets achieved for compliance by May2018. Post GDPR programme to complete remaining tasks, including full policy review and breach procedures. Dual factor sign in roll-out in progress, almost finished. Programme for Member email usage compliance completed.		
21	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	Internal AVDC safeguarding board with membership across all sectors. Mandatory training rolled out to all staff. 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. Whistleblowing policy in place and Managing volunteers policy in place. Members training on Prevent (WRAP) (Oct17). Internal audit (May17). Member training on Safeguarding 2018.	2	3	6	→	Training needs assessment for different roles to be completed New starter mandatory induction training - IT solution to monitor & enforce completion		
22	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	→			
23	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	→	Equalities report Jan 2019		

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Audit Committee
28 January 2019

AUDIT COMMITTEE WORK PROGRAMME

1 Purpose

- 1.1 To discuss, amend and approve the future work programme for the Audit Committee.

2 Recommendations/for decision

- | | |
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| 2.1 | The Committee is asked to review, amend and approve the proposed work programme. Appendix 1 |
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3 Supporting information

- 3.1 The proposed programme has been prepared taking into account the comments and requests made at previous Audit Committee meetings and the requirements of the Internal and External Audit process.
- 3.2 The Committee is asked to consider whether they wish to add or remove any items and whether the timing of items is appropriate to their needs.
- 3.3 The Committee is also asked to consider whether there are any additional areas or topics not included in the current work programme which they would like to add.

4 Reasons for Recommendation

- 4.1 To allow members of the Audit Committee to amend and agree their work programme.

5 Resource implications

- 5.1 An allowance is always included in the Annual 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 2018-19 & 2019-20

Item	Contact Officer	26 Jun 2018	23 July 2018	8 Oct 2018	28 Jan 2019	25 Mar 2019	26 Jun 2019	29 Jul 2019	7 Oct 2019
Audit Committee Work Programme	Kate Mulhearn	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			
External Audit Plan & fee letter	Nuala Donnelly				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				
External Audit Update / Progress Report	Nuala Donnelly	X		X			X		X
Annual Internal Audit Strategy and Plan	Kate Mulhearn	X				X	X		
Internal Audit Annual Report	Kate Mulhearn	(X)	X				X		
(Draft) Annual Governance Statement	Kate Mulhearn	(X)	X				(X)	X	
Internal Audit Progress & Internal Audit Review Reports	Kate Mulhearn	X	X	X	X	X	X	X	X
Risk Management Report	Kate Mulhearn	X	X	X	X	X	X	X	X
Fraud Update Report (as required)	Kate Mulhearn								
Reviews of Company Governance	Kate Mulhearn				X				
Statement of Accounts	Andrew Small	X					X		
Post Audit Statement of Accounts	Andrew Small		X					X	
Working Balances	Andrew Small					X			

* Reports will be prepared and presented by the External Audit Manager