

ASHFIELD DISTRICT COUNCIL



Ashfield

Council Offices,
Urban Road,
Kirkby in Ashfield
Nottingham
NG17 8DA

Agenda

Audit Committee

Date: **Wednesday, 20th July, 2016**

Time: **6.30 pm**

Venue: **Committee Room, Council Offices, Urban Road,
Kirkby-in-Ashfield**

For any further information please contact:

Lynn Cain

l.cain@ashfield-dc.gov.uk

01623 457317

AUDIT COMMITTEE

Membership

Chairman: Councillor Kevin Rostance

Councillors:

Chris Baron

Tom Hollis

Lachlan Morrison

Steve Carroll

Jackie James

Christine Quinn-Wilcox

FILMING/AUDIO RECORDING NOTICE

This meeting may be subject to filming or audio recording. If you have any queries regarding this, please contact Members' Services on 01623 457317.

SUMMONS

You are hereby requested to attend a meeting of the Audit Committee to be held at the time/place and on the date mentioned above for the purpose of transacting the business set out below.



R. Mitchell
Chief Executive

AGENDA

Page

1. To receive apologies for absence, if any.
2. Declarations of Disclosable Pecuniary and Non Disclosable Pecuniary/Other Interests.
3. To receive and approve as a correct record the minutes of the meeting of the Committee held on 21st March, 2016. 5 - 10
4. Draft 2015/16 Statement of Accounts. 11 - 14
5. ADC - Internal Audit Annual Report 2015/16. 15 - 26
6. ADC - Audit Progress Report. 27 - 38

This page is intentionally left blank

AUDIT COMMITTEE

Meeting held in the Committee Room, Council Offices, Urban Road, Kirkby-in-Ashfield,

on Monday, 21st March, 2016 at 6.30 pm

Present: Councillor Lachlan Morrison in the Chair;
(as substitute for Chris Baron)

Councillors Amanda Brown, Tim Brown,
Joanne Donnelly, Tom Hollis and
Christine Quinn-Wilcox.

Apologies for Absence: Councillors Chris Baron and Kevin Rostance.

Officers Present: Lynn Cain and David Greenwood.

In Attendance: Sophie Jenkins (KPMG), Debbie Stokes (KPMG),
Adrian Manifold (CMAP) and Councillor David Griffiths.

AC.30 Declarations of Disclosable Pecuniary and Non Disclosable Pecuniary/Other Interests

There were no declarations of interest made.

AC.31 Minutes

RESOLVED

that the minutes of the meeting of the Committee held on 8th December, 2015,
be received and approved as a correct record.

AC.32 KPMG: Annual Report on Grants and Returns Work 2014/15

Deborah Stokes, KPMG Manager, presented the report which summarised the results of the work undertaken on the certification of the Council's 2014/15 grant claims and returns.

During 2015/16, certification work was carried out on one claim and two returns, namely Housing Benefit Subsidy Claim, Pooling of Housing Capital Receipts and the Homes and Communities Agency (HCA) Compliance Report. There were no issues with the Pooling of Housing Capital Receipts which received an unqualified assurance report.

However, the HCA Compliance Report received a qualified assurance report due to some minor areas of non-compliance and the Housing Benefit Subsidy Claim resulted in a qualification letter being issued due to various ongoing problems as identified. As a result of the extra work carried out in relation to

the Housing Benefit Subsidy Claim the fee was £3,575 higher than the indicative fee of £16,000.

RESOLVED

that the Certification of Grants and Returns for 2014/15, as presented to the Committee, be received and noted.

AC.33 KPMG: External Audit Plan 2015/16

Sophie Jenkins, KPMG Director and Engagement Lead, presented the External Audit Plan for 2015/16 and advised that two significant risks had been identified requiring specific attention in relation to Management Override of Controls and Revenue Recognition.

In relation to the Value for Money (VFM) audit, the National Audit Office had issued new guidance in relation to the VFM audit regime with the introduction of three new sub-criteria supporting the new overall criterion on which the conclusion would be based. The recent risk assessment regarding the Council's current arrangements had identified the following as VFM significant risks:-

- Financial resilience in the local and national economy;
- Future of Ashfield Homes Limited.

The Committee were asked to note that the fee for the 2015/16 Audit Plan had been set at £56,036; a 25% reduction on the fee for the previous year. The reduction in fees for the 2015/16 financial year had been applied sector wide.

RESOLVED

that the External Audit Plan for 2015/16, as presented to the Committee, be received and noted.

AC.34 KPMG: External Audit Progress Report and Technical Update

Sophie Jenkins, KPMG Director and Engagement Lead, presented the External Audit progress report and technical update and outlined the work undertaken over the preceding three months. The Housing Benefit Subsidy Claim audit had been completed and the Certification of Claims and Returns Annual Report had been finalised and submitted to the Committee this evening.

The new team had also met with the Council's Chief Executive, Deputy Chief Executive (Resources) and the Corporate Finance Manager to introduce themselves and discuss current and emerging topics and any issues that might impact on the accounts or the VFM conclusion.

RESOLVED

that the External Audit Progress Report and Technical Update, as presented to the Committee, be received and noted.

AC.35 Ashfield District Council Audit Plan 2016/17

Adrian Manifold, the Audit Manager from the Central Midlands Audit Partnership, presented the report and by way of explanation took Members through the process for initially assessing the Council's risk against a number of agreed criteria. All areas had been thoroughly considered (in consultation with the Council's former Senior Auditor) and scored accordingly.

Following the initial risk identification exercise, the Ashfield District Council Audit Plan had been developed outlining the risk score, risk rating and planned audit review days for each area. Not all areas would be reviewed in the first year so the audit days had been assigned based on risk rating and priority. The development of an overarching strategic plan would ensure that all areas of the Authority received an appropriate audit review within the next five years.

The Audit Plan for 2016/17 was mainly focussed on the Council's main accounting systems but if a 'strong' control mechanism was revealed then the Plan would focus on alternative areas in future years. To ensure the Plan remained flexible to changing circumstances, a number of contingency days had been built into the programme to allow for emerging issues, advice investigations or follow-up audits.

Members briefly discussed the content of the Plan and various issues were raised in relation to the priority and ratings of particular risk areas. Reassurance was given that the content of the Plan could be revisited at any time although no ratings would be increased significantly within this financial year.

RESOLVED

that the content of the Audit Plan for 2016/17, as presented, be received and approved.

AC.36 Internal Audit Progress Report (1st April, 2015 to 3rd March, 2016)

Adrian Manifold presented the report as compiled by the Council. It showed progress against the current Audit Plan and four audit reviews had now been finalised. In relation to Absence Management, this review had concluded with 'Limited Assurance' and following discussions with management, a list of areas for improvement had been agreed. A suggestion was made that the matter be referred back to the Local Joint Consultative Committee for further consideration in light of the outcomes from the audit.

Members were advised however, that some of the assurance ratings given by the Council's former Internal Audit team had seemed slightly over cautious in nature and any future reviews would be rated in accordance with the scientific process adopted by the Partnership and displayed in a different format. The Committee acknowledged this course of action.

RESOLVED

that the work undertaken by Internal Audit during the period 1st April to 20th November, 2015, be received and noted.

Reason:

To ensure Members are kept fully informed of progress against the agreed Audit Plan.

AC.37 Annual Governance Statement Update at February 2016

Committee were asked to note the recent updates to the Annual Governance Statement (AGS) for 2014/15 in advance of the required preparation for the 2015/16 Statement.

RESOLVED

that the updated position regarding the Annual Governance Statement for 2014/15 be received and noted.

Reason:

To ensure Audit Committee Members are informed on a regular basis of any changes to the Annual Governance Statement.

AC.38 Pension Assumptions for 2015/16 Statement of Accounts

The Deputy Chief Executive (Resources) presented the report and explained the purpose of the IAS19 (International Accounting Standards) and what assumptions had been made by the Pension Fund Actuary as outlined in the briefing note at Appendix A. The Council was required to comply with the financial reporting standard when producing its annual Accounts and reflect its commitment to potential retirement benefits irrespective of whether they are actually paid out.

The net pension liability for the 2014/15 financial year had been calculated at £76.110m but it was acknowledged that the overall net liability changed each financial year based on differing assumptions as prepared by Nottinghamshire County Council's Pension Fund Schemes' Actuary, Barnett Waddingham.

RESOLVED

that having taken account of the Actuary's briefing note as outlined at Appendix A, the IAS19 assumptions be agreed as the basis for the calculation of the figures required for the 2015/16 Statement of Accounts.

Reason:

It is best practice that the actuarial assumptions used in preparing the IAS19 figures reported in the Accounts are considered prior to their agreement and use in the compilation of the Actuary's report. As such this report delivers the Council's obligations as part of the preparation of the 2015/16 Statement of Accounts.

AC.39 Accounting Policies 2015/16 and other Statement of Accounts Matters

The Deputy Chief Executive (Resources) presented the report and advised Members that the only new policy that had been introduced was in relation to transport infrastructure assets. After due consideration of the definition for this

type of asset, it had been established that the asset needed to be a 'network/grouping of inalienable components with their being no prospect of sale or alternative use. The assets owned by the Authority were not deemed to be of a 'networked' nature and would not be included in the 2015/16 Statement of Accounts under this category.

RESOLVED that

- a) the Accounting Policies outlined at Appendix A to the report, be approved;
- b) it be noted that any proposed amendments or changes to the policies and associated relevant financial implications will be reported back to Committee, as necessary.

Reason:

To comply with statutory and constitutional requirements.

The meeting closed at 7.20 pm

Chairman.

This page is intentionally left blank

Agenda Item 4

REPORT TO: Audit Committee **DATE:** 20th July 2016
HEADING: Draft 2015/16 Statement of Accounts
PORTFOLIO HOLDER: N/A
KEY DECISION: NO **SUBJECT TO CALL-IN:** NO

1. PURPOSE OF REPORT

The purpose of this report is to present to members the Council's draft Statement of Accounts for 2015/16 in accordance with the Accounts and Audit Regulations (England) 2015.

2. RECOMMENDATION(S)

Members are asked to note the draft Statement of Accounts and Council's out-turn position.

3. REASONS FOR RECOMMENDATION(S)

Reporting the unaudited position provides members with an overview of the Council's financial position (subject to any further changes as a result of the External Audit).

4. ALTERNATIVE OPTIONS CONSIDERED

Reporting to members at this stage is not a statutory requirement but is considered best practice.

5. BACKGROUND

The purpose of this report is to present to members the Council's draft Statement of Accounts for 2015/16. The Accounts and Audit Regulations 2015 require the accounts to be complete and submitted to External Audit by 30th June each year.

The draft Statement of Accounts for 2015/16 can be accessed via the following link:-

http://www.ashfield-dc.gov.uk/media/1279962/Statement_of_Accounts_2015_16_FINAL_UNAUDITED.pdf

The accounts were submitted to KPMG (the Council's external auditors) in accordance with the deadline and the audit is due to commence on 18th July 2016.

Since the submission of the accounts (and prior to the audit commencing) one error has been detected. This relates to note 33b) Operating Leases. The statement has been linked to an incorrect excel table in the working papers, the correct details being shown at Appendix A. This change will be notified to the auditors and the statement updated prior to submission of the final audited version. As a note to the accounts this does not impact on the key financial statements.

The audit opinion together with the detailed findings of the audit will be reported to the Audit Committee on 26th September 2016 when the accounts will be presented for formal approval.

6. IMPLICATIONS

Corporate Plan:

The reporting of the Statement of Accounts contributes towards monitoring the financial health of the Council and the development of the Medium Term Financial Strategy.

Legal:

There are no legal implications.

Financial:

There are no financial implications in presenting the Statement of Accounts

Health and Well-Being / Environmental Management and Sustainability:

There are no health and wellbeing / environmental and sustainability impacts.

Human Resources:

There are no human resource impacts.

Diversity/Equality:

There are no diversity/ equality impacts.

Community Safety

There are no community safety impacts.

.

REPORT AUTHOR AND CONTACT OFFICER

David Greenwood
Deputy Chief Executive (Resources)

d.greenwood@ashfield-dc.gov.uk

Sharon Lynch
Corporate Finance Manager

01623 457202
s.lynch@ashfield-dc.gov.uk

Robert Mitchell

CHIEF EXECUTIVE

Appendix A

An error has been found on Note 33. b. Operating Leases on the 2015/16 Statement of Accounts.

The table below the narrative was previously populated with zeros. It should have included the figures in the table below.

b. Operating Leases

With regard to the Council's activity as a lessor, the gross value of assets held for use in operating leases as at 31st March 2016 was £8.923m and as at 31 March 2015 was £8.923m (these properties were subject to accumulated depreciation and impairment of £1.908m in 2015/16 and £1.951m 2014/15). The net book value of these assets is £7.015m in 2015/16 and £6.972m in 2014/15.

The future minimum lease payments receivable under non-cancellable leases in future years are:-

	2015/16	2014/15
	£'000	£'000
Within 1 Year	335	199
Between 2 and 5 Years	661	193
Later than 5 Years	93	127
	1,089	519

This page is intentionally left blank

Ashfield District Council – Internal Audit Annual Report 2015-16

Audit Committee: 20th July 2016



Our Vision

Through continuous improvement, the central midlands audit partnership will strive to provide cost effective, high quality internal audit services that meet the needs and expectations of all its partners.

Contacts

Richard Boneham
Head of the Audit Partnership
c/o Derby City Council
Council House
Corporation Street
Derby
DE1 2FS
Tel. 01332 643280
richard.boneham@derby.gov.uk

Adrian Manifold
Audit Manager
c/o Derby City Council
Council House
Corporation Street
Derby
DE1 2FS
Tel. 01332 643281
adrian.manifold@centralmidlands
audit.co.uk

Contents

Page

Introduction	3
Head of Audit's Opinion 2015-16	4
Audit Coverage	5
The Auditor's Opinion	6
Performance Measures	7
Performance Measures	8
Customer Satisfaction Returns	9
Audit Recommendations	10
Recommendations Action Status	11

Introduction

How an Audit Opinion is Formed

A fundamental role of Internal Audit is to provide members and senior management with independent assurance on the Council's overall control environment, comprising the systems of governance, risk management, and internal control and to highlight control weaknesses together with recommendations for improvement. The annual Audit Plan sets out proposals on how this will be achieved in the year ahead.

The Audit Plan must incorporate sufficient work to enable the Head of Audit to give an opinion on the adequacy of the Council's overall control environment. Internal Audit must therefore have sufficient resources to deliver the Audit Plan.

Page 17 The audit work planned for 2015-16 has informed the Head of Audit's opinion on the internal control environment that exists within the Council. The Head of Audit reports his overall opinion to the Audit Committee on an annual basis.

The Head of Internal Audit provides this written report to those charged with governance which gives an opinion on the overall adequacy and effectiveness of the organisation's internal control environment. This is timed to support the Annual Governance Statement, which is also being presented to this Committee for review by Members before being signed off by the Full Council.

Management is responsible for the system of internal control and should set in place policies and procedures to help ensure that the system is functioning correctly. Internal Audit review, appraise and report on the effectiveness of financial and other management controls.

The Head of Audit's overall audit opinion is based on the work undertaken by internal audit in 2015-16. The reporting of the incidence of significant control failings or weaknesses should also have been covered in the progress reports to the Committee on Internal Audit's progress against the annual audit plan.

Basis for Opinion

The Internal Audit Service for Ashfield District Council has only been provided by the Central Midlands Audit Partnership (CMAP) since 1st January 2016. Accordingly, a large proportion of this opinion has been formed from the work directed by the interim Audit Manager. The Partnership operates in accordance with standards of best practice applicable to Internal Audit (in particular, the Public Sector Internal Audit Standards – PSIAS). CMAP also adheres to the Internal Audit Charter.

In preparing the overall opinion, the Head of Audit has reviewed all audit activity carried out during 2015-16 and noted any issues arising from those audits that have carried forward into 2016-17. Each individual audit undertaken contains a control assurance rating (opinion) on the adequacy and effectiveness of controls in place to mitigate the risks identified. Where weaknesses in control are identified, an action plan is agreed with management. Progress with these agreed actions is monitored by Internal Audit during the year through follow up audit work.

The Head of Audit will use the individual assurance ratings from the audits conducted in 2015-16 and the progress with agreed actions to form the overall opinion.

In presenting his opinion, the Head of Audit will identify where reliance has been placed on work by other assurance bodies. His opinion will be based on the work of Internal Audit and his understanding of work carried out by external assurance agencies.

In respect of the key financial systems of the Council, based on the Internal Audit work undertaken in the year, the Head of Audit will be able to give an overall assurance on the adequacy and effectiveness of the internal controls operating in these systems.

Ashfield District Council – Internal Audit Annual Report 2015-16

Head of Audit's Opinion 2015-16

Summary

Based on the work undertaken during the year, I have reached the overall opinion that **there is an acceptable level of internal control within the Council's systems and procedures**. I have arrived at this opinion having regard to the following:

- The level of coverage provided by Internal Audit was considered minimal.
- There were no adverse implications for the Authority's Annual Governance Statement arising from any of the work that Internal Audit has undertaken in 2015-16.
- All of the issues raised within the internal audit reports have been accepted.
- Internal Audit's recommendations, or alternative proposed actions made by Management in response to the risk issue, have been agreed to be implemented in all cases but one.
- The Council's system of risk management was comprehensively examined by CMAP during 2015-16 and the overall level of assurance was considered 'Reasonable'.
- Internal Audit has reviewed the Council's management of fraud-related risks during 2015-16 and determined there was sufficient control and the Council's Counter Fraud Strategy has been overhauled.
- Action taken by the Corporate Finance Team to enhance financial control and standards of financial management
- Action taken by the Corporate Performance and Improvement Unit to enhance project management and to better integrate that management of the risks associated with those projects.
- Taken together Sufficient assurance was taken from two Governance assignments focusing on data management and data sharing.
- Whilst nine assignments attracted a 'Limited' assurance rating and one 'nil', the activities subject to audit were not strategically significant and the risks to the Council were not of a financial or

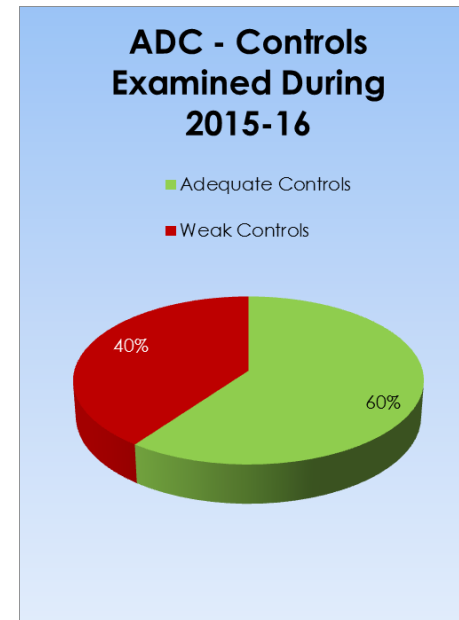
legal nature.

This opinion is provided with the following caveats:

- No system of control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give absolute assurance.
- Full implementation of all agreed actions is essential if the benefits of the control improvements detailed in each individual audit report are to be realised.
- A significant proportion of the Audit Plan was undertaken by interim auditors under the guidance and processes of interim audit management.
- Certain shared services have been audited by other organisations to their own procedures and standards.

Controls Examined

For those audits finalised during 2015-16, we established the following information about the controls examined:

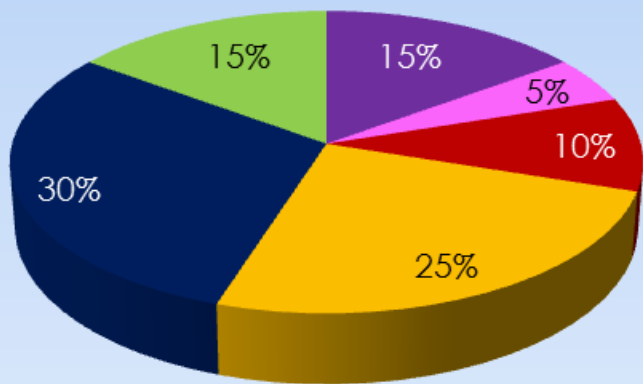


Ashfield DC	2015-16
Evaluated Controls	308
Adequate Controls	185
Weak Controls	123

Audit Coverage

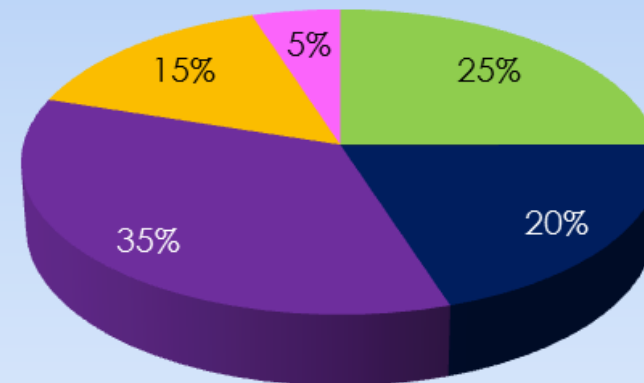
ADC - Coverage by Type of Audit 2015-16

- Key Financial
- Consultancy
- Investigation
- Risk Audit
- Governance
- IT Audit



ADC - Coverage by Department 2015-16

- CORPORATE
- ACE
- DCE
- ECONOMY
- HOUSING



Ashfield District Council – Internal Audit Annual Report 2015-16

The Auditor's Opinion

The Auditor's opinion for the assignment is based on the fieldwork carried out to evaluate the design of the controls upon which management rely and to establish the extent to which controls are being complied with. The table below explains what the opinions mean.

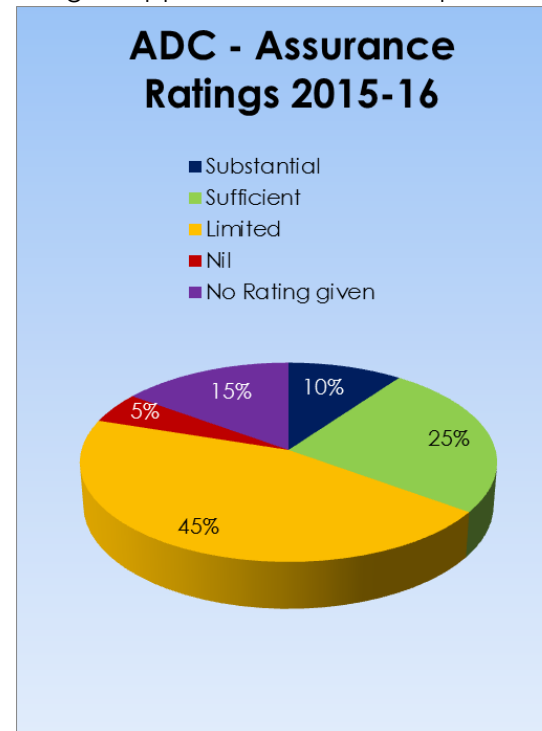
Level	Design of Control Framework	Compliance with Controls
SUBSTANTIAL	There is a robust framework of controls making it likely that service objectives will be delivered.	Controls are applied continuously and consistently with only infrequent minor lapses.
SUFFICIENT	The control framework includes key controls that promote the delivery of service objectives.	Controls are applied but there are lapses and /or inconsistencies.
LIMITED	There is a risk that objectives will not be achieved due to absence of key internal controls.	There have been significant and extensive breakdowns in the application of key controls
NIL	There is an absence of basic controls which results in inability to deliver service objectives.	The fundamental controls are not being operated or complied with.

Page 20

Table 1: Summary of Audit Opinions 2015/16

Category of Assignment	Substantial	Sufficient	Limited	Nil	No Rating Given	Total
Key Financial	1	2	0	0	0	3
Investigation	0	0	0	0	2	2
IT Audit	0	0	3	0	0	3
Governance	1	2	3	0	0	6
Consultancy	0	0	0	0	1	1
Risk Audit	0	1	3	1	0	5
Total	2	5	9	1	3	20

The map of assurance provided by completed assignments reflects a changed approach to the development of the Annual Audit Plan. In



previous years the majority of planned assignments have focussed on the Council's key financial systems and confirmed that the Council maintains a consistently effective framework of financial controls. The Plan for 2015/16 has, instead, addressed managers' needs for assurance about customer facing services by including a significant number of assignments in areas which have never previously been audited.

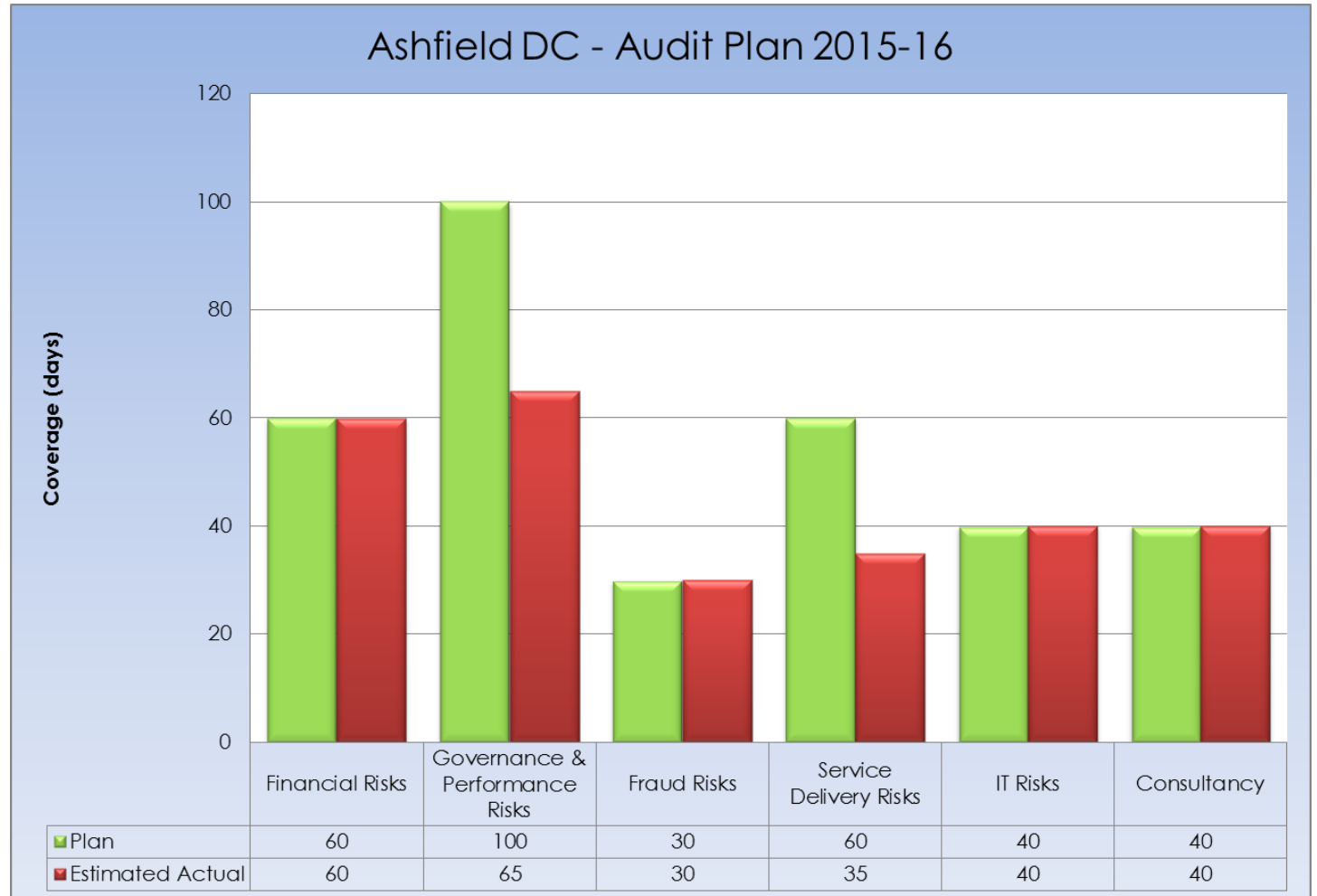
Performance Measures

Service Delivery (% of Audit Plan Completed)

From the limited information available, it has been estimated that approximately 82% of the Council's 2015-16 Audit Plan has been delivered.

In future CMAP will provide a more detailed breakdown of Audit work and the team's performance. At the end of each month, CMAP staff will provide the Audit Manager with an estimated percentage complete figure for each audit assignment they have been allocated. These figures are used to calculate how much of each organisation's Audit Plans have been completed to date and how much of the CMAP's overall Audit Plan has been completed.

Page 21



Ashfield District Council – Internal Audit Annual Report 2015-16

Performance Measures

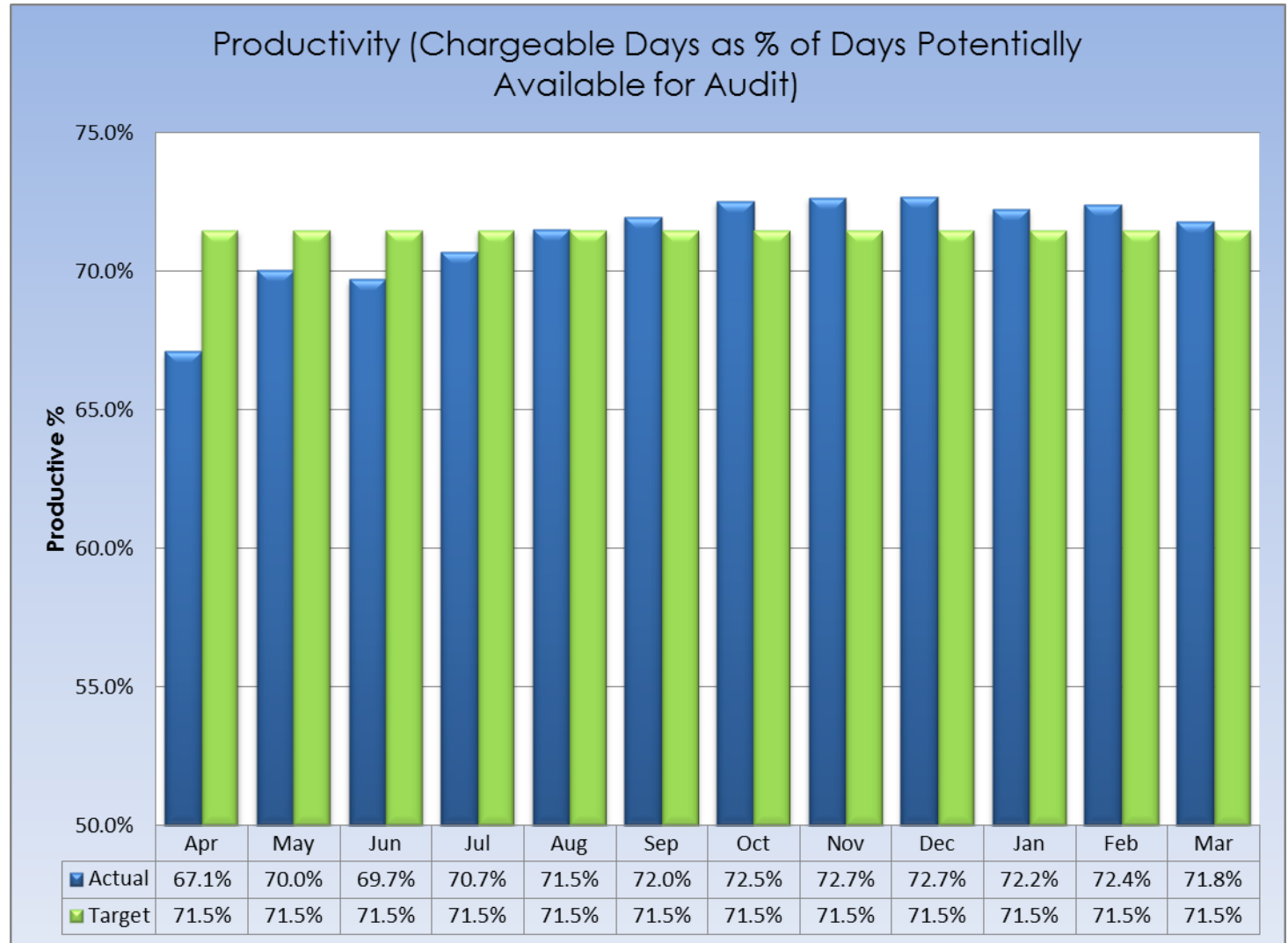
Productivity (Chargeable Days as % of Days Potentially Available for Audit)

Audit staff record the time they spend on audit assignments, administration and management in our bespoke database. Every minute worked is logged against an appropriate code. This time is analysed and compared to planned audit work

Time is analysed between Productive and Non-productive time. We aim to achieve a target productive rate of 71.5% for the year. The average productive rate for the year was 71.8%.

Page 22

The chart opposite shows how the productivity of the team has fluctuated over the year.



Ashfield District Council – Internal Audit Annual Report 2015-16

Customer Satisfaction Returns

Under the Council's previous interim management arrangements for Internal Audit, Customer Satisfaction Questionnaires were not completed. Accordingly, we are unable to present any feedback on the Audit assignments delivered to the Council during 2015-16.

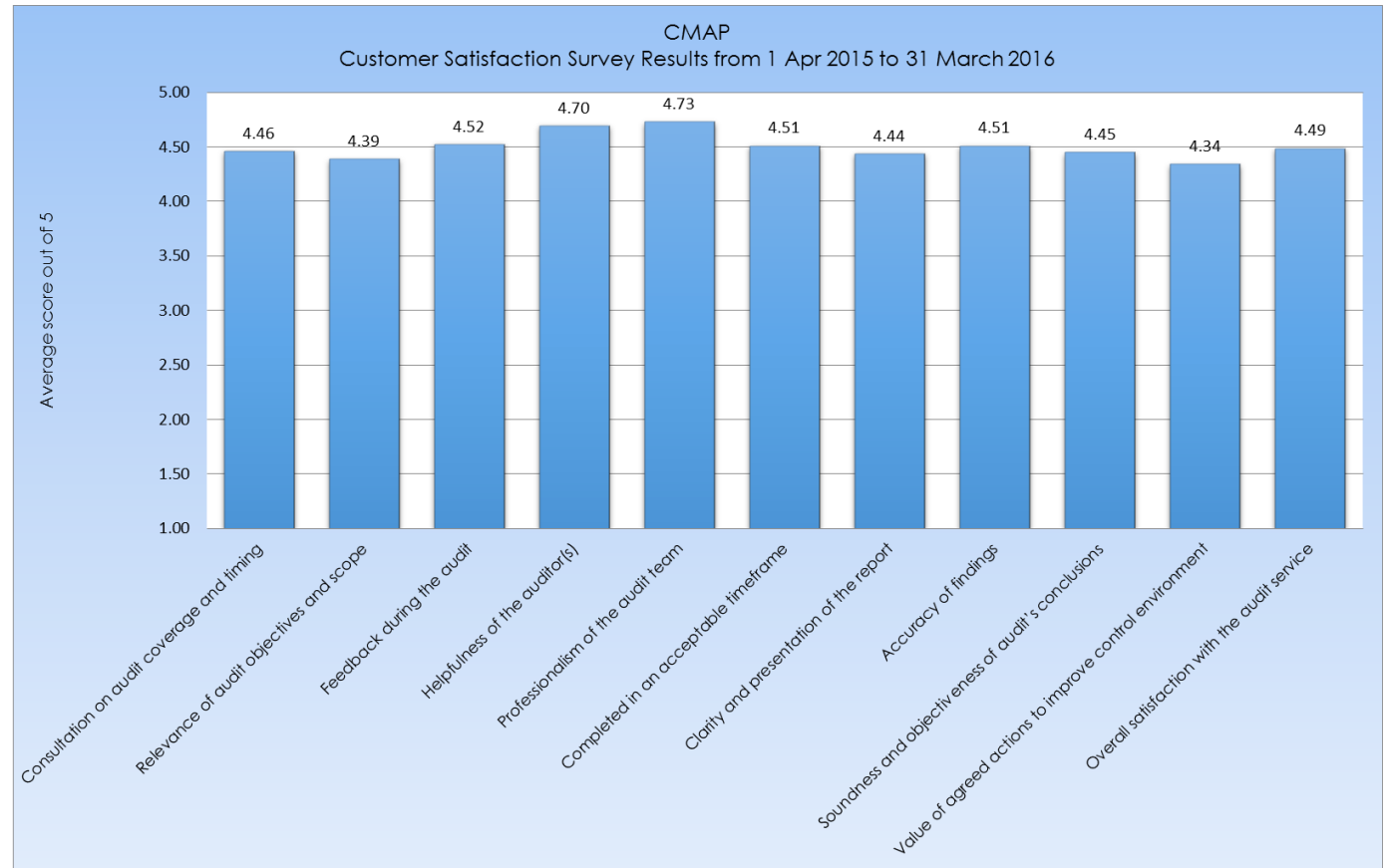
In future, CMAP will send out a customer satisfaction survey with the final audit report to obtain feedback on the performance of the auditor and on how the audit was received. The survey consists of 11 questions which require grading from 1 to 5, where 1 is very poor and 5 is excellent. The chart across provides an indication of the future satisfaction levels that can be expected by the Council. It shows the average score for each category from the 82 responses received in 2015-16 from all our customers. The average overall score from all surveys was 49.5 out of 55. The lowest score received from a survey was 36, while the highest was 55.

The overall responses are graded as either:

- Excellent (scores 46 to 55)
- Good (scores 38 to 46)
- Fair (scores 29 to 37)
- Poor (scores 20 to 28)
- Very poor (scores 11 to 19)

Overall 60 of 82 responses categorised the audit service they received as

excellent, another 21 responses categorised the audit as good and 1 categorised the audit as fair. There were no overall responses that fell into the poor or very poor categories.



Ashfield District Council – Internal Audit Annual Report 2015-16

Audit Recommendations

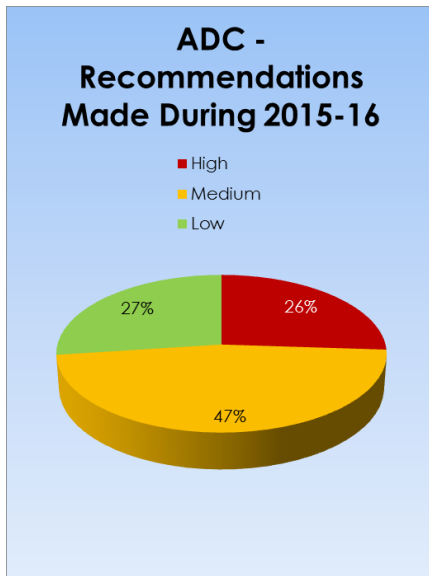
Level	Definition
HIGH	High priority recommendations will need implementing immediately. If a recommendation is not implemented within 3 months of the agreed date the implications of non-implementation will be reported to the Audit Committee.
MEDIUM	Medium priority recommendations will need implementing within 3 months. If a recommendation is not implemented within 6 months of the agreed date the implications of non-implementation will be reported to the Audit Committee.
LOW	Low priority recommendations will need implementing within 6 months. If a recommendation is not implemented within 9 months of the agreed date the implications of non-implementation will be reported to the Audit Committee.

Page 24

In future, to help management schedule their efforts to implement our recommendations or their alternative solutions, we have risk assessed each control weakness identified in our audits. For each recommendation a judgment was made on the likelihood of the risk occurring and the potential impact if the risk was to occur. From that risk assessment each recommendation has been given one of the following ratings:

- **Critical risk.**
- **Significant risk.**
- **Moderate risk.**
- **Low risk.**

These ratings provide managers with an indication of the importance of recommendations as perceived by Audit; they do not form part of the risk management process; nor do they reflect the timeframe within which these recommendations can be addressed. These matters are still for management to determine.



If a recommendation is so complex or makes such demands on management resources that the normal recommendation deadline cannot reasonably be met, an alternative target will be agreed.

Recommendations	2015-16
High	25
Medium	45
Low	26
Total	96

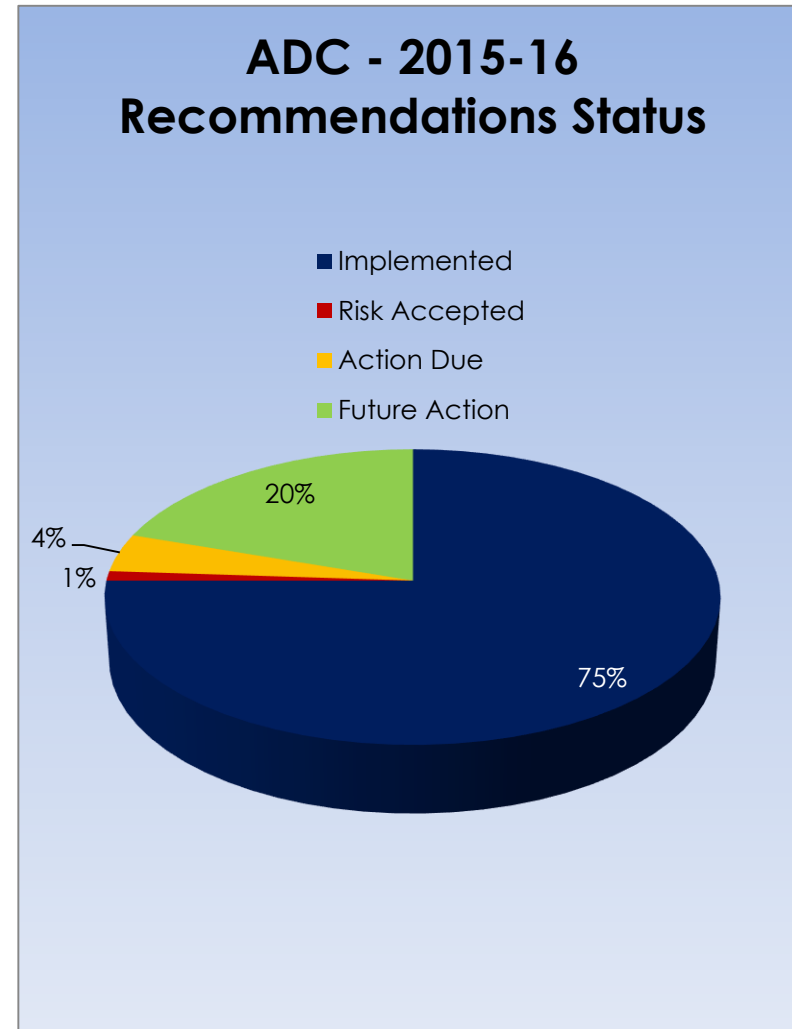
Recommendations Action Status

During 2015-16, audit recommendations were monitored by the Council's Covalent system. For 2016-17 Internal Audit will send emails, automatically generated by our recommendations database, to officers responsible for action where their recommendations' action dates have been exceeded. We will request an update on each recommendation's implementation status, which will be fed back into the database, along with any revised implementation dates.

Each recommendation made by Internal Audit will be assigned one of the following "Action Status" categories as a result of our attempts to follow-up management's progress in the implementation of agreed actions. The following explanations are provided in respect of each "Action Status" category:

- **Implemented** = Audit has received assurances that the agreed actions have been implemented.
- **Being Implemented** = Management is still committed to undertaking the agreed actions, but they have yet to be completed. (This category should result in a revised action date).
- **Superseded** = Audit has received information about changes to the system or processes that means that the original weaknesses no longer exist.
- **Accept Risk** = Management has decided to accept the risk that Audit has identified and take no mitigating action.
- **Action Due** = Audit have been unable to ascertain any progress information from the responsible officer.
- **Future Action** = The recommendations haven't reached their agreed action date

A summary of our limited knowledge of the action status of recommendations made in 2015-16 is shown in the table across.



This page is intentionally left blank

Ashfield District Council – Audit Progress Report

Audit Committee: 20th July 2016



Our Vision

Through continuous improvement, the central midlands audit partnership will strive to provide cost effective, high quality internal audit services that meet the needs and expectations of all its partners.

Contacts

Richard Boneham
Head of the Audit Partnership
c/o Derby City Council
Council House
Corporation Street
Derby
DE1 2FS
Tel. 01332 643280
richard.boneham@derby.gov.uk

Adrian Manifold
Audit Manager
c/o Derby City Council
Council House
Corporation Street
Derby
DE1 2FS
Tel. 01332 643281
adrian.manifold@centralmidlands
audit.co.uk

Contents

Page

Introduction	3
Audit Coverage	4
Audit Performance	7
Recommendation Tracking	9
Status of Previous Audit	
Recommendations	10
High Level Outstanding	
Recommendations	11

Ashfield District Council – Audit Progress Report

Introduction

Role of Internal Audit

The Internal Audit Service for Ashfield District Council is now provided by the Central Midlands Audit Partnership (CMAP). The Partnership operates in accordance with standards of best practice applicable to Internal Audit (in particular, the Public Sector Internal Audit Standards – PSIAS). CMAP also adheres to the Internal Audit Charter.

The role of internal audit is to provide independent assurance that the organisation's risk management, governance and internal control processes are operating effectively.

Recommendation Ranking

To help management schedule their efforts to implement our recommendations or their alternative solutions, we have risk assessed each control weakness identified in our audits. For each recommendation a judgment was made on the likelihood of the risk occurring and the potential impact if the risk was to occur. From that risk assessment each recommendation has been given one of the following ratings:

- Critical risk.
- Significant risk.
- Moderate risk
- Low risk.

These ratings provide managers with an indication of the importance of recommendations as perceived by Audit; they do not form part of the risk management process; nor do they reflect the timeframe within which these recommendations can be addressed. These matters are still for management to determine.

Control Assurance Definitions

Summaries of all audit reports are to be reported to Audit Committee together with the management responses as part of Internal Audit's reports to Committee on progress made against the Audit Plan. All audit reviews will contain an overall opinion based on the adequacy of the level of internal control in existence at the time of the audit. This will be graded as either:

- **None** - We are not able to offer any assurance. The areas reviewed were found to be inadequately controlled. Risks were not being well managed and systems required the introduction or improvement of internal controls to ensure the achievement of objectives.
- **Limited** - We are able to offer limited assurance in relation to the areas reviewed and the controls found to be in place. Some key risks were not well managed and systems required the introduction or improvement of internal controls to ensure the achievement of objectives.
- **Reasonable** - We are able to offer reasonable assurance as most of the areas reviewed were found to be adequately controlled. Generally risks were well managed, but some systems required the introduction or improvement of internal controls to ensure the achievement of objectives.
- **Comprehensive** - We are able to offer comprehensive assurance as the areas reviewed were found to be adequately controlled. Internal controls were in place and operating effectively and risks against the achievement of objectives were well managed.

This report rating will be determined by the number of control weaknesses identified in relation to those examined, weighted by the significance of the risks. Any audits that receive a None or Limited assurance assessment will be highlighted to the Board in Audit's progress reports.

Ashfield District Council – Audit Progress Report

Audit Coverage

Progress on Audit Assignments

The following table provides the Board with information on how audit assignments were progressing as at 30th June 2016.

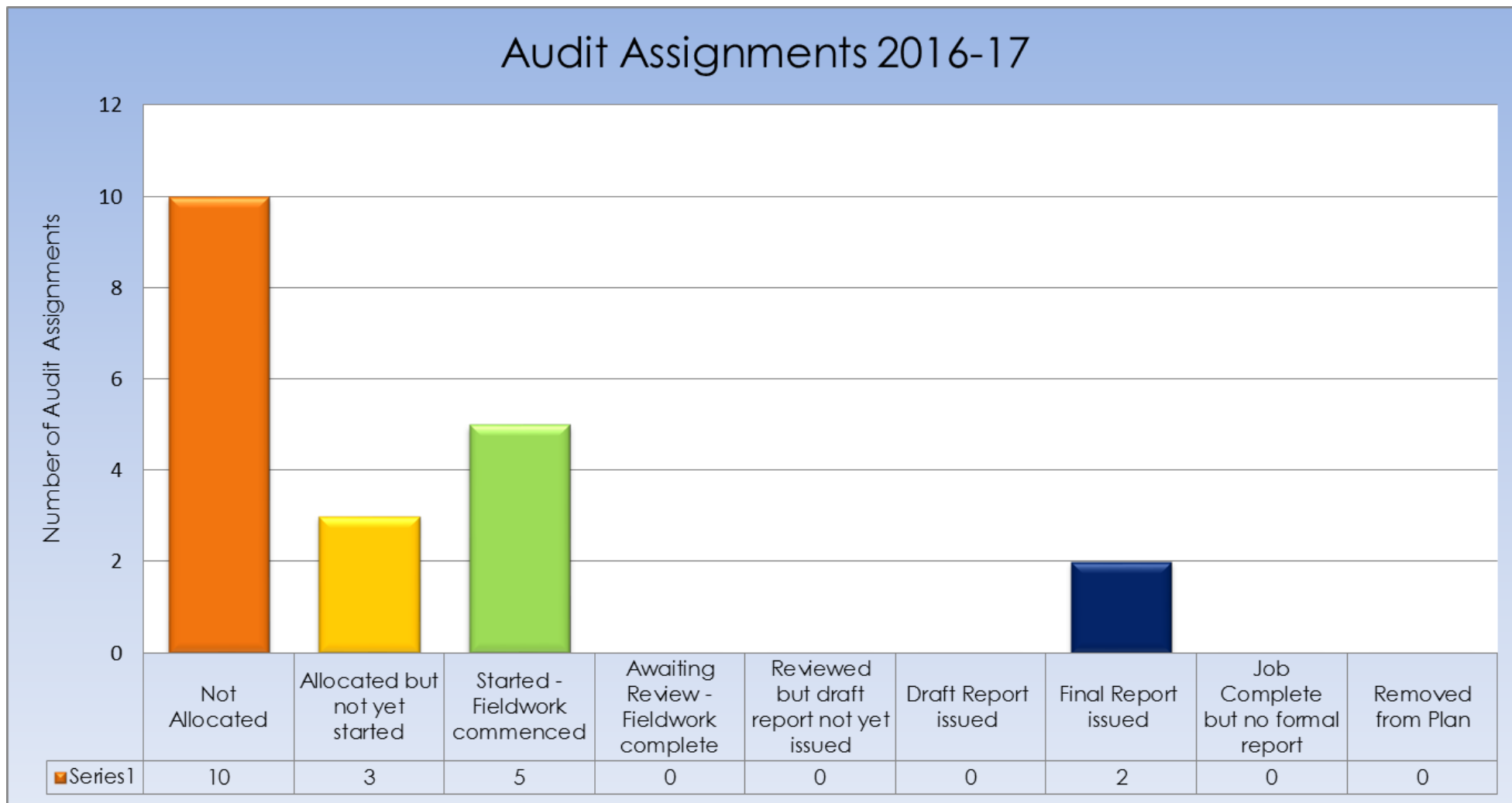
2016-17 Audit Plan Assignments	Type of Audit	Current Status	% Complete	Level of Assurance
Data Quality & Performance Management	Governance Review	Not Allocated	0%	
Main Accounting Systems 2016-17	Key Financial System	Not Allocated	0%	
Treasury Management	Key Financial System	Not Allocated	0%	
Creditors	Key Financial System	Not Allocated	0%	
Housing Benefit & Council Tax Support	Key Financial System	Not Allocated	0%	
Council Tax	Key Financial System	Not Allocated	0%	
NDR	Key Financial System	Not Allocated	0%	
Refuse Collection / Recycling / Trade Waste	Systems/Risk Audit	In Progress	10%	
Safeguarding	Governance Review	In Progress	60%	
New Cross Initiative	Systems/Risk Audit	In Progress	75%	
Leisure Centres	Systems/Risk Audit	Allocated	0%	
Business Continuity & Emergency Planning	Systems/Risk Audit	Not Allocated	0%	
PCI Compliance	Systems/Risk Audit	Allocated	5%	
IT Applications	IT Audit	Not Allocated	0%	
Email Security	IT Audit	In Progress	50%	
Payroll	Systems/Risk Audit	Allocated	20%	
Ethical Processes & Payments (Members & Officers)	Systems/Risk Audit	Not Allocated	0%	
Audit Plan Assignments B/fwd from 2015-16				
Ashfield - Main Accounting (MTEP)	Key Financial System	In Progress	75%	
Ashfield - Risk Management	Governance Review	Final Report	100%	Reasonable
Ashfield DC - Revenues Systems Overview	Key Financial System	Final Report	100%	Reasonable

Summaries of all the assignments finalised since the last Committee meeting follow.

Ashfield District Council – Audit Progress Report

Audit Coverage

Progress on Audit Assignments Chart



Page 31

Ashfield District Council – Audit Progress Report

Audit Coverage

Completed Audit Assignments

Between 3rd March 2016 and 30th June 2016, the following audit assignments reached their conclusion:

- Risk Management.
- Revenues Systems 2015-16.

Risk Management

Overall Assurance Rating: Reasonable

This audit focused on reviewing the adequacy of the Risk Management Framework that was in place at the Council and considering how effectively risk management has been embedded.

From the 49 key controls evaluated in this audit review, 34 were considered to provide adequate control and 15 contained weaknesses. This report contained 8 recommendations all of which were considered to present a low risk. The following issues were considered to be the key control weaknesses:

- There was a lack of understanding of the mechanics for scoring and therefore management of risks by officers across the Council. (Low Risk)
- Operational risks were not being reviewed and an update documented on the Covalent system on a regular basis by the nominated risk owners, despite prompting by the system. (Low Risk)
- There had not been any training on risk management delivered to officers and Councillors in recent years. (Low Risk)
- Control actions implemented were not adequately mitigating risks identified. (Low Risk)
- Risk Management monitoring and reporting arrangements as outlined in the Risk Management Strategy and Process

document were not being adhered to. The document also did not include the monitoring and reporting requirements for the Audit Committee, in respect of risk management. (Low Risk)

- Reports to Members did not include a section on the implications associated with Risk. (Low Risk)
- The Council had not determined its current risk maturity level. (Low Risk)
- There was only limited evidence of adherence to the provisions for consideration of risks within partnerships, as detailed in the Partnership Protocol, from the two partnerships considered during the audit. (Low Risk)

All of the issues raised within this report were accepted. Management agreed to take actions to address 1 of the issues by July 2016, another 2 by September 2016, another by October 2016 and the remaining 4 issues by March 2017.

Revenues Systems 2015-16

Overall Assurance Rating: Reasonable

This audit focused on limited testing of a sample of key controls, to provide management with some assurance that there were no significant weaknesses, within the operation of the Non-Domestic Rates, Benefits and Cashiering functions. As no assurance work had been undertaken in the area during the year this audit also sought to gather sufficient information to allow for an informed report to be made in the Annual Audit Opinion for 2015/16.

From the 23 key controls evaluated in this audit review, 19 were considered to provide adequate control and 4 contained partial weaknesses. During the course of this audit, we identified control issues in the Cashiering function which were considered to pose only a minor risk to the organisation, As such, we have not raised formal recommendations for management to respond to and we do not intend to formally follow up any of the issues highlighted. Management is at liberty to take whatever action it deems necessary to mitigate such minor risks.

Ashfield District Council – Audit Progress Report

Audit Performance

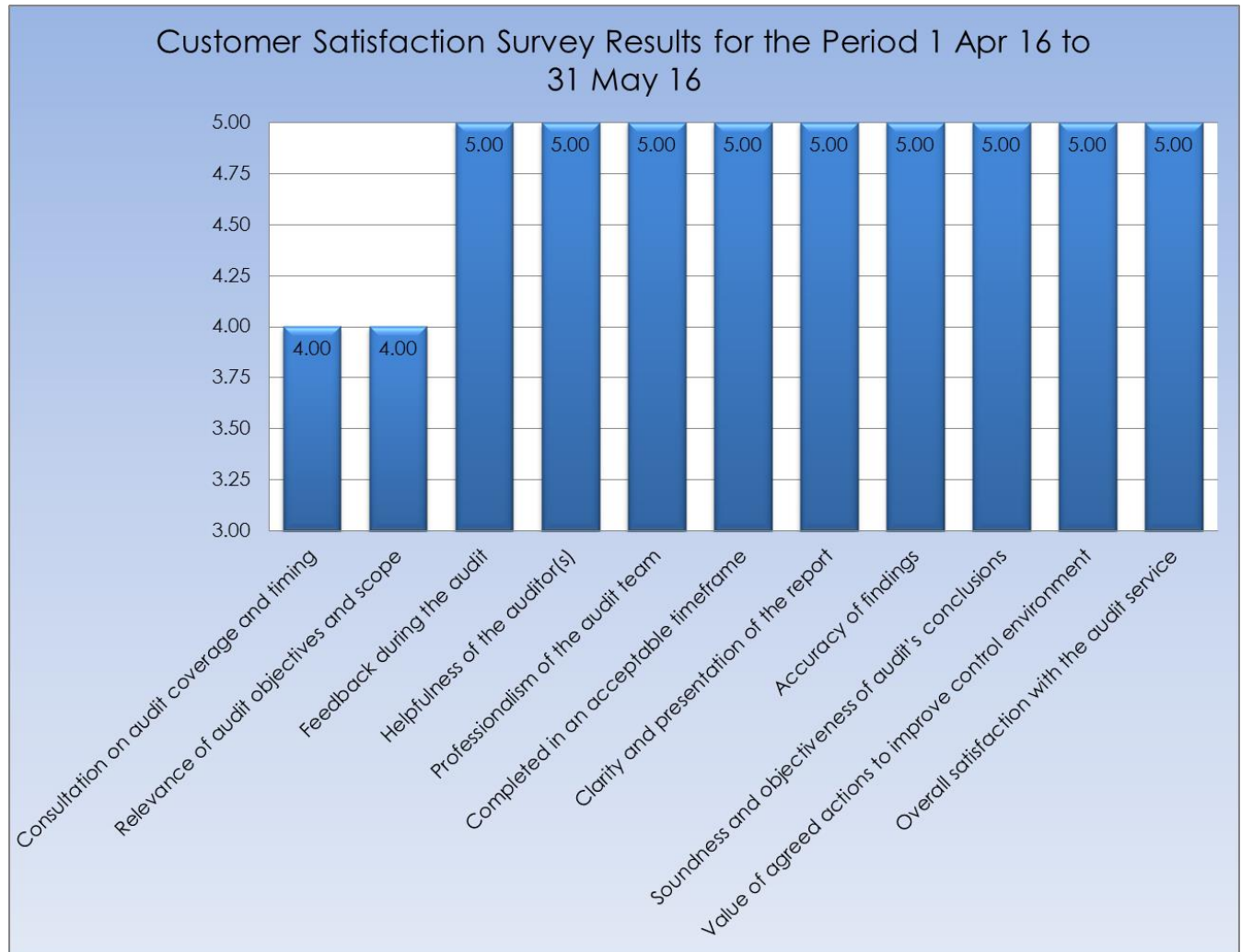
Customer Satisfaction

The Audit Section sends out a customer satisfaction survey with the final audit report to obtain feedback on the performance of the auditor and on how the audit was received. The survey consists of 11 questions which require grading from 1 to 5, where 1 is very poor and 5 is excellent. The chart across summarises the average score for each question from the single response received between 1st April 2016 and 30th June 2016. The overall score from the survey was 53 out of 55.

The overall responses are graded as either:

- Excellent (scores 47 to 55)
- Good (scores 38 to 46)
- Fair (scores 29 to 37)
- Poor (scores 20 to 28)
- Very poor (scores 11 to 19)

The single response received to date categorised the audit service they received as excellent.



Ashfield District Council – Audit Progress Report

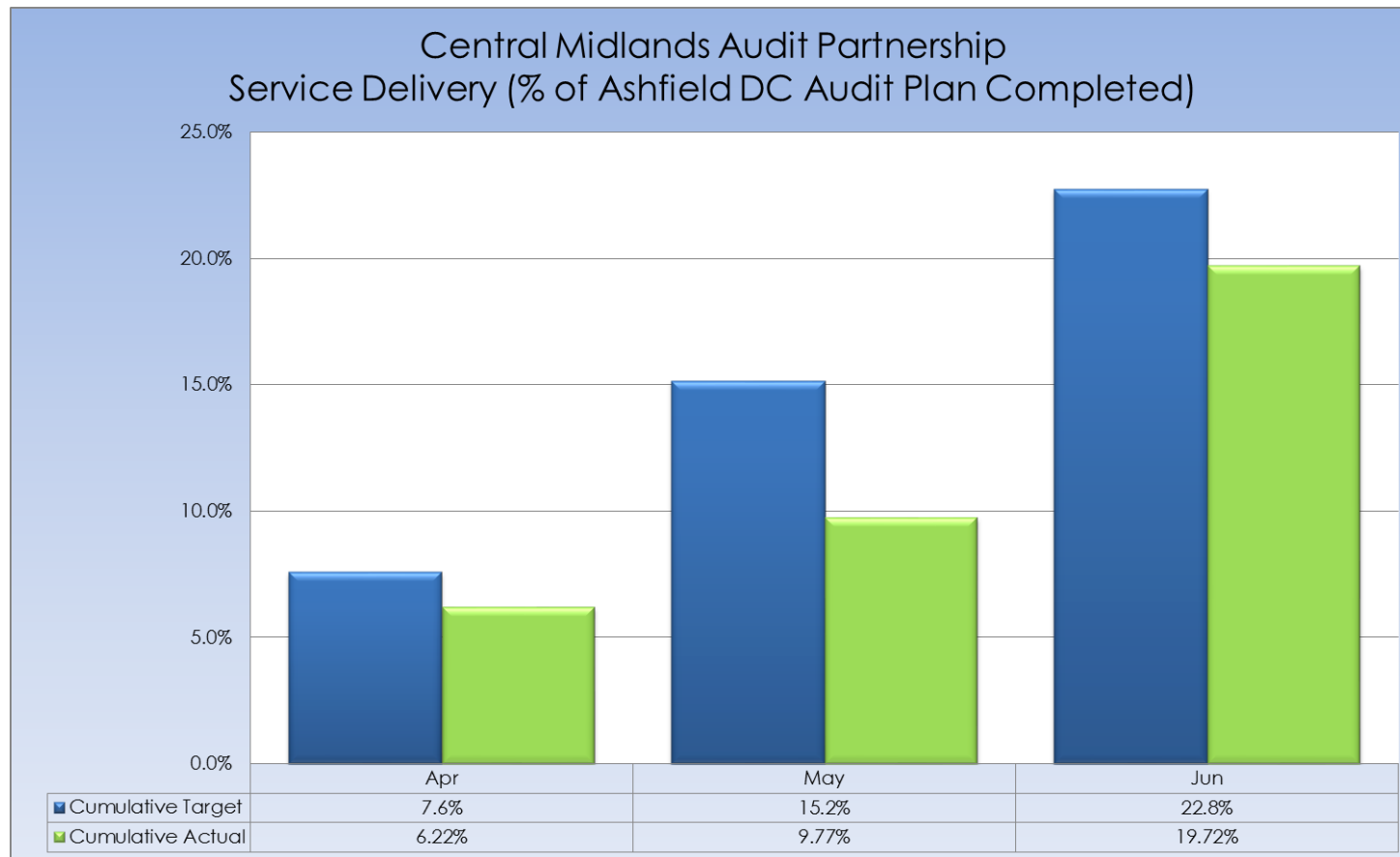
Audit Performance

Service Delivery (% of Audit Plan Completed)

At the end of each month, Audit staff provide the Audit Manager with an estimated percentage complete figure for each audit assignment they have been allocated. These figures are used to calculate how much of each Partner organisation's Audit Plans have been completed to date and how much of the Partnership's overall Audit Plan has been completed.

Shown across is the estimated percentage complete for Ashfield DC 2016-17 Audit Plan (including incomplete jobs brought forward) after approximately 2 months of the Audit Plan year.

The monthly target percentages are derived from equal monthly divisions of an annual target of 91% and do not take into account any variances in the productive days available each month.



Ashfield District Council – Audit Progress Report

Recommendation Tracking

Follow-up Process

The Council has operated its own procedure for monitoring the implementation of agreed Audit recommendations. This process will now be undertaken by Internal Audit.

Internal Audit has developed a bespoke system whereby emails, automatically generated by our recommendations database, can be sent to officers responsible for action where their recommendations' action dates have been exceeded. The emails request an update on each recommendation's implementation status, which will be fed back into the database, along with any revised implementation dates.

Each recommendation made by Internal Audit will be assigned one of the following "Action Status" categories as a result of our attempts to follow-up management's progress in the implementation of agreed actions. The following explanations are provided in respect of each "Action Status" category:

- **No Progress Information** = Action is due and Audit has been unable to ascertain any progress information from the responsible officer.
- **Future Action Date** = Action is not due yet, so Audit has not followed up.
- **Implemented** = Audit has received assurances that the agreed actions have been implemented.
- **Superseded** = Audit has received information about changes to the system or processes that means that the original weaknesses no longer exist.
- **Being Implemented** = Management is still committed to undertaking the agreed actions, but they have yet to be completed. (This category should result in a revised action date)
- **Risk Accepted** = Management has decided to accept the risk that Audit has identified and take no mitigating action.

Implementation Status Details

Reports to the Board are intended to provide members with an overview of the current implementation status of all agreed actions to address the control weaknesses highlighted by audit recommendations made between 1st April 2016 and 30th June 2016:

	Implemented	Being Implemented	Risk Accepted	Superseded	No progress information	Future Action Date	Total
Low Risk	0	0	0	0	0	8	8
Moderate Risk	0	0	0	0	0	0	0
Significant Risk	0	0	0	0	0	0	0
Critical Risk	0	0	0	0	0	0	0
Totals	0	0	0	0	0	8	8

The table below shows those recommendations not yet implemented by dept.

Recommendations Not Yet Implemented	Finance	Corporate Services	Chief Executives	Economy & Housing	Environment	Totals
Being Implemented	0	0	0	0	0	0
No progress information	0	0	0	0	0	0
	0	0	0	0	0	0

In future Internal Audit will provide Committee with summary details of those recommendations still in the process of 'Being Implemented' and those that have passed their due date for implementation. We will provide full details of any moderate, significant or critical risk issues where management has decided not to take any mitigating actions (shown in the 'Risk Accepted' category above).

Ashfield District Council – Audit Progress Report

Status of Previous Audit Recommendations

Recommendations Not Implemented

There are a number of Audit Recommendations that were issued and agreed prior to Ashfield District Council joining the Central Midlands Audit Partnership. These recommendations continue to be monitored via the Covalent system and what follows is a summary of the latest position of those recommendations

The table below provides a summary of the audit recommendations made to the 22nd June 2016 and agreed by management, which have reached their agreed implementation date, but which currently remain outstanding.

Service Area	High	Medium	Low	Total
Chief Executive	0	0	0	0
Deputy Chief Executive (Resources)	1	1	3	5
Assistant Chief Executive Governance	1	0	0	3
Service Director – Corporate Services	1	2	2	5
Service Director – Economy	2	0	0	2
Service Director – Environment	0	0	0	0
Total	5	3	5	13

The Audit Committee held in June 2011 requested details of all individual high level outstanding recommendations to be presented at all future meetings of the Audit Committee. There is currently only one high priority recommendation outstanding and this is detailed in the following section.

	Previous Years Audits	2015/16 Audits	Recommendations outstanding @22 nd June 2016
High Priority	1	0	1
Medium Priority	3	4	7
Low Priority	0	1	1
Total	4	5	9

The table below provides an analysis of those same recommendations, but split into the relevant service areas.

Service Area	High	Medium	Low	Total
Chief Executive	0	3	0	3
Deputy Chief Executive (Resources)	1	2	1	4
Assistant Chief Executive Governance	0	2	0	2
Service Director – Corporate Services	0	0	0	0
Service Director – Economy	0	0	0	0
Service Director – Environment	0	0	0	0
Total	1	7	1	10

The table following provides an analysis of those previous audit recommendations agreed which have action dates set in the future.

Ashfield District Council – Audit Progress Report

High Level Outstanding Recommendations

Audit Recommendations – High Priority Outstanding



Page 37

Category	Procurement				
Recom. No.	Recommendation	Risk Factor (1 High, 3 Low)	Impl. Date	Status	Progress Bar
AUD/1415-13/05	The Council should provide definitive instructions to service areas regarding the procuring of contractors and issue and awarding of contracts particularly in relation to the extent of involvement of the SPU.	1	30-Jun-2015		65%
	Response				
	It is envisaged that the issue of training is an appropriate topic for discussion within the proposed user group. The decisions made by CMG (see recommendation 1) regarding procedures for advertising contracts via the SPU will require amendment to Financial Regulations.				
	Manager				
	Dave Greenwood				
	08-Jul-2016	A report was presented to CLT on 16 th March 2016, all contracts over £25k – dealt with by Procurement Unit. Frameworks to be devised for use existing below £25k. Procurement strategy has been updated to reflect Corporate Objectives			
Comment History	08-Mar-2016	There are a number of procurement matters which require addressing, A report to CLT is to be produced outlining the key issues. The equalities process has been defined but there has still been some question as to the legality of standing list and this matter needs to be resolved as a priority. This will then define how bids from SMEs can be encouraged whilst also a satisfactory evaluation system of suppliers /contractors is in place outside <u>Constructionline</u> .			
	11-Sep-2015	The Group are still working on this			
	07-Jul-2015	The Internal procurement user group is working on documented procedures and Flowcharts, which when complete will meet the requirements of this recommendation.			

This page is intentionally left blank