

## AUDIT COMMITTEE

25 MARCH 2019

**PRESENT:** Councillor R Newcombe (Chairman); Councillors A Waite (Vice-Chairman), C Adams, M Collins, N Glover and R Stuchbury.

**APOLOGIES:** Councillors A Harrison, S Raven, D Town and H Mordue.

### 1. MINUTES

RESOLVED –

That the minutes of the meeting held on 28 January, 2019, be approved as a correct record.

### 2. EXTERNAL AUDIT UPDATE

The Committee was informed that the external auditors were currently undertaking Stage 1 of their interim work preparing for the audit of the Council's statement of accounts for 2018/19. It was anticipated that this work would be completed by the end of the month. A request had been made to the Corporate Finance Manager for samples to be analysed as part of the accounts audit.

A meeting would be held with the Director with responsibility for finance to assess the potential significant risks around the unitary decision and how matters were progressing. However, there was currently nothing to report to Members of the Audit Committee.

Members were informed that the assets and valuations information considered in the audit of the accounts would be for the position as at 31 March 2019. The Council was a public body and the sale / transferring of assets could only be approved through a legal decision.

RESOLVED –

That the external auditors' report be noted.

### 3. 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:-

- **Company Governance – Aylesbury Vale Estates (AVE)** – the review had evaluated the effectiveness of the Council's governance of AVE, based on the expectations set out in the "*Guide to creation and working with companies in which AVDC has a financial interest*", which had recently been updated following the independent review of the Council's governance arrangements for Aylesbury Vale Estates. The review of AVE had concluded that its governance was compliant with the significant majority of expectations set out in the guide. However, two areas had been identified where governance and the Council working with AVE could be strengthened. These were:-

- to clarify who was empowered to discharge certain roles (and functions assigned to those roles) set out in the AVE Members' agreement. The Council had taken a custom and practice approach to fulfilling these functions but would benefit from clarifying which Committee/people were empowered to discharge them in the event of any future dispute.
- to update the Members' agreement to clarify instances where the Council was required to approve sale, transfer or issuance of shares. This was currently referenced in the Members' agreement but was worded in a way where it would only apply in certain instances.

Good governance procedures had been identified in a number of areas including business planning, Board composition, reporting to Council and scrutiny, managing any conflicts of interest, and the relationship between the Council and AVE.

- **Housing Benefits (Medium Risk, 9 points)** – the review had identified one medium and 6 low risk findings. Since the prior year's high risk report (22 points), continued improvements had been made to processes and controls. These could be attributed to strength in management and a restructure of staff to ensure specialist benefits officers focussed on higher risk cases, a further training plan and continued monthly quality checks. These was also widespread use of software to data match HMRC details for applicants and targeted projects to undertake 100% checks on identified risk areas.

There had also been an improvement in oversight of housing benefit overpayment debt. The audit had highlighted a number of areas where further improvements were required including on the procedures for debt write off, reconciling and clearing historic "landlord" overpayment cases, finalising the mapping exercise to clearly identify responsibilities for the various stages of the HB process, and more consistently using Real Time Information.

- **Parking Services (Medium Risk)** – the review had identified one medium and five low risk findings. The Parking Service operated across several teams in order to achieve the various parts of the process and these were explained in the report. The findings had been summarised as follows:-
  - the need to identify an overall lead for parking so that focussed discussions on all parking risks and performance could be held in one forum. KPIs had also not yet been developed for parking operations.
  - minor improvements were needed in the management of the process of reviewing Penalty Charge Notices (PCNs).
  - improvements were needed in the setting up of Direct Debits for permits.
  - consistent documenting of the acceptance of breaches of the Agree Variance Levels between the monthly BDI Summary Reports and Parking Management totals.
  - Enforcement Officer's hand held Personal Device Assistants (PDAs) were not able to be remotely disabled, if lost or misplaced.
  - chargebacks were not identified to allow accounts to be suspended to prevent fraud.
  - contract management arrangements needed to be more formalised and documented in line with corporate policies and procedures.

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 a number of reviews were in progress, including:-

- Section 106 Agreements.

- Billing and Debt Management.
- General Ledger and Management Information.
- Connected Knowledge.

### **Summary of changes to the 2018/19 Internal Audit Plan**

Members were informed that it was important for the plan to be flexible to respond to emerging or changing risks. The following changes had been made to the 2018/19 plan since its approval in June 2018:-

- Accounts Payable – the focus on follow up of prior year outstanding actions.
- Payroll – the original plan had included a post-implementation review of the new Payroll/HR system (XCD). As the XCD had been cancelled and existing processes kept in place, the audit days would be reallocated to other reviews. Previous audit of current payroll system had assessed it as low risk.
- Tech One – it was intended to review system integration and data transfer controls to ensure the data held in Tech One was complete and accurate. An IT project was underway to look at Council wide data transfers. System integration aspects would be picked up in work on reconciliations as part of the General Ledger review and audit days allocated.
- Waste and Recycling – Contracts – the original plan had included for a review of the contracts for Street Cleansing / Horticulture and Recycling. Street scene services were being brought back in-house when the current contract concluded in January 2020. A new contract for recyclates had been agreed last year. For both contracts, management procedures were in place and they were not considered a high risk for internal audit review. The audit days would be reallocated 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, 27 actions were followed up for the March 2019 Committee – that included an update on all actions due for completion by 28 February 2019. 19 out of the 27 actions (70%) had been completed, compared to a 30% completion rate reported in January 2019.

Members sought further information and were informed:-

- Housing Benefits – that the work to reconcile complex landlord overpayment cases should be completed by the end of April 2019. Where monies were owed and were unlikely to, or could not, be recovered then they would be written off via a Cabinet Member or Officer decision, as appropriate.
- Parking Services – that the Council was assured that the current Enforcement Officer's hand held PDAs were GDPR compliant. New and more up-to-date devices were currently being procured and would hopefully be in use soon.
- that financial information on parking services was published annually on the Council's website.

- that AVDC was talking to the County Council with a view to customers being able to use a single mobile app for on-street and off-street parking in Aylesbury.
- that AVDC used the Aylesbury Town Centre Partnership as a means to engage with retailers / shopowners, which would include discussing issues such as car parking.
- that AVE was compliant with the significant majority of expectations set out in the “Guide to creation and working with companies in which AVDC has a financial interest”, although 2 areas had been identified where governance arrangements could be strengthened.
- Safeguarding 2016/17 Review – that significant progress had been made in implementing the outstanding actions from this review.

RESOLVED –

- (1) That the progress report be noted, including the good progress that had been made with Housing Benefits and Parking Services, as detailed in their review findings.
- (2) That, should the Chairman not be satisfied by the end of March 2019 that the outstanding actions and implementation of the findings of the Safeguarding 2016/17 Review had been completed, he be authorised to request senior Officers and the Cabinet Member to attend the Audit Committee in June 2019 to provide an update.

#### 4. CORPORATE RISK REPORT

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

Since the last Audit Committee meeting in October 2018, the CRR had been fully updated in January to reflect the impact of the Secretary of State’s decision to implement a single unitary district council for Buckinghamshire. The CRR had been reviewed by Strategic Board on 9 March 2019. The table showing the changing risk profile over time was:

	Total	Low	Moderate	High	Extreme	Not yet assessed
<b>March 2019</b>	<b>23</b>	<b>3</b>	<b>8</b>	<b>7</b>	<b>4</b>	<b>1</b>
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		↔	↓	↔	↑	

The background and comments against each risk was included in the report, as well as a summary in relation to residual risk ratings. Members were informed that in line with advice from MHCLG, the Council had been monitoring the potential risks associated

with Brexit, with CRR number 15 reflecting the overall level of risk to AVDC. In recent months there had been a focus on risks associated with a “No Deal Brexit”. The risks and information were regularly updated as more information was released from central Government.

Attached to the report was a summary of the identified key risks that AVDC might face should the UK exit the EU on 29 March 2019 without a deal. This aimed to provide a level of assurance to the Audit Committee that, as far as possible, appropriate planning and contingencies were in place should the UK exit the EU without a deal.

RESOLVED –

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

## **5. REVIEW OF GENERAL FUND BALANCES 2019-20**

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

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

The level of balance maintained by Aylesbury Vale District Council was reassessed annually and the minimum recommended safe level was then applied in budget setting and planning. The report presented the risk assessment methodology and the risks identified in determining the minimum recommended safe level of £2.0 million used in budget planning for 2019/20.

Members of the Committee considered the methodology, the risks and the mitigations identified and their appropriateness in the context of the budgetary pressures facing the Council.

The potential risks arising from the Buckinghamshire unitary decision continued to be assessed. At this stage there was too much uncertainty about the specific implications on the strategic objectives and day to day operations of the Council to make any financial provision. The emerging implementation plans would address risks and consider mitigating actions as work progressed over the coming months.

The Corporate Risk Register also specifically acknowledged the risks associated with Brexit and a possible no deal situation. Whilst the level of risk remained largely unknown, plans and controls were being reviewed for area considered to be impacted by the change.

The latest assessment was attached as an appendix to the Committee report.

RESOLVED –

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

## **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.

Members also considered the Actions Tracker and it was agreed that following recent actions which had seen safeguarding training provided for taxi drivers, Action **AT 7/18** should be marked as complete.

RESOLVED –

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