

# AUDIT COMMITTEE

27 JANUARY 2020

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

**APOLOGIES:** Councillors A Harrison, S Raven, R Stuchbury and D Town.

## 1. MINUTES

RESOLVED –

That the Minutes of the meeting held on 25 November, 2019, 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 2019.

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 2018/19. 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 had been anticipating issuing the Annual Certification Report of grant claims and returns for 2018/19 in January 2020. In addition to the Annual Audit Letter, the Council's external auditors had historically prepared an annual summary of grant certification works. With the raising of Audit certification thresholds, this had meant that only Housing Benefit certification work had been reported for the last few years. For 2018/19 the requirement for external audit to report on this work had been removed. Given some of the historic issues around this grant claim, the external auditors had provided a letter (Appendix 2 with the agenda report) confirming that the Council had received a clean bill of health for 2018/19.

Members attention was also drawn to the 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 2019 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 in controls or evidence of material management override, or instances of inappropriate judgements being applied.

The auditors had not identified any other transactions which appeared unusual or outside the Council's normal course of business.

When establishing the overall audit strategy, it had been determined that planning materiality was £2.14m, which was 2% of Gross Revenue Expenditure, with any unadjusted audit differences in excess of £0.107m reported to the Committee. Further information on the strategy for reporting was included in the Committee report.

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. The Auditor's report had included reference to consideration around one identified potential significant risk as a result of the 1 November 2018 announcement that a unitary authority for Buckinghamshire would be instituted from 1 April, 2020. There was a possibility that the announcement would impact on the Council's capacity to manage its operations as well as planning a smooth transition to the unitary authority. The external auditors had regularly monitored this during the year and concluded that there was no significant risk or matters to report about the Council's arrangements to secure economy, efficiency and effectiveness in the use of resources.

Areas of focus for the future reporting would include the revised IASB Conceptual Framework for Financial Reporting (Conceptual Framework) that would be applicable for local authority accounts from the 2019/20 financial year. However, it was not anticipated that this change would have a material impact on Local Authority financial statements.

The Committee was informed that the external audit fees for 2018/19 for the Housing Benefit certification work had been £3,580 less than the planned fee. The total audit fee for other work had been varied up by £6,437 in relation to additional work carried out:-

- to assess the impact and audit of the revised IAS 19 balances after the McCloud judgement and GMP considerations.
- on the valuation of investment properties and PPE.

Members asked that Finance staff be thanked for their work in preparing the financial statements for 2018-19, particularly as there had been a number of planned audit work timing issues and, it was –

RESOLVED –

- (1) That the contents of the External Auditor's Annual Audit Letter for 2018/19 be noted.
- (2) That the contents of the external auditor's certification letter relating to AVDC's Housing Benefit Assurance Process (HBAP) report 2018-19 be noted.

### **3. INTERNAL AUDIT PROGRESS REPORT**

Members received a progress report on activity undertaken against the 2019/20 Assurance Plan that had been approved by the Committee in July 2019. The following matters were highlighted:-

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

Four reports had been completed since the last Committee meeting with the full review reports being attached as Appendix 3 to the Committee report:-

**Council Tax and Business Rates** – the review had been classified as Low risk and had identified one medium risk and one low risk findings:

- There were instances of refunds being processed via cheque despite original payments being made by batch BACS and bank details being taken via the phone. These actions were not in line with the Council's new policy (Low).
- The Council had contracted a third-party company to undertake a review of the Council's active cases with a single person discount granted, however had not documented the action that was taken to gain assurance over the accuracy of the review (Low).

The audit report had noted a number of good practice areas which were an improvement on a similar audit undertaken in 2017-18.

Members noted that additional resources had been committed to the recovery team and led to a drop in court dates from 20% to between 3-5%, which was indicative of recovery rates improving. The Committee expressed their thanks to the recovery team for the improved performance.

**Taxi Licensing** – the review had been classified as Medium risk and had identified two medium risk and one low risk findings:

- When processing applications within Salesforce, there was a lack of monitoring of vehicles that should be suspended. Circumstances where this should have happened included an overdue second enhanced vehicle check and incorrect log books. There was also scope for system improvement for operator licence applications (Medium).
- Application statuses within Salesforce were not being updated to 'complete' when a licence had been issued. Therefore, there was a lack of completeness when this data fed into management reports. There had also been inconsistency in raising report requests, and the manner in which finalised reports were saved (Medium).
- Salesforce did not easily allow the monitoring of cases within the new complaints 'triage' process (Low).

The audit report had noted a number of good practice areas which were an improvement on a similar audit undertaken in 2017-18. Members commented that the recent taxi licensing safeguarding training had been excellent, and expressed their thanks to the licensing team for the improved performance.

**HR Management** – the review had been classified as Low risk and had identified one medium risk and two low risk findings:

- There was not a central list of all roles that required DBS checks against which compliance could be monitored. Sample testing of 15 staff members had identified one case where the role required an enhanced DBS check but it had not been done (Medium).
- There was no tool to centrally monitor IR35 status and record key information such as date of IR35 check, result and date for review. A sample of 10 had shown that the status checks had been performed and evidence retained. (Low).
- A sample of 15 staff Members tested for completing mandatory safeguarding training had noted 2 instances where staff were not included on the monitoring report. It had also been noted no follow up had been undertaken on training that had been shown as "in-progress" or "not started" (Low). The review had also noted that the HR team had not been actively monitoring the completion of data protection training due to a lack of resource. It was noted that no reports had been run since February 2019 at which time 100% of staff had completed the mandatory e-learning. It was however part of the mandatory induction process which had to be signed off by line managers. Members commented that

sufficient HR resource needed to be identified to ensure that this monitoring took place in the future.

The audit report had noted a number of good practice areas.

**Corporate Fraud Risk Assessment** – the review had not identified any ‘urgent’ priority tasks. Overall, the result of the assessment indicated that there was an established control environment designed to mitigate the risk of fraud occurring. Officers spoken to had a good awareness of the fraud risks and internal controls in their area.

Two ‘important’ priorities had been identified relating to training and guidance being provided to relevant staff, and the inherent risk of fraud occurring prior to the transition to the new unitary Buckinghamshire Council in April 2020. One action had been raised to address this risk. With a number of officers, particularly at a senior level, vacating posts, and not being replaced, it was possible this could impact on the control environment and the ability to ensure sufficient coverage of authorisation and an adequate segregation of duties. In the lead up to vesting day, this risk could be mitigated through increased oversight from the new Buckinghamshire Council Corporate Management Team.

There had also been 16 ‘routine’ priority risks identified, which related to inherent risk. No actions had been raised to address these risks as, provided controls continued to operate effectively, these risks should be effectively managed.

### **Summary of changes to the 2019/20 Internal Audit Plan**

Members were informed that the 2019/20 Internal Audit Plan had been updated to look at the emerging risk in the area of Housing and Homelessness, which was now considered to be a priority area for review. As a result, the audit of Section 106 agreements which had started in 2018/19 would not be concluded. Work performed by BDO internal auditors in 2018/19 had been reviewed and this area was no longer considered a priority area for focus.

### **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 full review of all outstanding audit actions, and the risks they were designed to mitigate them, had been undertaken. In the context of transition to a unitary authority, this had assessed whether the associated systems, processes and policies would remain post vesting day, and whether or not the level of resource to complete them was proportionate to the risk being addressed. The result of the exercise was detailed at Appendix 4 and summarised that:-

- 40 actions remained for AVDC to complete by the end of February and the status to then be reported to the Audit Committee in March.
- 12 actions had been completed.
- 12 actions had been closed – these were no longer relevant for AVDC to complete, or had been superseded by more recent audit reviews.
- 8 actions were recommended to be transferred to the Buckinghamshire Council for review as new controls, processes and systems were developed.

Members were informed that all remaining audit actions would be reported to the final Audit Committee meeting in March 2020.

Members sought additional information and were informed:-

- that the final status of actions, following the March 2020 meeting, would be formally handed over to the new Council.
- that the different audit teams from the Councils were working well together.
- that if a Member had a problem with the failure to collect an AVDC dog bin or of Health and Safety concerns at Aqua Vale they should provide the details to the Officers who would pass on the information to the relevant teams for their attention.
- that it was anticipated that the overall performance of the street cleansing service would improve now that it had been brought back in-house.
- that information would also be passed to Pembroke Road about the number of rats near to the Walton Pond, many of which were coming from the former HSBC Bank.

RESOLVED –

That the progress report be noted.

#### 4. 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.

The CRR had last been reviewed by Cabinet on 17 December 2019 and by the Audit Committee on 25 November 2019. The following table showing the changing risk profile over time was submitted:-

	Total	Low	Moderate	High	Extreme	Not yet assessed
<b>January 2020</b>	<b>20</b>	<b>2</b>	<b>12</b>	<b>4</b>	<b>2</b>	<b>-</b>
November 2019	21	3	11	5	2	-
September 2019	22	3	10	7	2	-
July 2019	23	4	8	8	3	-
May 2019	23	4	8	9	2	-
March 2019	23	3	8	7	4	1
January 2019	23	3	8	7	4	1
October 2018	26	2	13	7	1	3

The background and comments against each risk was included in the report, as well as a summary in relation to residual risk ratings. The following risks had changed since November 2019:-

- Risk No. 5: Inability to engage in and influence next round of growth including consideration of CaMKOx Corridor, HS2, Housing Needs targets – had been closed as the emerging Bucks Growth Board was taking this forward with clear direction from Members.

- Risk No 9: Pembroke Road Redevelopment programme not delivered to time or budget – the risk had reduced from High to Moderate as an EA permit had been approved and the build was progressing as planned.
- Risk No. 10: Fail to manage and deliver major capital projects on budget and to time (The Exchange), with income and Town Centre regeneration objectives not achieved – the risk had increased from Low to Moderate as new letting agents had been appointed to try to ensure tenants in the fourth F&B unit and commercial units on Long Lional.
- Risk No. 13: Fail to deliver a sound Vale of Aylesbury Local Plan before the transition to new Unitary Council – the risk had increased from Moderate to High as external influences might impact the ability to deliver by 31 March 2020.

Members sought additional information and were informed:-

- (i) Risk No. 14 (Building Cladding) – AVDC was working with the management company to address an issue in relation to Friars House, Aylesbury.
- (ii) that Members' concerns regarding the Aylesbury Town Centre (regeneration, reduced footfall) had been captured at Risk No. 11.

RESOLVED –

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

## **5. 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 were informed:

- that the External Audit Plan and fee letter would be reported to the next meeting.
- that Internal Audit Annual Report would be reported to the next meeting and would form the basis for the Annual Governance Statement.
- that there would not be a Working Balances report.
- that the external auditors were starting to put together the programme / approach / timing for the audit of the 2019/20 financial statements.

RESOLVED –

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