

**ASHFIELD DISTRICT COUNCIL**



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

## Agenda

### **Audit Committee**

Date: **Monday, 28th November, 2016**

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Time: **6.30 pm**

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

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For any further information please contact:

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# **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**

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## **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 26th September, 2016. 5 - 8
4. KPMG: Annual Audit Letter 2015/16. 9 - 16
5. KPMG: Technical Update. 17 - 36
6. Internal Audit Progress Report. 37 - 54
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## AUDIT COMMITTEE

**Meeting held in the Committee Room, Council Offices, Urban Road, Kirkby-in-Ashfield,  
on Monday, 26th September, 2016 at 6.30 pm**

**Present:** Councillor Kevin Rostance in the Chair;

Councillors Chris Baron, Tim Brown (substitute for Lachlan Morrison), Steve Carroll, Tom Hollis, Jackie James and Christine Quinn-Wilcox.

**Apology for Absence:** Councillor Lachlan Morrison.

**Officers Present:** Lynn Cain, David Greenwood and Sharon Lynch.

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

### **AC.06 Declarations of Disclosable Pecuniary and Non Disclosable Pecuniary/Other Interests**

There were no declarations of interest made.

### **AC.07 Minutes**

RESOLVED

that the minutes of the meeting of the Audit Committee held on 20th July, 2016, be received and approved as a correct record.

(In accordance with Council Procedure Rule 15.1(c), the Chairman requested that agenda item 7, Internal Audit Progress Report, be considered prior to agenda item 4, Presentation: Statement of Accounts 2015/16. Committee agreed with this course of action.)

### **AC.08 Internal Audit Progress Report**

Adrian Manifold, CMAP Audit Manager, presented the report and advised the Committee that no reports had been finalised within the preceding two month period. However, audit performance in relation to scheduled audit assignments was slightly ahead of schedule and 4 draft reports, as shown in the Audit Coverage schedule, had been finalised since publication of the agenda and would be ready for presentation at the next Committee meeting in November 2016.

As a result of the decision to bring the housing management provision back into the Council, the planned audit coverage for Ashfield Homes had been reconsidered. Two of the Ashfield Homes audits, having already commenced, would continue but the remaining audits were to be postponed until the

transfer of the function had been completed. It had been agreed that should any of the audits become irrelevant following the transfer, the allocated days would be redistributed between new or existing internal audits as identified.

Members were also advised that at the request of the Assistant Chief Executive (Governance) and Monitoring Officer, two additional audits had been added to the Audit Plan for 2016/17.

To enable CMAP to track satisfaction from customers, a customer satisfaction survey would be sent out with each final audit report to obtain feedback on performance of the auditor and how the audit was received. To date one response had been received and they had categorised the audit service as excellent.

The Audit Recommendations issued prior to CMAP taking over the service were continuing to reduce and only 1 high priority recommendation was still outstanding and work was continuing to address the issues surrounding data management.

Following presentation of the report, the CMAP Audit Manager gave a brief update regarding progress since the Council joined the Central Midlands Audit Partnership. The Council employee who had transferred with the service was still working mainly at the Council offices but travelled to the head offices in Derby for meetings as necessary. She had settled into the role with ease and had been offered the opportunity to undertake a professional qualification through the partnership.

#### RESOLVED

that audit assignment progress as at 31<sup>st</sup> August, 2016, as presented to Committee, be received and noted.

Reason:

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

#### **AC.09 Presentation by the Deputy Chief Executive (Resources): Statement of Accounts 2015/16**

The Deputy Chief Executive (Resources) gave a presentation to the Committee in relation to the content of the 2015/16 Statement of Accounts.

(During the presentation, Councillor Tom Hollis entered the meeting at 6.55 p.m.)

#### **AC.10 Audited Statement of Accounts 2015/16 including Letter of Representation**

The Corporate Finance Manager presented the 2015/16 Statement of Accounts and highlighted the changes made following the outcome of the external audit, as detailed within the report.

The Committee were asked to note the amendments to the Group Accounts and prior year adjustments regarding pension obligations for Ashfield Homes and the actions agreed following identification of two weaknesses in internal control, namely raising of purchase orders and payroll authorisation by the Council as part of the current shared service.

Members' attention was also drawn to the draft letter of representation which outlined the fundamental issues and considerations in preparation of the accounts. The letter was submitted for Members to consider and approve.

Due to the statutory and constitutional requirements in relation to this matter, there were no alternative options for Members to consider.

RESOLVED that

- a) the findings of the Statement of Accounts external audit, be received and noted;
- b) the audited Statement of Accounts for 2015/16 including the Annual Governance Statement and the associated Letter of Representation, be approved.

Reason:

To comply with statutory and constitutional requirements.

(During presentation of the report, Councillor Chris Baron left the room at 6.57 p.m.)

#### **AC.11 KPMG: report to those charged with Governance (ISA 260) 2015/16**

Sophie Jenkins, KPMG's Director, presented the ISA 260 report to those charged with governance for 2015/16. KPMG had carried out an audit of the Council's Statement of Accounts which was now substantially complete.

The headline messages were as follows:-

##### Proposed Audit Opinion

KPMG were anticipating issuing an unqualified opinion on the Council's financial statements by the end of September 2016.

##### Audit Adjustments

Five audit adjustments had been identified but had all since been adjusted satisfactorily by the Authority.

##### Audit Risks

Two key financial statement audit risks had been identified in relation to Management Override of Controls and Fraudulent Revenue Recognition. Work had been undertaken with officers in relation to the risks and no matters of any significance had arisen as a result of the audit work undertaken in the two key risk areas.

### Accounts Production

The Council currently had good practices in place for the production of the accounts and good quality supporting working papers. KPMG wished to place on record their thanks to the finance team for their hard work and commitment towards producing the accounts (the Chairman concurred with this sentiment and additionally thanked the finance officers for their ongoing commitment and dedication towards their duties).

### VFM Conclusion and Risk Areas

KPMG concluded that the Authority had made proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Two risks had been identified but work had been undertaken with officers throughout the year and no matters of any significance had arisen as a result of the audit work undertaken in the two key risk areas. It was anticipated that an unqualified VFM conclusion would be issued by the end of September, 2016.

### RESOLVED

that the ISA 260 report for 2015/16, as presented to Committee by KPMG, be received and noted.

### Reason:

To ensure the accounts are compliant with the Code of Practice on Local Authority Accounting the United Kingdom 2014/15 ("the Code").

(During consideration of this item, Councillor Chris Baron returned to the meeting at 7.05 p.m.)

(Following consideration of this item, the Chairman of the Committee duly signed off the Council's Audited Statement of Accounts and the Letter of Representation for 2015/16.)

The meeting closed at 7.10 pm

Chairman.





# Annual Audit Letter 2015/16

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Ashfield District Council

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October 2016



Agenda Item 4

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The contacts at KPMG in connection with this report are:

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This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. Public Sector Audit Appointments issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies summarising where the responsibilities of auditors begin and end and what is expected from audited bodies. We draw your attention to this document which is available on Public Sector Audit Appointment's website ([www.psa.co.uk](http://www.psa.co.uk)).

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Sophie Jenkins, the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers ([andrew.sayers@kpmg.co.uk](mailto:andrew.sayers@kpmg.co.uk)). After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing [generalenquiries@psaa.co.uk](mailto:generalenquiries@psaa.co.uk), by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.

This Annual Audit Letter summarises the outcome from our audit work at Ashfield District Council in relation to the 2015/16 audit year.

Although it is addressed to Members of the Authority, it is also intended to communicate these key messages to key external stakeholders, including members of the public, and will be placed on the Authority's website.

#### VFM conclusion

We issued an unqualified conclusion on the Authority's arrangements to secure value for money (VFM conclusion) for 2015/16 on 29 September 2016. This means we are satisfied that during the year that Authority had proper arrangements for informed decision making, sustainable resource deployment and working with partners and third parties.

To arrive at our conclusion we looked at the Authority's arrangements to make informed decision making, sustainable resource deployment and working with partners and third parties.

#### VFM risk areas

We undertook a risk assessment as part of our VFM audit work to identify the key areas impacting on our VFM conclusion and considered the arrangements you have put in place to mitigate these risks.

Our work identified the following significant matters:

##### **Ashfield homes Limited (AHL)**

The Authority set up Ashfield Homes Ltd in April 2002 as an Arm's Length Housing Management Organisation to manage and maintain the Authority's housing stock. The agreement runs until 2027 with a break clause in April 2017, in advance of which the Authority must give the Company 12 months' notice..

As part of our VFM work we considered the governance arrangements/steps the Authority took to reach the decision to bring Ashfield Homes back in-house and noted the Authority:

- Carried out a detailed feasibility study prior to making the decision as part of Phase 1;
- Consulted with a wide range of stakeholders including tenants;
- Savings of circa £500,000 a year have been identified by the Phase 2 report;
- A decision was reached by Members on 14 April to directly deliver the housing management service i.e. bringing AHL back under the control of the Authority;
- The Authority has issued 12 months notice to AHL to confirm the management arrangements will end by April 2017; and
- The transition date has been set to 1 October 2016;

##### **Financial Resilience in the local and national economy :**

We reviewed the Authority's financial governance, financial planning and financial control arrangements. This included monitoring the Authority's financial position in year and reviewing the Authority's progress in delivering its budget as part of its wider arrangements to secure financial resilience in the short and medium term.

- We noted that the Authority's General Fund achieved a £268k deficit in 2015/16 which was funded from the General Reserve. Its Housing Revenue Account achieved a surplus of £729k, which was transferred to the Housing Revenue Account Working Balance.
- Capital expenditure for the year amounted to £16 million against a plan of £17.9m.
- We reviewed the Authority's financial governance, financial planning and financial control arrangements. This included monitoring the Authority's financial position in year and reviewing the Authority's progress in delivering its budget as part of its wider arrangements to secure financial resilience in the short and medium term.
- We reviewed the Authority's Medium Term Financial Plan (MTFP) and its key assumptions for the period 2016/17 – 2020/21 and note the Authority has projected savings of £626k in the year 2016/17 and £670k each year from 2017/18-2021/22. The savings are supported by individual saving plans.

There are no issues arising from our work which will lead to a non-standard VFM conclusion at the Authority..

## Section one

# Headlines (cont)

This Annual Audit Letter summarises the outcome from our audit work at Ashfield District Council in relation to their 2015/16 audit year.

Although it is addressed to Members of the Authority, it is also intended to communicate these key messages to key external stakeholders, including members of the public, and will be placed on the Authority's website.

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<b>Audit Opinion</b>	We issued an unqualified opinion on the Authority's financial statements on 29 September 2016. This means that we believe the financial statements give a true and fair view of the financial position of the Authority and of its expenditure and income for the year.
<b>Financial statements audit</b>	<p>The Statement of Accounts of Ashfield District Council for the year 2015/16 were prepared in a timely manner with high quality supporting work papers.</p> <p>There were no uncorrected audit adjustments at the end of the audit process.</p> <p>We identified two audit misstatements in the Group Accounts in relation to the pension liability of Ashfield Homes Limited (AHL) with net impact of £10.2m in 2015/16. The audit differences have been adjusted by the Authority.</p> <p>We did note that further improvements could be made to the control environment as noted on Page 5.</p>
<b>Other information accompanying the financial statements</b>	Whilst not explicitly covered by our audit opinion, we review other information that accompanies the financial statements to consider its material consistency with the audited accounts. This year we reviewed the Annual Governance Statement and Narrative Report. We concluded that they were consistent with our understanding and did not identify any issues.
<b>Whole of Government Accounts</b>	The Authority prepares a consolidation pack to support the production of Whole of Government Accounts by HM Treasury. We are not required to review your pack in detail as the Authority falls below the threshold where an audit is required. As required by the guidance, we have confirmed this with the National Audit Office.

# Headlines (cont.)

This Annual Audit Letter summarises the outcome from our audit work at Ashfield District Council in relation to their 2015/16 audit year.

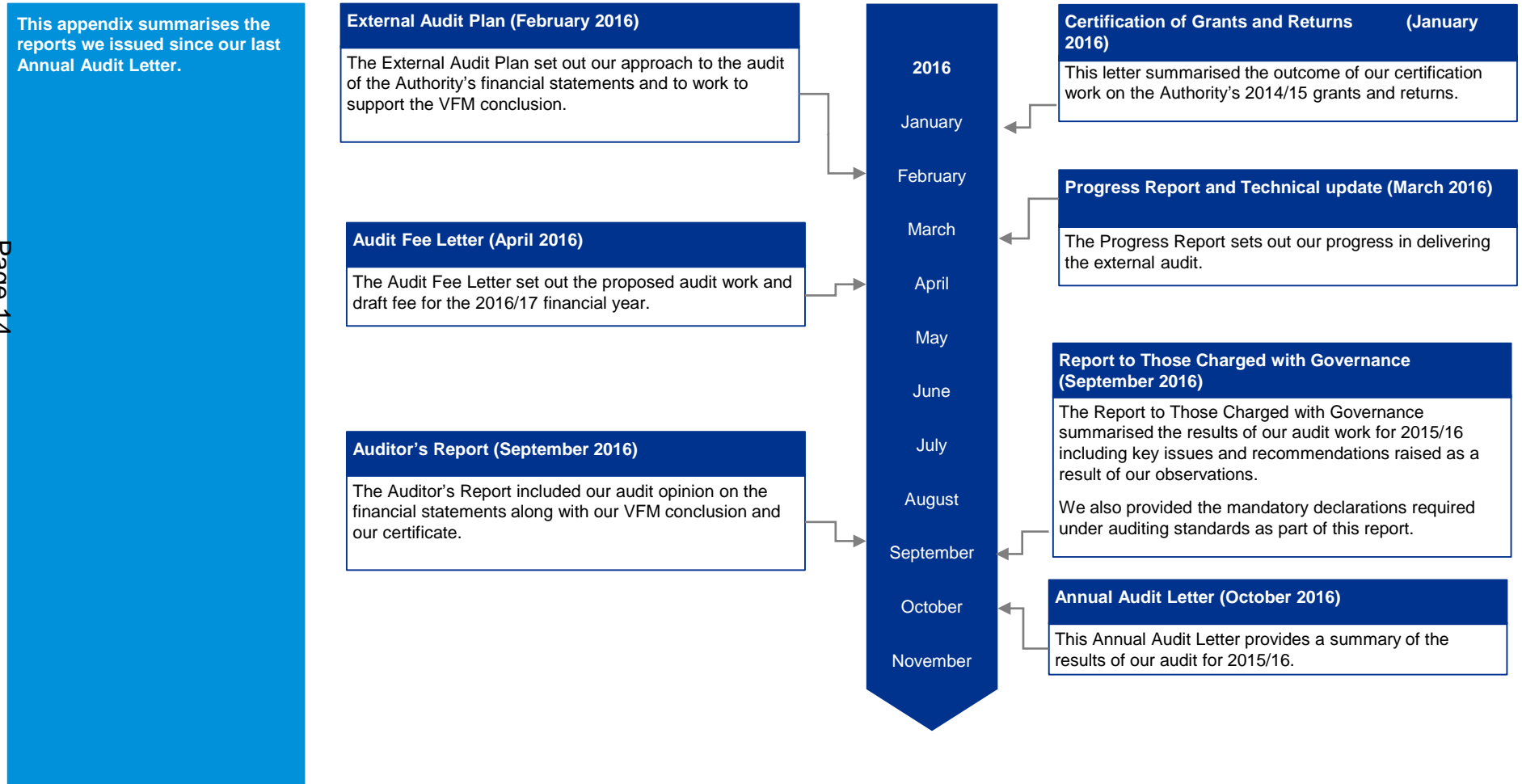
Although it is addressed to Members of the Authority, it is also intended to communicate these key messages to key external stakeholders, including members of the public, and will be placed on the Authority's website.

<p><b>Recommendations Raised</b></p>	<p><b>There were no high priority recommendations as a result of our 2015/16 audit work. However, we noted that further improvements could be made to the control environment and raised the following priority two recommendations:</b></p> <p><b>1. <u>Payroll Assurance</u></b></p> <p>The Authority outsourced its payroll processing to Mansfield and Ashfield Shared HR Services in 2015/16. We reviewed the controls in place and noted controls could be furthered strengthened. The Authority should review the current process in place and in particular we recommend that the Authority should,</p> <ul style="list-style-type: none"> <li>• <b>Request and review exception reports produced by Mansfield and Ashfield Shared HR Services. This will allow the Authority to gain additional assurance that the payroll is being completed correctly;</b></li> <li>• <b>Review the payroll file and approve the BACS payment before the submission deadline; and</b></li> <li>• <b>The Authority should evidence the review of the monthly payroll control reconciliation received from Mansfield and Ashfield Shared HR Services by way of a signature or stamp.</b></li> </ul> <p><b>2. <u>Fixed Asset Register (FAR) reconciliation to the General Ledger (GL)</u></b></p> <p>The Authority should reconcile the Fixed Asset Register to the General Ledger on a monthly basis, in addition to reconciling all lines with the FAR.</p> <p><b>3. <u>Non-Pay Expenditure - Data analytics</u></b></p> <p>The Authority should continue to periodically review the effectiveness of the controls around the purchase order system and in particular review recurring patterns of non compliance</p> <p>We will formally follow up these recommendations as part of our 2016/17 work.</p>
<p><b>Certificate</b></p>	<p>We issued our certificate on 29 September 2016. The certificate confirms that we have concluded the audit for 2015/16 in accordance with the requirements of the Local Audit &amp; Accountability Act 2014 and the Code of Audit Practice.</p>
<p><b>Audit fee</b></p>	<p>Our fee for 2015/16 was £61,527, excluding VAT. This compares to a planned fee of £56,036.</p> <p>Further detail is contained in Appendix 2.</p>



# Appendix 1: Summary of reports issued

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# Appendix 2: Audit fees

This appendix provides information on our final fees for the 2015/16 audit.

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To ensure transparency about the extent of our fee relationship with the Authority we have summarised below the outturn against the 2015/16 planned audit fee.

### External audit

Our final fee for the 2015/16 audit of Ashfield District Council was £61,527. This compares to a planned fee of £56,036. The reason for this variance is a result of additional work, which was not allowed for in our initial plan, namely a review of the prior period adjustments for the inclusion of Ashfield Homes Limited's pension liability and additional time spent on auditing property, plant and equipment (PPE) and the adjustments identified as a result of the work.

Our fees are still subject to final determination by Public Sector Audit Appointments.

### Certification of grants and returns

Under our terms of engagement with Public Sector Audit Appointments we undertake prescribed work in order to certify the Authority's housing benefit grant claim. This certification work is still ongoing. The final fee will be confirmed through our reporting on the outcome of that work in January 2017.

### Other services

We charged £3,000 for additional audit-related services for the certification of the Housing Pooled Capital Receipts claim which is outside of Public Sector Audit Appointment's certification regime.

### Non-Audit services

KPMG charged £1,800 (inclusive of VAT) to perform agreed procedures over anticipated savings arising from bringing ADC's ALMO (Ashfield Homes Ltd.) back in house.



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# Technical update

**Incorporating the External Audit Progress Report**





**Ashfield District Council**

**November 2016**

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This report provides the audit committee with an overview on progress in delivering our responsibilities as your external auditors. The report also highlights the main technical issues which are currently having an impact in local government. If you require any additional information regarding the issues included within this report, please contact a member of the audit team. We have flagged the articles that we believe will have an impact at the Authority and given our perspective on the issue:

 High impact       Medium impact       Low impact       For information



# External audit progress report

# External audit progress report

This document provides the Governance and Audit committee with a high level overview on progress in delivering our responsibilities as your external auditors.

At the end of each stage of the audit we issue certain deliverables, including reports and opinions. A summary of progress against these deliverable is provided in Appendix 1 of this report.

Area of responsibility	Commentary
Financial statements	<p>Since the Committee meeting on 26 September 2016 we:</p> <ul style="list-style-type: none"> <li>• issued an unqualified opinion on your 2015/16 accounts on 29 September 2016. This means that we believe the financial statements give a true and fair view of the financial position of the Authority and of its expenditure and income for the year;</li> <li>• issued our certificate on 29 September 2016 confirming that we have concluded the audit for 2015/16 in accordance with the requirements of the Local Audit &amp; Accountability Act 2014 and the Code of Audit Practice;</li> <li>• produced our 2015/16 Annual Audit Letter as required by the National Audit Office’s Code of Audit Practice. The purpose of preparing and issuing the Annual Audit Letters is to communicate to external stakeholders, including members of the public, the key issues arising from auditors’ work. This information will be published on the PSAA website and is attached as a separate paper for the Committee’s information. We encourage you to publish this information on the Authority’s website;</li> <li>• met with Dave Greenwood, Deputy Chief Executive Officer and Sharon Lynch, Corporate Finance Manager to debrief on the 2015-16 audit process and agreed actions to continue to improve the efficiency and effectiveness of our audit work; and</li> <li>• commenced our planning work for the 2016/17 audit and in particular:             <ul style="list-style-type: none"> <li>• Met with the Deputy Chief Executive Officer and Corporate Finance Manager to understand the current issues and priorities facing the Authority;</li> <li>• Met with the Deputy Chief Executive Officer, Corporate Finance Manager, Ashfield Homes Ltd Accountant and the audit team of AHL to discuss and agree the audit approach in relation to the Authority bringing Ashfield Homes Limited in house, with effect from 1st October 2016.</li> </ul> </li> </ul>

# External audit progress report (cont.)

Area of responsibility	Commentary
Value for Money	Also on 29 September 2016 we issued an unqualified conclusion on the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.
Certification of claims and returns	Under our terms of engagement with Public Sector Audit Appointments we undertake prescribed work in order to certify the Authority's housing benefit grant claim. This certification work is in progress. We expect to conclude on the work by the deadline of 30 November 2016.

## Appendix 1

# 2015/16 audit deliverables

Deliverable	Purpose	Timing	Status
<b>Planning</b>			
Fee letter	Communicate indicative fee for the audit year.	April 2015	Done
External audit plan	Outline our audit strategy and planned approach. Identify areas of audit focus and planned procedures.	February 2016	Done
<b>Substantive procedures</b>			
Report to those charged with governance (ISA 260 report)	Details the resolution of key audit issues. Communication of adjusted and unadjusted audit differences. Performance improvement recommendations identified during our audit. Commentary on the Council's value for money arrangements.	September 2016	Done
<b>Completion</b>			
Auditor's report	Providing an opinion on your accounts (including the Annual Governance Statement). Concluding on the arrangements in place for securing economy, efficiency and effectiveness in your use of resources (the VFM conclusion).	September 2016	Done
WGA	Concluding on the Whole of Government Accounts consolidation pack in accordance with guidance issued by the National Audit Office.	September 2016	Done
Annual audit letter	Summarise the outcomes and the key issues arising from our audit work for the year.	October 2016	Done
<b>Certification of claims and returns</b>			
Certification of claims and returns report	Summarise the outcomes of certification work on your claims and returns for Government departments.	January 2017	tbc



# Technical developments

# Appointment of external auditor

Level of impact: ● (Medium)	KPMG perspective
<p>Following the Audit Commission’s closure local authority external audits are currently governed by transitional arrangements under the <i>Local Audit and Accountability Act 2014</i>, with audit contracts overseen by Public Sector Audit Appointments Ltd (PSAA). These transitional arrangements end with the audit of 2017/18 financial years, so auditors must be appointed under the new arrangements from 2018/19. In practice this decision must be made by 31 December 2017. There are three main options for local authorities to consider:</p> <ol style="list-style-type: none"> <li>1. Undertake an individual auditor procurement and appointment exercise;</li> <li>2. Undertake a joint audit procurement and appointing exercise with other bodies, for example those in the same locality; or</li> <li>3. Join a ‘sector led body’ arrangement where an approved third party procures audit on behalf of multiple bodies.</li> </ol> <p>As the relevant supervisory body, the Institute of Chartered Accountants in England and Wales (ICAEW) maintains a register of audit firms and ‘key audit partners’ who have been recognised as meeting the eligibility criteria for local audit. Whatever the approach taken, local authorities can only appoint audit firms from the ICAEW register. KPMG has been registered by ICAEW for local audit work and has 21 Partners and Directors recognised as meeting the eligibility criteria, providing comprehensive national coverage through an experienced senior team.</p> <p>For options 1 and 2, the Act requires an Auditor Panel to be established. Guidance on auditor panels at local authorities has been issued by the CIPFA – see <a href="http://www.cipfa.org/policy-and-guidance/publications/g/guide-to-auditor-panels-pdf">www.cipfa.org/policy-and-guidance/publications/g/guide-to-auditor-panels-pdf</a></p> <p>One option, subject to complying with EU procurement rules, might be to continue with your current auditor for an initial period. Although this would delay testing the market, fees could be benchmarked for reasonableness against published data or by comparing to similar bodies. This would provide stability of service in the short term and avoid the ‘rush to market’ as other local authorities undertake procurement exercises within a short time period, allowing tendering later in a more settled market.</p>	<p><i>Members may wish to discuss the options open to them on how to procure their auditor for 2018/19 and beyond and ensure they formulate a timetable for making this decision.</i></p>



## Technical developments

# Appointment of external auditor (cont.)

Level of impact: ● (Medium)

KPMG perspective

The Audit Commission produced a report and slide pack summarising the lessons learnt from its 2012 and 2014 procurements of audit services, providing the reader with a list of factors that contributed to the delivery of successful outcomes for both procurements. A copy of this document can be found on the PSAA website at [www.psa.co.uk/wp-content/uploads/2016/01/Learning-the-lessons-from-the-2012-and-2014-Audit-Commission-procurements-of-audit-services.pdf](http://www.psa.co.uk/wp-content/uploads/2016/01/Learning-the-lessons-from-the-2012-and-2014-Audit-Commission-procurements-of-audit-services.pdf)

The lessons learnt may be helpful in generally informing procurements of audit services undertaken by individual local public bodies or collective procurement bodies under the new arrangements. However, it should be noted that the procurements undertaken by the Audit Commission were unique to the Commission's regime and the approaches taken may not be relevant in their entirety to other procurements.

For option 3, in July 2016 the Secretary of State for Communities and Local Government specified PSAA as an appointing person under regulation 3 of the *Local Audit (Appointing Person) Regulations 2015*. This means that PSAA can make auditor appointments from 2018/19 to relevant principal authorities that choose to opt into its national collective scheme. For further information, see PSAA's website - [www.psa.co.uk/supporting-the-transition/appointing-person/](http://www.psa.co.uk/supporting-the-transition/appointing-person/)

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# NAO Report on Capital Expenditure and Resourcing

Level of impact: ● (Low)	KPMG perspective
<p>Committee members may wish to be aware that the National Audit Office has published its report <i>Financial Sustainability of Local Authorities: Capital Expenditure and Resourcing</i>. This report found that local authorities in England have maintained their overall capital spending levels but face pressure to meet debt servicing costs and to maintain investment levels in their existing asset bases.</p> <p>The report can be accessed via the NAO website at <a href="http://www.nao.org.uk/report/financial-sustainability-of-local-authorities-capital-expenditure-and-resourcing/">www.nao.org.uk/report/financial-sustainability-of-local-authorities-capital-expenditure-and-resourcing/</a></p>	<p><i>The Committee may wish to seek assurances that the impact for their Authority is understood.</i></p>

## Technical developments

# PSAA's Value For Money Tool

Level of impact: ● (Low)

KPMG perspective

The PSAA's Value for Money Profiles tool (VFM Profiles) was updated on 1 July 2016.

The VFM profiles have been updated with the latest available data. The adult social care section has been re-designed based on the new adult social care financial return (ASC-FR). Data is available from 2014/15 onwards with no comparable data from earlier years. The children and young people section has also been updated with 2014/15 data.

The VFM profiles have also been updated with the latest available data from the following sources:

- Adult Social Care Financial Return (new data collection) (2014/15)
- Referrals, assessments and packages of care for adults (RAP) (2014/15)
- Pupil numbers (2015)
- Provision for Children Under Five Years of Age in England (2015)
- Children in Care and Adoption Performance Tables (2014/15)
- Key Stage 2 Attainment (2014/15)
- GCSE and Equivalent Attainment by Pupil Characteristics in England (2014/15)
- Section 251 outturn data - Table A1 Children and young people services (2014/15)
- Section 251 outturn data - Table A Education budget (2014/15)
- Special Educational Needs in England (2014/15)
- Attainment by Age 19 (2014/15)
- Participation in Education, Training and Employment by 16-18 Year Olds in England (2015)
- Pupil Absence in Schools (2014/15)
- National road maintenance condition survey (2014/15)

*The Committee may wish to seek further understanding for areas where their Authority appears to be an outlier.*

## Technical developments

# PSAA's Value For Money Tool (cont.)

Level of impact: ● (Low)

KPMG perspective

- Proportion of bus services running on time (2014/15)
- Annual Population Survey (2015)
- Finance and General Statistics (2014/15)
- Revenue Collection (2014/15)
- Claimant count (2016)
- Affordable housing supply (2014-15)
- Active people survey (2014/15)
- Public Health Outcomes Framework (2014/15)
- Conception Statistics, England and Wales (2014)
- First time entrants into the Youth Justice system (2014/15)

The Value For Money Profiles can be accessed via the PSAA website at [http://vfm.psaa.co.uk/nativeviewer.aspx?Report=/profiles/VFM\\_Landing](http://vfm.psaa.co.uk/nativeviewer.aspx?Report=/profiles/VFM_Landing)

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# 2015/16 Code of Practice Update

Level of impact: ● (Low)

KPMG perspective

CIPFA/LASAAC has issued an update to the *2015/16 Code of Practice on Local Authority Accounting in the United Kingdom* (the Code) following its consultation process. The 2015/16 Code update should be read alongside the 2015/16 Code published in April 2015.

Authorities should note that the update confirms the transitional reporting requirements for the measurement of the Highways Network Asset. The Code does not require a change to the preceding year information for the move to measuring the Highways Network Asset at current value (and under that provision would not require a change to the balance sheet information at 1 April 2015). It also does not require a restatement of the opening 1 April 2016 information but there will need to be an adjustment to those balances.

The Code update also includes amendments as a result of legislative changes and particularly the *Accounts and Audit Regulations 2015* for English authorities. It specifies the principles for narrative reporting which CIPFA/LASAAC considers should be used to meet the new requirements of those regulations.

*The Committee may wish to seek assurances that their Authority is aware of the update to the 2015/16 Code.*

# Government contracting

**Level of impact:** ● (For Information)

The NAO has recently published an overview of its work on the government's management of contracting which Committee members may wish to be aware of, particularly in relation to value for money arrangements.

The publication examines subjects including the government's commercial capability, accountability and transparency, and its management of contracted-out service delivery. It finds that government now spends about £225 billion a year with private and voluntary providers. The role of providers in the public sector has evolved from relatively simple contracts to provide goods or established services, to innovative high profile commissioning arrangements in sensitive public service areas such as health and justice.

The overview is available from the NAO website at [www.nao.org.uk/report/government-commercial-and-contracting-an-overview-of-the-naos-work/](http://www.nao.org.uk/report/government-commercial-and-contracting-an-overview-of-the-naos-work/)

# Devolution

**Level of impact:** ● (For Information)

In spring 2016, the NAO published its report *English devolution deals*. This report finds that devolution deals to devolve power from central government to local areas in England offer opportunities to stimulate economic growth and reform public services for local users, but the arrangements are untested and government could do more to provide confidence that these deals will achieve the benefits intended.

The report is available free of charge and the full version or a summary can be accessed at [www.nao.org.uk/report/english-devolution-deals/](http://www.nao.org.uk/report/english-devolution-deals/)

# Councillors' travel expenses

Level of impact: ● (Low)	KPMG perspective
<p>HM Revenue and Customs (HMRC) are in the process of contacting Local Authorities to commence PAYE and NIC compliance reviews focusing on the historic treatment of councillors' mileage expenses. Those authorities that are unable to demonstrate they have reported payments correctly face a tax and NIC charge, with interest and potentially penalties applying.</p> <p><b>The previous rules</b></p> <p>Up until 5 April 2016, HMRC could agree that for some councillors, home is a place of work and therefore the cost of journeys to council offices could be paid free of tax and NIC. This could have been the case where, for example, councillors were required to see constituents at home. HMRC do not accept however that working from home out of choice makes home a place of work and in these cases, any expenses reimbursed in respect of travel to council offices should have been subject to tax and NIC.</p> <p><b>HMRC Compliance Reviews</b></p> <p>Those local authorities that are unable to support their historic treatment of councillor mileage expenses face a liability to unpaid PAYE, NIC, interest and potentially penalties going back four, and possibly six years. It will be important for local authorities to review their expenses records to determine how travel expenses have been treated and the processes and rationale behind that treatment. Given that different councillors can have different working patterns it will be important to review the treatment on a case by case basis.</p> <p><b>The new rules</b></p> <p>With effect from 6 April 2016, a new exemption has been introduced for councillors' travel expenses. From this date, a councillor's journey between their home and their office will be treated as 'business travel' which means that any mileage expenses reimbursed for this journey will, up to certain limits, be free of tax and NIC (subject to their home not being more than 20 miles outside the relevant authority boundary).</p> <p><b>How KPMG can help</b></p> <p>KPMG's public sector Employment Tax specialists provide practical advice on dealing with HMRC Employer Compliance reviews. We regularly assist local authorities in liaising with HMRC and staying ahead of legislative and practice developments. If you would like to speak to one of our specialists please contact your normal KPMG contact.</p>	<p><i>The Committee may wish to seek assurances how their Authority is progressing with the new requirements.</i></p>





# KPMG resources

# Publication 'Reimagine – Local Government'

KPMG have published a number of reports under the headline of *Reimagine – Local Government*. These are summarised below:

## **Council cash crunch: New approach needed to find fresh income**

- By 2020, councils must generate all revenue locally.
- More and more are looking towards diversifying income streams as an integral part of this.
- Councils have significant advantages in becoming a trusted, independent supplier.
- To succeed, they must invest in developing commercial capability and capacity.

## **Councils can save more than cash by sharing data**

- Better data sharing in the public sector can save lives and money.
- The duty to share information can be as important as the duty to protect it.
- Local authorities are yet to realise the full value of their data and are wary of sharing information.
- Cross-sector structures and the right leadership is the first step to combating the problem.

## **English devolution: Chancellor aims for faster and more radical change**

- Experience of Greater Manchester has shown importance of strong leadership.
- Devolution in areas like criminal justice will help address complex social problems.
- Making councils responsible for raising budgets locally shows the radical nature of these changes.
- Cuts to business rates will stiffen the funding challenge, even for the most dynamic councils.

## **Senior public sector pensions**

- Recent changes to pensions taxation have particularly affected the public sector, with fears senior staff may quit as pension allowances bite.
- 'Analyse, control, engage' is the bedrock of an effective strategy.

## **Time for the *Care Act* to deliver**

- Momentum behind last year's *Care Act* risks stalling.
- Councils are struggling to create an accessible care market with well-informed consumers.
- Local authorities must improve digital presence and engage providers.
- Austerity need not be an impediment to progress. It could be an enabler.

The publications can be found on the KPMG website <https://home.kpmg.com/uk/en/home/insights/2016/04/reimagine-local-government.html>

# Publication 'Redefining internal audit - Local Government'

KPMG has issued a new publication which seeks to provide an overview on the current status of internal audit in local government and highlight areas where internal audit providers could provide greater value. There are a number of factors affecting local authorities internal audit provisions and the publication aims to address these.

Funding cuts to local authorities have resulted in reductions in the number of audit days and scaled back internal audit plans. This has led to an increased focus on strategic risks within internal audit. Provision of internal audit services varies greatly between authorities, ranging from in-house to consortium providers.

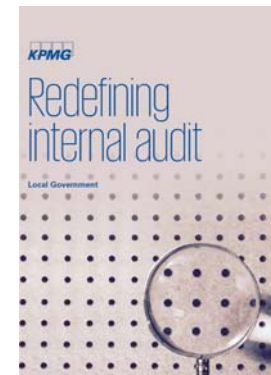
Research suggests that data analytics and assurance mapping are utilised by few local authorities for internal audit purposes and this constitutes a key area for development. Whilst initial costs may be incurred, often complex software packages are not required, even for data analytics. Shifts towards greater use of data analytics may offer greater levels of assurance, increase efficiency and allow resources to be focused on higher risk areas.

Few authorities have IT specialists within their internal audit teams, a factor that may be worth considering in the future if data analytics continue to become an area of increasing importance.

Crucially, many authorities have yet to undertake the mandatory external assessment of compliance with the Public Sector Internal Audit Standards and while authorities are delaying the assessment to allow time for change, the deadline date is 31 March 2018.

The full publication can be found at :-

<https://home.kpmg.com/uk/en/home/insights/2016/10/redefining-internal-audit.html>





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# Ashfield District Council – Audit Progress Report

Audit Committee: 28<sup>th</sup> November 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.

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# 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 31<sup>st</sup> October 2016.

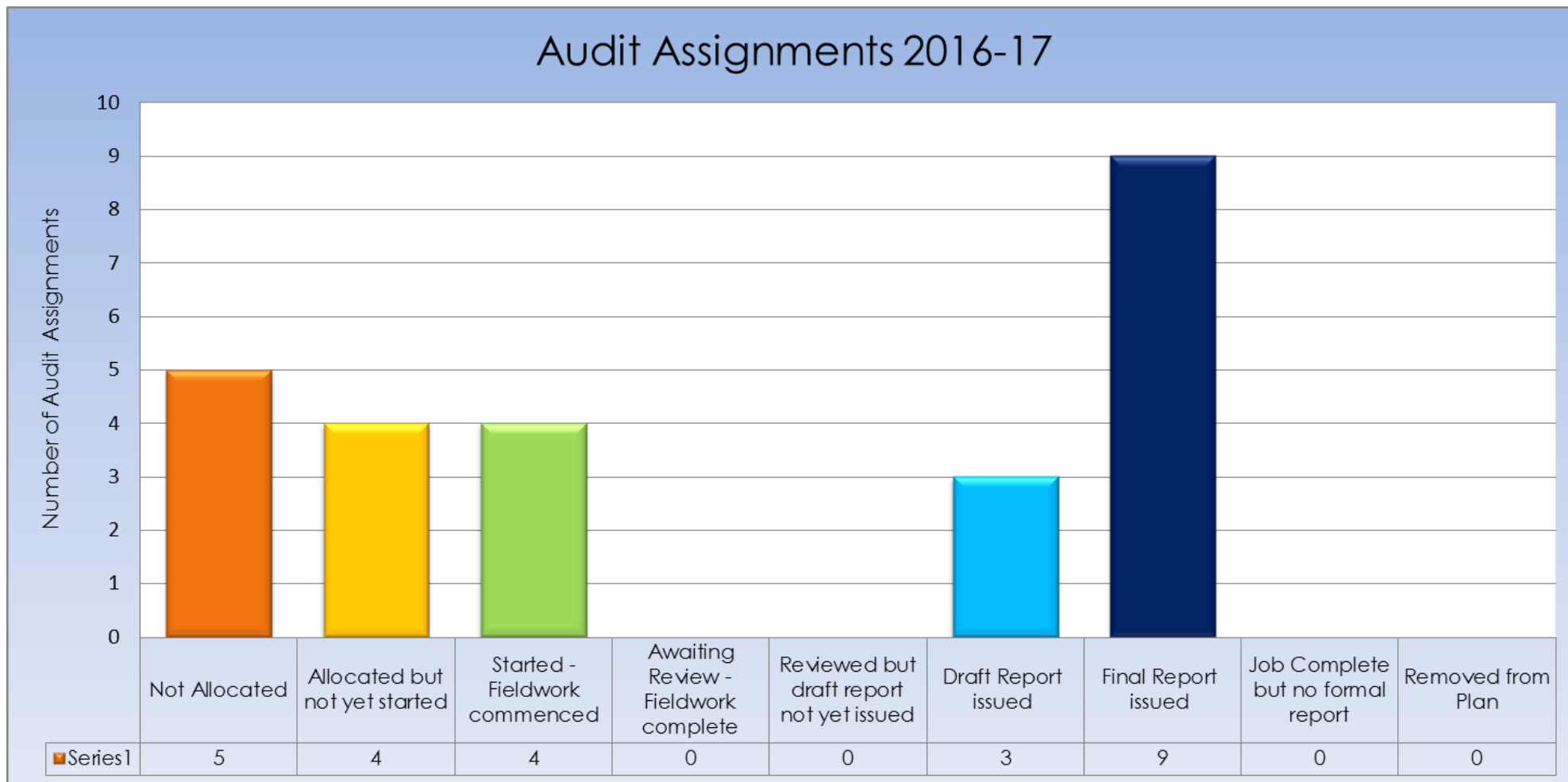
2016-17 Audit Plan Assignments	Type of Audit	Current Status	% Complete	Level of Assurance
Data Quality & Performance Management	Governance Review	Not Allocated	0%	
Main Accounting Systems 2016-17	Key Financial System	Not Allocated	0%	
Treasury Management	Key Financial System	In Progress	15%	
Creditors	Key Financial System	Not Allocated	0%	
Housing Benefit & Council Tax Support	Key Financial System	Not Allocated	0%	
Council Tax	Key Financial System	Allocated	0%	
NDR	Key Financial System	Allocated	0%	
Refuse Collection	Systems/Risk Audit	Final Report	100%	Reasonable
Safeguarding	Governance Review	Final Report	100%	Reasonable
New Cross Initiative	Systems/Risk Audit	Final Report	100%	Reasonable
Leisure Centres	Systems/Risk Audit	Final Report	100%	Comprehensive
Business Continuity & Emergency Planning	Systems/Risk Audit	In Progress	65%	
PCI Compliance	Systems/Risk Audit	Final Report	100%	Comprehensive
IT Applications	IT Audit	Not Allocated	0%	
Email Security	IT Audit	Final Report	100%	Reasonable
Payroll	Systems/Risk Audit	Draft Report	95%	
Ethical Processes & Payments (Members & Officers)	Systems/Risk Audit	Allocated	5%	
Time Recording	Investigation	Draft Report	95%	
Private Sector Housing	Systems/Risk Audit	In Progress	50%	
Housing Benefit Subsidy Claim	Advice	In Progress	90%	
Safeguarding (Housing Services)	Systems/Risk Audit	Draft Report	95%	
OPEN Housing/Contractor IT Security Assessment	IT Audit	Allocated	0%	
<b>Audit Plan Assignments B/fwd from 2015-16</b>				
Ashfield - Main Accounting (MTFP)	Key Financial System	Final Report	100%	Reasonable
Ashfield - Risk Management	Governance Review	Final Report	100%	Reasonable
Ashfield DC - Revenues Systems Overview	Key Financial System	Final Report	100%	Comprehensive



# Ashfield District Council – Audit Progress Report

## Audit Coverage

Progress on Audit Assignments Chart



Two of the finalised audit assignments have already been reported to this committee.

# Ashfield District Council – Audit Progress Report

## Audit Coverage

### Completed Audit Assignments

Between 1<sup>st</sup> September 2016 and 31<sup>st</sup> October 2016, the following audit assignments reached their conclusion:

- Safeguarding.
- New Cross Initiative.
- Leisure Centres.
- PCI Compliance.
- Email Security.
- Refuse Collection.
- Main Accounting (MTEP).

- Statistical information was not being routinely provided to assist the Corporate Vulnerability and Safeguarding Group with the monitoring and evaluation of the Safeguarding Policy and Procedures. (Low Risk)
- A dedicated email address had not been set up for receiving and responding to safeguarding alerts. (Low Risk)
- Review of HR recruitment checks done for 10 new starters identified 3 cases where there was no evidence that the recruitment checking procedures had been followed. (Moderate Risk)

All 5 of the issues raised in this report were accepted and actions were agreed to address all issues. One issue had already been addressed by the end of the audit, another 3 were agreed to be addressed by 31<sup>st</sup> March 2017 with the final issue due to be completed by 31<sup>st</sup> December 2017.

### Safeguarding

**Overall Assurance Rating: Reasonable**

This audit focused on safeguarding strategy, governance and training of staff with regards to the safeguarding of Adults and Children.

From the 15 key controls evaluated in this audit review, 8 were considered to provide adequate control and 7 contained weaknesses. This report contained 5 recommendations, 4 of which were considered to present a low risk and 1 presenting a moderate risk. Another 1 minor risk issue was also highlighted for management's consideration. The following issues were considered to be the key control weaknesses:

- Review of links on the online safeguarding procedures identified a link to an out of date policy. (Low Risk)
- A formal central log of all the safeguarding alerts raised was not being maintained to provide a consolidated record and summary for reporting purposes. (Low Risk)

### New Cross Initiative

**Overall Assurance Rating: Reasonable**

The New Cross Initiative was set up to challenge and change the established way of assisting the residents of New Cross Area. Management recognised that there was evidence that the current "multi- agency" way of working did not help people in the way it should and wasted money. Council Cabinet approved the decision to approach service delivery differently to most services and establish a pilot that would 'learn by doing' to see if there was a better way of working. This system-led approach was adopted to provide officers with the freedom to use innovative approaches to assist the community rather than employ traditional control mechanisms which could stifle initiative.

This audit focused on reviewing the adequacy of controls within the project for ensuring the security of data, governance over the initiative, monitoring and recording of actions undertaken. It was intended to highlight any residual risks that the 'learn by doing' process may have left, in order that management could consider whether the control

# Ashfield District Council – Audit Progress Report

framework needed to be strengthened. It is recognised that management made a conscious decision to relax certain controls in line with the aspirations of the pilot and that where gaps in controls have been identified these may have been deliberate omissions rather than unintended weaknesses.

From the 24 key controls evaluated in this audit review, 6 were considered to provide adequate control and 18 contained weaknesses. This report contained 8 recommendations, 7 of which were considered to present a low risk and 1 presenting a moderate risk. Another 4 minor risk issues were also highlighted for management's consideration. The following issues were considered to be the key control weaknesses:

- The procedures established for information collection had not been documented regarding how the data is recorded. (Low Risk)
- By design, Management had chosen not to set and measure operational performance targets to give officers the freedom to provide innovative solutions, at the expense of regular and timely information on the performance of the initiative. (Low Risk)
- There had not been any formal documentation of outcomes and decisions taken in one to one meetings and team briefings. (Low Risk)
- Although Officers were able to demonstrate they were aware of the Data Protection Act, there was no evidence that employees working within the Initiative had received formal Data Protection Training. (Low Risk)
- Sensitive information was at risk of being emailed outside of the GCSX secure network, as Team leaders were unsure how and when to use it, potentially in breach of the Data Protection Act. (Moderate Risk)
- There were no formal written agreements in place for the coming period, there is a risk that partners may not provide the funding and/or secondments offered. (Low Risk)

- Cabinet approved the initial project which set out the objectives of the project and that it was operating within the wider Nottinghamshire Prevent Strategy, However; there was no single 'Initiative specific' policy or strategy document in place for the management of the Initiative. (Low Risk)
- There were no written procedural guidelines in place for documenting findings and actions taken, on the E-CINS system.. (Low Risk)

All 8 of the issues raised in this report were accepted and actions were agreed to address all issues. Three were agreed to be addressed by 1st October 2016, 2 are to be addressed by 1st November 2016, and the remaining 3 will be completed during 2017 (including the Moderate Risk issue).

## Leisure Centres

### Overall Assurance Rating: **Comprehensive**

This audit focused on the arrangements in place for the reporting and monitoring of the Sports and Leisure Management Contract (SLM) through which the Council have outsourced their leisure centre facilities.

From the 15 key controls evaluated in this audit review, 13 were considered to provide adequate control and 2 contained weaknesses. This report contained 3 recommendations, all of which were considered to present a low risk. Another 2 minor risk issues were also highlighted for management's consideration. The following issues were considered to be the key control weaknesses:

- All Centres were not including their Service Improvement Notice action points and their status in the monthly KPI reports and summary KPI monitoring reports were not being submitted to CLT. (Low Risk)
- Review of 3 months Leisure Centre monthly performance reports identified a number of inconsistencies regarding the information included. (Low Risk)

# Ashfield District Council – Audit Progress Report

- The Leisure Performance Officer was unable to evidence that the Planned Preventive Maintenance Programme, Market Plan, the Environmental Management Plan and Edgewood Inventory for 2016, were completed, had been reviewed and were up-to-date. (Low Risk)

All 3 of the issues raised in this report were accepted and actions were agreed to address all issues. Two were agreed to be addressed by 30<sup>th</sup> September 2016 with the final issue due to be completed by 31<sup>st</sup> May 2017.

## PCI Compliance

**Overall Assurance Rating: Comprehensive**

This audit focused on reviewing non-IT issues relating to Payment Card Industry Data Security Standard (PCI DSS) compliance.

From the 18 key controls evaluated in this audit review, all 18 were considered to provide adequate control and none contained weaknesses. This report contained only positive assurance and no recommendations.

## Email Security

**Overall Assurance Rating: Reasonable**

This audit focused on the security, configuration and management of the Council's Exchange server environment, and the Council's cloud based email security application – Mimecast. Specifically, we reviewed Node128, the non-GCSX mailbox database server, Node106, the client access server, and Node68, the GCSX mailbox database server.

From the 39 key controls evaluated in this audit review, 31 were considered to provide adequate control and 8 contained weaknesses. This report contained 4 recommendations, 2 of which were considered to present a low risk and 2 presenting a moderate risk. Another 1 minor risk issue was also highlighted for management's consideration. The following issues were considered to be the key control weaknesses:

- There were no formal schedules in operation for doing test restores of the Exchange servers and mailbox databases. Problems with mailbox database backup procedures or backup media are often not discovered until after a recovery of a mailbox, or database is needed. (Moderate Risk)
- A number of auto-forward rules had been configured to send mail immediately on to external private accounts such as hotmail.com accounts. This makes the likelihood of the mail being accessed by unauthorised parties much greater, which could lead to privacy violations and data protection breaches. (Moderate Risk)
- There were a number of users with access to shared mailboxes, such as the Revenues Support and Environment mailboxes, whose access could not be justified. Failure to restrict access to shared mailboxes can expose any sensitive information received to unauthorised access. (Low Risk)
- A Website Development Officer had been granted Organisation Management permissions over the Exchange Server environment, despite not having direct responsibilities for managing Exchange. Organisation Management is essentially a full administrator role which allows complete access and authority over the System and should only ever be assigned to authorised and trained Exchange administrators. (Low Risk)

All 4 of the issues raised were accepted and positive actions was agreed to address 2 of the issues by the end of the audit, 1 of the recommendations by the end of December 2016, and the final recommendation by the end of March 2017.

## Refuse Collection

**Overall Assurance Rating: Reasonable**

This audit focused on reviewing compliance with the requirements of Waste Regulations 2011, in particular regulation 13, the monitoring of refuse service, and administration system for Trade Waste.

# Ashfield District Council – Audit Progress Report

From the 18 key controls evaluated in this audit review, 12 were considered to provide adequate control and 6 contained weaknesses. This report contained 6 recommendations, all of which were considered to present a low risk. Another 1 minor risk issue was also highlighted for management's consideration. The following issues were considered to be the key control weaknesses:

- Although there was a waste statement in place which required updating, there was no fully encompassing waste strategy document for the Council. (Low Risk)
- There were no procedure notes to document the established processes for the monitoring of waste collection. (Low Risk)
- There was no process in place for ensuring that the details on route sheet database agreed to those on the Bartec (in cab) system. (Low Risk)
- Customers with 3 instances of non-compliance with waste separation and presentation requirements were not being visited by Supervisors to discuss issues with their bins, in line with agreed guidance. (Low Risk)
- The levels of complaints / missed bins were not being monitored, on a team by team basis to identify any training needs. (Low Risk)
- Guidance on granting discounts on fees charged to trade waste customers required updating. (Low Risk)

All 6 issues raised were accepted and management has resolved to take action to address 5 issues by 31<sup>st</sup> March 2017, with the one remaining issue to be addressed by 31<sup>st</sup> July 2017.

## Main Accounting (MTFP)

**Overall Assurance Rating: Comprehensive**

This audit focused on ensuring that the model underpinning the Council's Medium Term Financial Plan (MTFP) was accurate and free

from error. It also sought to ensure that there was an established protocol in respect of the Council's earmarked reserves.

From the 21 key controls evaluated in this audit review, 8 were considered to provide adequate control and 13 contained weaknesses. This report contained 11 recommendations, all of which were considered to present a low risk. The following issues were considered to be the key control weaknesses:

- The Medium Term Financial Plan spreadsheet was not password protected and therefore provided the potential for unauthorised officers to access the information and make unauthorised changes to the financial data. (Low Risk – Risk Accepted)
- The tracked changes facility within the MTFP model had not been activated, to provide an audit trail of changes made to the spreadsheet. (Low Risk)
- Changes made to the Council's MTFP model were not being verified to original source data to confirm its accuracy. (Low Risk)
- The MTFP model was not subject to review or logic inspection by an officer who was independent of its use. (Low Risk)
- Sensitive information within the MTFP spreadsheet model had not been protected to prevent accidental change or unauthorised amendment. (Low Risk)
- An assessment of risks had not been included in the Revenue Budget and MTFP report to demonstrate the potential impact of internal and external risks on the Council's financial position. (Low Risk)
- Meetings and Away Days held between officers and Members to discuss the Council's budget and savings proposals had not been minuted as they were not constituted meetings. (Low Risk)
- The Council had not included an estimated amount in respect of the Apprenticeship Levy in their MTFP. This was new legislation announced as part of the Chancellor's Autumn Statement on 25th November 2015. (Low Risk)

## Ashfield District Council – Audit Progress Report

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- The Council had not established a protocol setting out specific details regarding its earmarked reserves in accordance with best practice guidance issued by CIPFAs Local Authority Accounting Panel and the Councils Financial Procedure Rules. (Low Risk)
- An assessment on the "Robustness of Estimates" had not been included in the Revenue Budget report provided to Council Cabinet as part of the process of considering the Council's budget requirement. (Low Risk)
- In assessing the adequacy of the Council's reserves, no account had been included in respect of the potential risks facing the Council and the impact those risks could have on reserve levels. (Low Risk)

All 11 issues raised within this report were accepted. Management decided to accept the risk in respect of one issue raised and was to take no further action. Action was agreed to be taken to address the remaining 10 issues by the end of February 2017.

### Audit Plan Changes

At the request of the Council's Deputy Chief Executive (Resources), Internal Audit has provided assistance to the Council to help complete the workbooks, supplied by external audit for testing a sample of benefit claims included in the Council's 2015/16 Housing Benefit Subsidy Claim.



# Ashfield District Council – Audit Progress Report

## Audit Performance

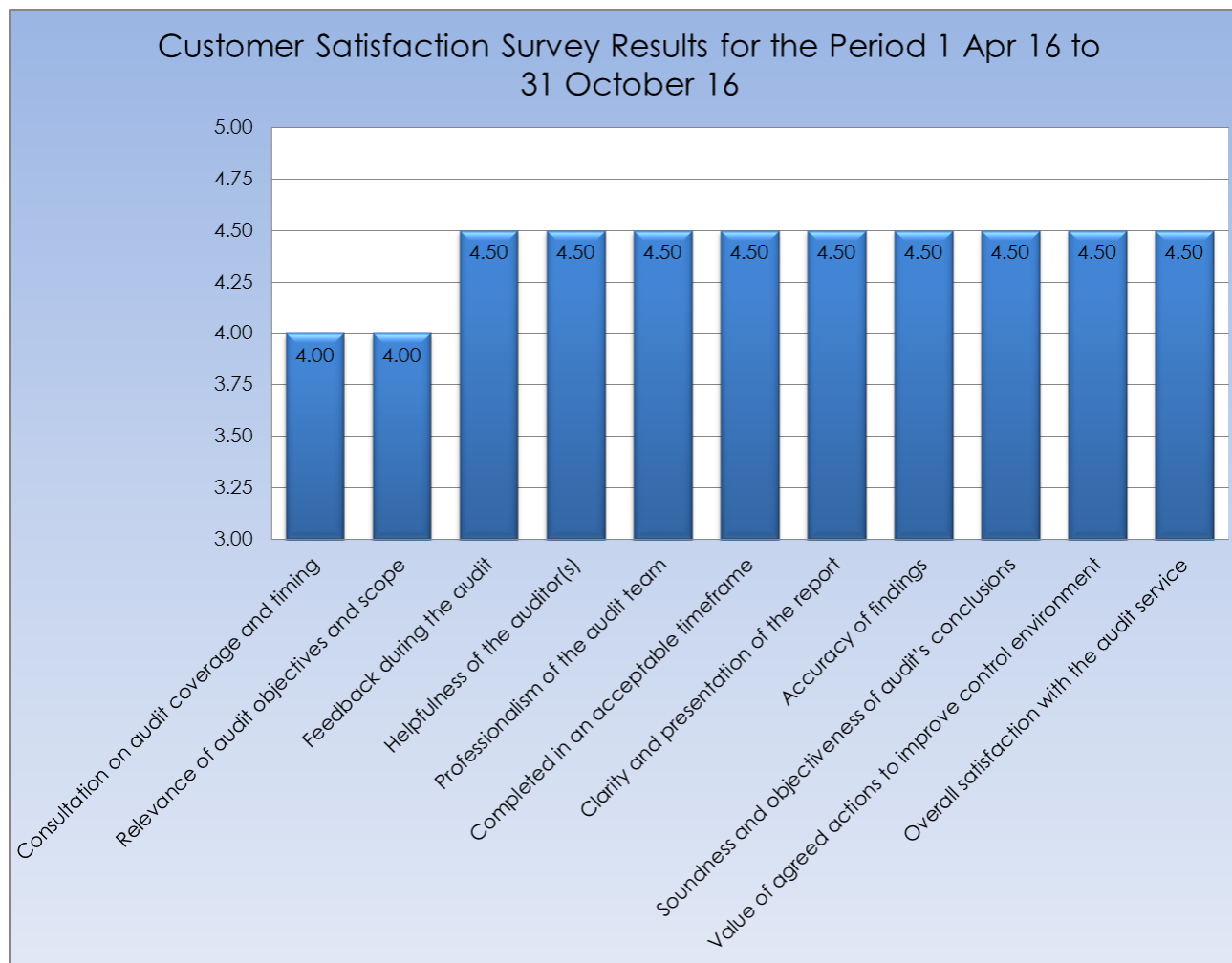
### Customer Satisfaction

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 2 responses received between 1<sup>st</sup> April 2016 and 31<sup>st</sup> October 2016. The overall average score from the surveys was 48.5 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)

Of the 2 responses received to date, 1 categorised the audit service they received as excellent and the other as good.



# Ashfield District Council – Audit Progress Report

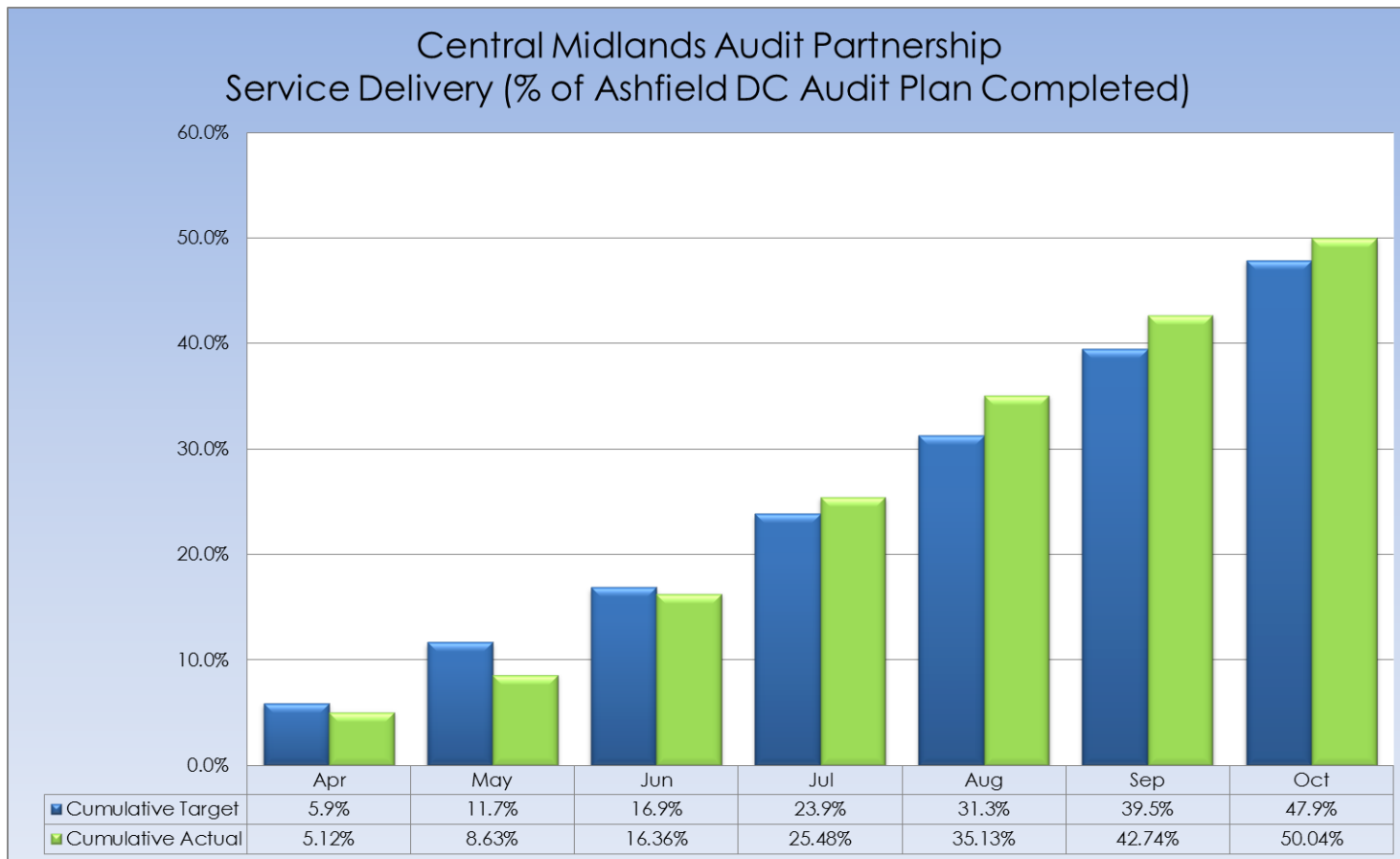
## Audit Performance

### 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 7 months of the Audit Plan year.

For the first time, the monthly target has been profiled to reflect the expected productive time available each month, but still assumes that time will be spent evenly over each partner organisation in proportion with their contributions which is not always the case.





# 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 1<sup>st</sup> April 2016 and 31<sup>st</sup> October 2016:

	Implemented	Being Implemented	Risk Accepted	Superseded	No progress information	Future Action Date	Total
Low Risk	8	3	1	0	3	26	41
Moderate Risk	0	0	0	0	0	4	4
Significant Risk	0	0	0	0	0	0	0
Critical Risk	0	0	0	0	0	0	0
<b>Totals</b>	<b>8</b>	<b>3</b>	<b>1</b>	<b>0</b>	<b>3</b>	<b>30</b>	<b>45</b>

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	1	0	0	2	3
No progress information	0	3	0	0	0	3
	<b>0</b>	<b>4</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>6</b>

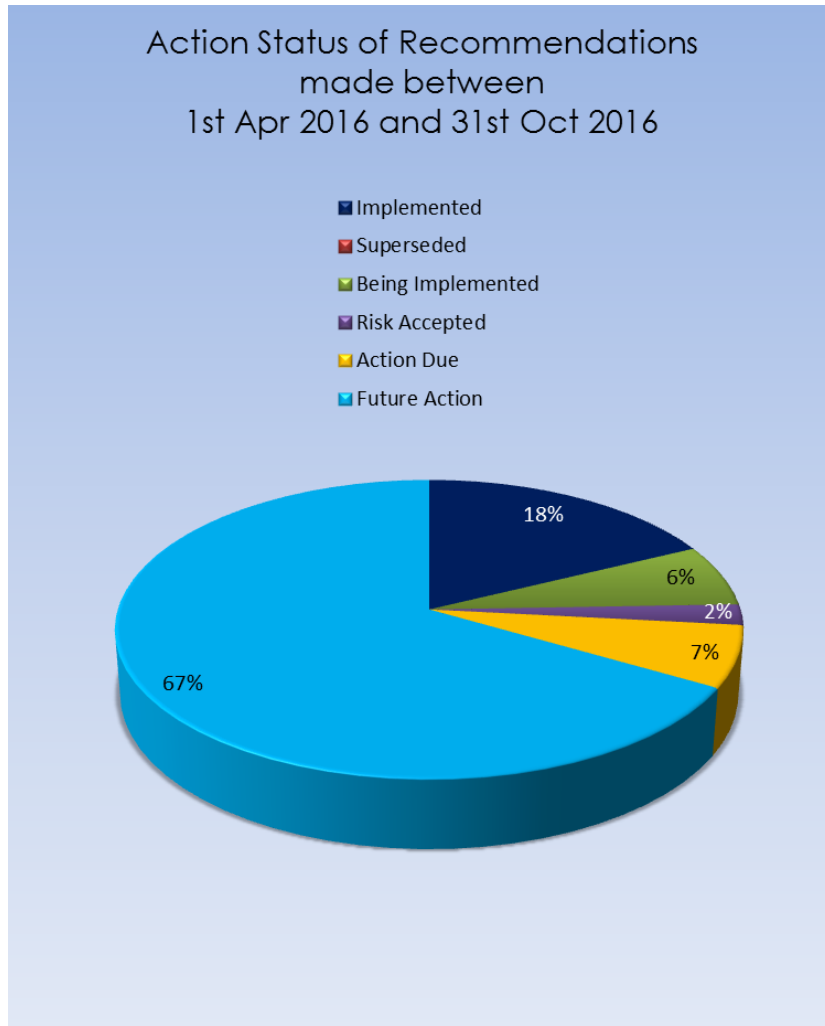
Internal Audit has provided Committee with summary details of those recommendations still in the process of 'Being Implemented' and those that have passed their due date for implementation. We will provide full details of any moderate, significant or critical risk issues where management has decided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

# Ashfield District Council – Audit Progress Report

## Recommendation Tracking

### Implementation Status Charts

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# Ashfield District Council – Audit Progress Report

## Recommendation Tracking

### Highlighted Recommendations

We have included this section of this report to bring recommendations to your attention.

#### Corporate Services & Transformation

##### Risk Management

**Control Issue 2** - 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..

Risk Rating – Low Risk

Status Update – No Response Received.

Original Action Date 30 Sep 16 Revised Action Date n/a

**Control Issue 4** - Control actions implemented were not adequately mitigating risks identified.

Risk Rating – Low Risk

Status Update - No Response Received.

Original Action Date 30 Sep 16 Revised Action Date n/a

**Control Issue 5** - 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.

Risk Rating – Low Risk

Status Update - A revised governance structure for risk has been agreed and the strategy will be updated in accordance with this.

Original Action Date 31 Jul 16 Revised Action Date 30 Sep 16

**Control Issue 8** - 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.

Risk Rating – Low Risk

Status Update - No Response Received.

Original Action Date 31 Oct 16 Revised Action Date n/a

#### Place & Communities

##### New Cross Initiative

**Control Issue 4** - Although Officers were able to demonstrate they were aware of the Data Protection Act, there was no evidence that employees working within the Initiative had received formal Data Protection Training.

Risk Rating – Low Risk

Status Update - This has not yet happened. However, training has been requested and we are awaiting suitable dates for the team attend.

Original Action Date 1 Nov 16 Revised Action Date 1 Jan 17

**Control Issue 6** - There were no formal written agreements in place for the coming period, there is a risk that partners may not provide the funding and/or secondments offered.

Risk Rating – Low Risk

Status Update - Not all secondments have been finalised. Notts Police is being assessed by Legal services at the moment. It is expected that all SLA's to have been signed by January 2017.

Original Action Date 1 Nov 16 Revised Action Date 1 Jan 17

# 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 16<sup>th</sup> October 2016 and agreed by management, which have reached their agreed implementation date, but which currently remain outstanding.

	Previous Years Audits	2015/16 Audits	Recommendations outstanding @ 14 <sup>th</sup> September 2016
<b>High Priority</b>	0	1	1
<b>Medium Priority</b>	2	4	6
<b>Low Priority</b>	0	1	1
<b>Total</b>	<b>2</b>	<b>6</b>	<b>8</b>

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

Service Area	High	Medium	Low	Total
<b>Resources</b>	0	2	1	3
<b>Governance</b>	1	1	0	2
<b>Corporate &amp; Transformation</b>	0	3	0	3
<b>Planning &amp; Economic Development</b>	0	0	0	0
<b>Place &amp; Communities</b>	0	0	0	0
<b>Housing</b>	0	0	0	0
<b>Total</b>	<b>1</b>	<b>6</b>	<b>1</b>	<b>8</b>



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

Service Area	High	Medium	Low	Total
<b>Resources</b>	0	0	0	0
<b>Governance</b>	0	0	0	0
<b>Corporate &amp; Transformation</b>	0	1	0	1
<b>Planning &amp; Economic Development</b>	2	0	0	2
<b>Place &amp; Communities</b>	0	0	0	0
<b>Housing</b>	0	0	0	0
<b>Total</b>	<b>2</b>	<b>1</b>	<b>0</b>	<b>3</b>

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.

# Ashfield District Council – Audit Progress Report

## High Level Outstanding Recommendations

Category	Data Management				
Recom. No.	Recommendation	Risk Factor (1 High, 3 Low)	Impl. Date	Status	Progress Bar
AUD/1516 - 09/03	The Assistant Chief Executive commission training for managers and other employees whose duties require informed compliance with Council policies on data management.	1	30-Jun-2016		
	Response				
	Agreed				
	Manager				
	Ruth Dennis; Robert Mitchell				
Comment History	10-Nov-2016	Requests have been made to the training department all training should be completed by the end of December.			
	14-Sep-2016	Employee requiring training identified and prioritised according to needs. Roll out will be progressed shortly.			
	14-Jun-2016	Training module developed for roll out via the ELA training system including testing at the end of the module and a pass mark. Next stage is to identify employees who will be required to undertaking the training module and to roll it out.			

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# Ashfield District Council – Audit Progress Report

## Ashfield Homes Ltd – Outstanding Recommendations

Report	Recommendation	Responsible officer	Due date	Update
<b>C</b> Welfare Reform 15/16-08	The report written previously on how the Company plan to handle a roll out of the Universal Credit scheme is reviewed and submitted to Senior Management and Council for information.	Temporary Senior Housing Operations Manager (Housing)	30/10/16	The report is being revisited to review the proposals moving forward to manage the project. There are no dates at present for wider roll out of UC. This issue has been raised and discussed at Welfare Reform Board Meetings (ADC and AHL). <b>Update 14/11/16 – As there is no planned wider roll out of UC at present, the report has not been revisited. This cannot be revisited and the proposals updated until we have a clear date moving forward. This can be raised at the next Welfare Reform meeting in December 2016. BEING IMPLEMENTED</b>
<b>C</b> Housing Maintenance 15/16-10	The full review of the in-house Schedule of Rates is given an end target date, and progress is monitored and reported to SMT.	Responsive and Voids Maintenance Manager & Support Services Manager	31/03/18	A full programme is in place to complete the review of the schedule of rates. Progress of this will be monitored through Senior Management Team <b>Update 16/11/2016 Potentially looking at buy off the shelve paper less system and therefore changing the system altogether. BEING WORKED ON.</b>

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<b>Report To:</b>	<b>AUDIT COMMITTEE</b>	<b>Date:</b>	<b>28 NOVEMBER 2016</b>
<b>Heading:</b>	<b>NON-COMPLIANCE WITH FINANCIAL REGULATIONS</b>		
<b>Portfolio Holder:</b>	<b>N/A</b>		
<b>Ward/s:</b>	<b>N/A</b>		
<b>Key Decision:</b>	<b>NO</b>		
<b>Subject To Call-In:</b>	<b>NO</b>		

### **Purpose Of Report**

To update Members on progress made since the issue of non-compliance with Financial Regulations was reported to Audit Committee in December 2015.

### **Recommendation(s)**

**2.1 The report be noted; and**

**2.2 Members determine whether any further assurance is required.**

### **Reasons For Recommendation(s)**

The Audit Committee has a duty to consider the Authority's compliance with its own published standards and controls as part of the maintenance of an effective control and governance framework. It is also responsible for overseeing the Council's anti-fraud strategy.

### **Alternative Options Considered (With Reasons Why Not Adopted)**

The report has no alternative options to consider.

### **Detailed Information**

Financial Regulations form part of the Council's Governance Framework, and contribute to mitigating the Authority's fraud risks by identifying and codifying financial processes and procedures which reduce opportunities to commit fraud as well as the likelihood of error.

In 2015, an audit of the Council's general arrangements to deal with fraud identified a significant number of cases of non-compliance with Financial Regulations relating to the ordering of goods and services. The use of formal orders is acknowledged as reducing the scope for the submission of fraudulent invoices, it helps to enhance the quality of the

Authority's budgetary control arrangements, facilitates a smoother closedown process at year end, and assists in achieving the increasingly challenging deadline for the production of Final Accounts. Additionally, invoices resulting from properly raised purchase orders can be processed quicker, helping to reduce potential penalties to which the Council may be subject to under the EU late Payment Directive.

In Autumn 2015, to address the issue of non-compliant purchasing, a number of training sessions were held where the importance of using purchase orders and the possible consequences of non-compliance with Financial Regulations was restated.

In February 2015, a review of ordering arrangements concluded that for 55% of invoices processed, either no official order was raised, or the date of the order was the same as the date of the invoice, indicating that an order had been raised after the invoice was received to simplify processing. This level of non-compliance represents the benchmark against which improvements can be measured. The calculation takes into account certain categories of goods and services which the Deputy Chief Executive has approved as exceptions, which do not require a purchase order. This includes utility services, periodic payments, such as rent and rates, work which is part of a formal contract, credit card purchases and petty cash.

In the period 1<sup>st</sup> July to 30<sup>th</sup> September 2015, 40% of invoices were recorded as non-compliant. Within these figures, however, there was evidence of an improving trend. Of the invoices processed in July, 50% were non-compliant, compared to 30% in September.

The position has continued to improve, and in the two months June and July 2016, 25% of invoices were found to be non-compliant. Appendix A shows the data for June and July 2016, compared to the information previously reported to Audit Committee in December 2015.

Regular reports are taken to Corporate Leadership Team to inform them of the progress being made. With the Council's Housing function being brought back 'in house', the Creditors Team have delivered a number of Purchasing training sessions, which were well received by the staff concerned. The Housing staff have been encouraged to seek help, and it is pleasing to note that they have embraced the system.

## **Implications**

### **Corporate Plan:**

The Council's Budget underpins all aspects of the Corporate Plan and is particularly relevant to "Organisational Improvement.

### **Legal:**

There are no direct legal issues identified in the report.

### **Finance:**

Non-compliance of Financial Regulations relating to purchase ordering increases the risk of financial loss due to fraud or error.



**Human Resources / Equality and Diversity:**

There are no HR issues.

**Other Implications:**

N/A

**Reason(s) for Urgency (if applicable):**

N/A

**Background Papers**

N/A

**Report Author and Contact Officer**

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**Dave Greenwood**  
**DCEO (Resources)**

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**APPENDIX A**

**NON-COMPLIANCE WITH FINANCIAL REGULATIONS - NON-COMPLIANT INVOICES (JUNE & JULY 2016)**

**PREVIOUSLY REPORTED TO AUDIT COMMITTEE - DECEMBER 2015**

Service Area	NON-COMPLIANT INVOICES PROCESSED				Non-compliance by service area	
	Jun-16	Jul-16	Total Invoices	% of Total N/C Invoices	Invoices Generated by Service	% of Service's Invoices Non Compliant
Transport	42	44	86	28.10%	354	24.29%
Environmental Services	15	18	33	10.78%	118	27.97%
Culture, Leisure & Community Empowerment	9	17	26	8.50%	68	38.24%
Asset Management	12	6	18	5.88%	238	7.56%
Revenues & Customer Services	12	9	21	6.86%	46	45.65%
Planning	9	12	21	6.86%	60	35.00%
Community Protection	7	9	16	5.23%	28	57.14%
Electoral Services	11	3	14	4.58%	21	66.67%
Legal Services	3	7	10	3.27%	10	100.00%
Markets	6	4	10	3.27%	15	66.67%
Strategic Housing	4	6	10	3.27%	17	58.82%
Waste	5	5	10	3.27%	27	37.04%
Environmental Health	5	1	6	1.96%	16	37.50%
HR & Payroll	2	3	5	1.63%	8	62.50%
IT	1	0	1	0.33%	17	5.88%
CEO	2	1	3	0.98%	6	50.00%
Capital - Economy	2	0	2	0.65%	20	10.00%
Capital - Environment	2	1	3	0.98%	8	37.50%
Plan, Perform & Improvement	1	1	2	0.65%	3	66.67%
Business Contingency	1	1	2	0.65%	24	8.33%
Capital - Corporate	2	0	2	0.65%	14	14.29%
Property Management	0	2	2	0.65%	34	5.88%
Service Director - Economy	2	0	2	0.65%	6	33.33%
Housing Revenue	0	1	1	0.33%	27	3.70%
Communications	0	0	0	0.00%	4	0.00%
Finance	0	0	0	0.00%	12	0.00%
Strategic Projects & Trust Development	0	0	0	0.00%	1	0.00%
Democratic Services	0	0	0	0.00%	0	0.00%
Totals	155	151	306	100.00%	1,202	25.46%

NON-COMPLIANT INVOICES PROCESSED					Non-compliance by service area	
Jul-15	Aug-15	Sep-15	Total Invoices	% of Total N/C Invoices	Invoices Generated by Service	% of Service's Invoices Non Compliant
118	84	84	286	40.23%	382	74.87%
28	21	28	77	10.83%	204	37.75%
14	13	8	35	4.92%	73	47.95%
39	20	15	74	10.41%	414	17.87%
13	9	11	33	4.64%	52	63.46%
9	3	8	20	2.81%	61	32.79%
9	6	6	21	2.95%	52	40.38%
3	3	6	12	1.69%	14	85.71%
10	3	4	17	2.39%	32	53.13%
6	4	3	13	1.83%	16	81.25%
6	2	5	13	1.83%	38	34.21%
5	5	4	14	1.97%	37	37.84%
5	5	6	16	2.25%	38	42.11%
4	2	4	10	1.41%	13	76.92%
8	1	3	12	1.69%	30	40.00%
2	2	1	5	0.70%	8	62.50%
2	2	0	4	0.56%	5	80.00%
1	3	2	6	0.84%	18	33.33%
7	4	5	16	2.25%	62	25.81%
3	5	0	8	1.13%	37	21.62%
0	3	1	4	0.56%	5	80.00%
7	2	3	12	1.69%	22	54.55%
1	1	1	3	0.42%	13	23.08%
300	203	208	711	100.00%	1,626	43.73%

% Change on Previously Reported
50.58%
9.78%
9.71%
10.31%
17.81%
-2.21%
-16.76%
19.05%
-46.88%
14.58%
-24.61%
0.80%
4.61%
14.42%
34.12%
12.50%
13.33%
25.00%
19.92%
17.92%
80.00%
54.55%
23.08%
18.27%

Please Note: Invoices which are automatically sent upon receipt of Order, therefore, Order and invoice dates are the same, have been removed from this total, only for suppliers Finance have been informed about

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