

ASHFIELD DISTRICT COUNCIL



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

Agenda

Audit Committee

Date: **Monday, 24th July, 2017**

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:

Lee Anderson

Rachel Bissett

Christine Quinn-Wilcox

Chris Baron

Jackie James

Robert Sears-Piccavey

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 or Personal Interests 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 20th March, 2017.** 5 - 10
4. **Draft Statement of Accounts 2016/17.** 11 - 16
5. **Internal Audit Annual Report 2016/17.** 17 - 26
6. **Audit Progress Report.** 27 - 46

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AUDIT COMMITTEE

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

on Monday, 20th March, 2017 at 6.30 pm

Present: Councillor Kevin Rostance in the Chair;

Councillors Chris Baron, Steve Carroll, Tom Hollis,
Jackie James, Lachlan Morrison and
Christine Quinn-Wilcox.

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

In Attendance: Sophie Jenkins (KPMG), Adrian Manifold (CMAP)
and Mandy Marples (CMAP).

Prior to commencement of the meeting, the Chairman took the opportunity to introduce Mandy Marples from the Central Midlands Audit Partnership who was in attendance at the meeting with Adrian Manifold, CMAP's Audit Manager.

AC.18 Declarations of Disclosable Pecuniary and Non Disclosable Pecuniary/Other Interests

There were no declarations of interest made.

AC.19 Minutes

RESOLVED

that the minutes of the meeting of the Committee held on 28th November, 2016, be received and approved as a correct record.

AC.20 KPMG: Annual Report on Grants and Returns Work 2015/16

Sophie Jenkins, KPMG Director, presented the report which summarised the results of the work undertaken on the certification of the Council's 2015/16 grant claims and returns.

During 2015/16, certification work was carried out on two returns, namely Housing Benefit Subsidy Claim and Pooling of Housing Capital Receipts. There were no issues with the Pooling of Housing Capital Receipts which received an unqualified assurance report.

The Housing Benefit Subsidy Claim received a qualified assurance report due to a number of errors found during the sample testing. However, the errors

were not significant and additional work had been suggested to the Council to review the errors and consider additional quality control arrangements to address the issues in the future.

In response to a question, Members were informed that the indicative fees for the work on the Housing Benefit Subsidy Claim had been increased from £12,930 to £19,900 due to a larger number of cases being re-performed, time spent supporting the Benefits team to complete the workbooks and the repopulating of workbooks due to incorrect or incomplete information being provided.

Having included the £3,000 cost for the Pooling of Housing Capital Receipts, the total fee for the work for 2015/16 was £22,900.

RESOLVED

that the Certification of Grants and Returns for 2015/16, as presented to the Committee, be received and noted.

AC.21 KPMG: External Audit Plan 2016/17

Sophie Jenkins presented the External Audit Plan for 2016/17 to the Committee. It was acknowledged that there had been some changes to the Code of Practice on Local Authority Accounting and that this would result in some presentational changes to the Council's final accounts. Materiality for planning purposes had been set at £1.2 million and errors would be reported over the agreed level of 60k.

Two standard audit risks in relation to Fraudulent Income Recognition and Management Override of Controls would be considered and two further significant risks had been identified which required specific attention, namely 'significant changes in the pension liability due to LGPS Triennial Valuation' and 'bringing Ashfield Homes Limited back under the control of the Authority. A final area of audit focus would consider 'disclosure around retrospective restatement of Comprehensive Income and Expenditure (CIES), Movement in Reserves Statement (MiRS) and Expenditure and Funding Analysis (EFA) from 1st April, 2016.

In relation to the Value for Money (VFM) audit, the approach would be fundamentally unchanged from that adopted in 2015/16. The recent VFM risk assessment regarding the Council's current arrangements had identified one significant VFM risk in relation to 'medium term financial planning/delivery of saving plans. The risk was not unique to this Council but had been identified within other local authorities' assessments as a result of the impact of recent Government funding cuts.

RESOLVED

that the External Audit Plan for 2016/17, as presented to the Committee, be received and noted.

AC.22 Ashfield District Council Audit Plan 2017/18

Adrian Manifold, CMAP Audit Manager, presented the report and took Members through a short presentation to explain the process for selecting audit reviews based on a modern risk-based approach. Each risk was assessed against 8 measures (4 impact based and 4 likelihood based) and awarded a suitable rating. Information was also sought from the Council's Corporate Leadership Team (CLT) to identify the Council's main risks (through its Risk Registers) with the data being combined with the results of the CMAP selection process to establish an overall Plan.

Once the process has been completed, a risk score was attributed to each audit review and prioritised as either a High, Medium or Low risk. This formed the basis of the annual Audit Plan and audit days were allocated based on the risk score and complexity of the review. However, the Audit Plan was a flexible document and changes were possible throughout the year as a result of emerging high risk issues and unavoidable diversion of resources.

The detailed Audit Plan contained a schedule of all the agreed audit reviews but Members acknowledged that there were not enough resources to undertake all the reviews annually so the Plan currently worked on a rolling 5 year programme to completion.

To conclude Committee were asked to note that the allocation of audit days for 2017/18 indicated a slant towards the Housing directorate which had resulted from the bringing back in-house of Ashfield Homes Limited in October of last year.

Members took the opportunity to ask questions and debate the issue. There was a consensus from the Committee that Members should play a more active role in monitoring Risk Management and agreed it would be prudent for the Audit Committee to have sight of the Risk Registers at its next meeting for consideration.

RESOLVED that

- a) the content of the Audit Plan for 2017/18, as presented, be received and approved;
- b) the Corporate Performance and Improvement Manager be requested to submit the Council's Risk Registers to the next meeting of the Committee (June 2017) to enable Members to review and consider the documents including their analysis of risk and order of priority for action.

AC.23 Ashfield District Council Audit Progress Report

Adrian Manifold presented the report and summarised the audit progress from 1st November, 2016 until 28th February, 2017. Six assignments had been completed which had all received either a 'Comprehensive' or 'Reasonable' ranking.

The Payroll review had flagged up a 'significant risk' in relation to the absence of a robust process for ensuring the annual pension return for Ashfield was

completed in a timely manner. A recommendation had been agreed with officers to ensure an improved process was in place by 1st May, 2017. Members were reminded that monitoring recommendations was part of the service offered by CMAP and an update in relation to outstanding recommendations was included in the report.

To conclude, Members were advised that service delivery was currently a little over target which was to be welcomed. It was acknowledged that the permanent presence of the CMAP officer (formerly the Council's Senior Audit Officer) at the Council offices had greatly contributed towards this target position and had proven to be an effective way of working; something which CMAP hoped to emulate in the future with other partner organisations.

RESOLVED

that audit assignment progress as at 28th February, 2017, as presented to Committee, be received and noted.

Reason:

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

(During consideration of this item, Councillor Tom Hollis left the meeting at 7.17 p.m.)

AC.24 Pension Assumptions for 2016/17 Statement of Accounts

The Corporate Finance Manger 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 2015/16 financial year, at as at 31 March 2016, had been calculated at £69.824m but it was acknowledged that the overall net liability changed each financial year based on actual performance of the fund and any differing assumptions as prepared by Nottinghamshire County Council's Pension Fund Schemes' Actuary, Barnett Waddingham.

Members were advised that the assumptions made by the Actuary could be challenged. The Council has asked that a different assumption be applied in respect of the pay award up to 2010 (i.e. 1% rather than CPI over the period). The Committee were also asked to note that the pension liability figures would increase in future years due to the bringing back in-house of Ashfield Homes Limited and the direct delivery of the Housing service.

RESOLVED

that having taken account of the Actuary's briefing note as outlined at Appendix A and the comments made in the Committee report, the IAS19 assumptions be agreed as the basis for the calculation of the figures required for the 2016/17 Statement of Accounts.

Reason:

It is best practice that the actuarial assumptions intended to be used in preparing the IAS19 figures within the Accounts are considered prior to their application and use in the compilation of the actuary's report. As such this report delivers the Council's obligations as part of the closure of the 2016/17 Statement of Accounts.

AC.25 Accounting Policies 2016/17 and other Statement of Accounts Matters

The Corporate Finance Manager presented the report and advised Members that the content of the 2016/17 Statement of Accounts would be slightly unusual as a result of the inclusion of former AHL accounts, part way through the financial year, following the bringing in-house of Ashfield Homes Limited in October 2016. Substantial changes had already been made to the Council's accounting systems and much work was still required to be undertaken to close the company down and reacquire the assets.

Following the annual assessment of all the Council's policies, no significant amendments had been made from the accounting policies adopted in 2015/16 apart from those necessary as a result of transferring functions from the Company back to the Council. These included the following policies:

- 12. Interests in Companies & Other Entities
- 13. Inventories and Long Term Contracts.

The Chartered Institute of Public Finance and Accountancy (CIPFA) were intending to issue an accounting Bulletin giving further guidance on matters for the production of the Statement of Accounts. To date, the guidance hadn't been issued but would be taken into account when producing the statements. However, it was intended that the Income & Expenditure accounts in the statements would be reported in the same structure as reported to the Corporate Leadership Team and Members, which should make for easier reading in the future.

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.

Prior to closing the meeting, the Chairman took the opportunity to thank the Corporate Finance Manager and her team for their hard work and commitment over the previous year in relation to the AHL transfer and supporting the work undertaken by the Council's External Auditors, KPMG.

The meeting closed at 7.47 pm

Chairman.

Report To:	AUDIT COMMITTEE	Date:	24TH JULY 2017
Heading:	DRAFT 2016/17 STATEMENT OF ACCOUNTS		
Portfolio Holder:	N/A		
Ward/s:			
Key Decision:	NO		
Subject To Call-In:	NO		

Purpose Of Report

The purpose of this report is to present to members the Council's draft Statement of Accounts for 2016/17 in accordance with the Accounts and Audit Regulations (England) 2015.

Recommendation(s)

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

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).

Alternative Options Considered (With Reasons Why Not Adopted)

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

Detailed Information

The purpose of this report is to present to members the Council's draft Statement of Accounts for 2016/17. The Accounts and Audit Regulations 2015 require the accounts to be complete and submitted to External Audit by 30th June each year. This will change to 31st May from 2018 onwards.

The accounts were submitted to KPMG (the Council's external auditors) in accordance with the deadline and the audit is due to commence on 17th July 2017.

[The draft Statement of Accounts for 2016/17 can be viewed here.](#)

Since the submission of the accounts (and prior to the audit commencing) two small errors have been detected. These relate to the text on the Narrative Statement, the correct details being shown at Appendix A. These changes 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 25th September 2017 when the accounts will be presented for formal approval.

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.

Finance:

There are no financial implications in presenting the Statement of Accounts

Budget Area	Implication
General Fund – Revenue Budget	None
General Fund – Capital Programme	None
Housing Revenue Account – Revenue Budget	None
Housing Revenue Account – Capital Programme	None

Human Resources / Equality and Diversity:

There are no human resource, equality or diversity impacts.

Other Implications:

There are no other implications.

Reason(s) for Urgency (if applicable):

N/A

Exempt Report:

N/A

Background Papers

None.

Report Author and Contact Officer

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Robert Mitchell
CHIEF EXECUTIVE

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Appendix A

Two errors have been found on the Narrative Statement on the 2016/17 Statement of Accounts.

General Fund Outturn (Page 12)

Currently states:

The Net General Fund Deficit after Movement in Reserves is £1.295m, £0.004m better than budgeted.

This should state:

The Net General Fund Surplus after Movement in Reserves is £0.495m, £0.004m better than budgeted.

HRA Outturn (Page 13)

Currently states:

The outturn for the HRA shows an in year surplus of £1.956m, before movement in reserves, bringing the total HRA balance at 31 March 2017 to £23.746m.

This should state:

The outturn for the HRA shows an in year surplus of £1.779m, after movement in reserves, bringing the total HRA balance at 31 March 2017 to £23.746m.

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Audit Committee: 24th July 2017



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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Introduction

Why is an Audit Opinion required

The Public Sector Internal Audit Standards (PSIAS) sets out the requirement for Chief Audit Executive to report to the Board (e.g. the relevant Audit Committee) to help inform their opinions on the effectiveness of the framework of governance, risk and control in operation within the Council.

In accordance with PSIAS, the Chief Audit Executive is required to provide an annual opinion, based upon and limited to the work performed, on the overall adequacy and effectiveness of the organisation's risk management, control and governance processes (i.e. the Council's system of internal control).

The Council's Assurance Framework should bring together all of the evidence required to support the Annual Governance Statement (AGS) requirements. This is achieved through a risk-based plan of audit work, agreed with management and approved by the Board (e.g. the relevant Audit Committee), which should provide a reasonable level of assurance.

The report highlights matters for consideration and refers to plans for further assurance activity in areas of concern. The report is broken down into an overall opinion and a detailed Internal Audit outturn report for all activity in the year to fulfil the requirements of the Accounts and Audit Regulations 2015 and PSIAS.

The annual opinion contributes to the completion of the Annual Governance Statement (AGS). It is specifically timed to be considered as part of the Council's annual review of governance and internal control.

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 Chief Audit Executive 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.

The audit work planned for 2016/17 has informed the Chief Audit Executive's opinion on the internal control environment that exists within the Council. The Chief Audit Executive reports his overall opinion to the Audit Committee on an annual basis.

The Chief Audit Executive 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.

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 Chief Audit Executive's overall audit opinion is based on the work undertaken by internal audit in 2016/17. The reporting of the incidence of significant control failings or weaknesses has also 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 is provided by the Central Midlands Audit Partnership (CMAP). The Partnership strives to operate in accordance with standards of best practice applicable to Internal Audit (in particular, the Public Sector Internal Audit Standards – PSIAS) as well as its own Internal Audit Charter.

In preparing the overall opinion, the Chief Audit Executive has reviewed all audit activity carried out during 2016/17 and noted any issues arising from those audits that have carried forward into 2017/18. 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

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year through follow up audit work.

The Chief Audit Executive will use the individual assurance ratings from the audits conducted in 2016/17 and the progress with agreed actions to form the overall opinion.

The Chief Audit Executive will identify where reliance has been placed on work by other assurance bodies. The opinion will be based on the work of Internal Audit and any 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 Chief Audit Executive will be able to give an overall assurance on the adequacy and effectiveness of the internal controls operating in these systems.

Possible Overall Opinions

The Chief Audit Executive's opinion relative to the organisation as a whole could fall into one of the following 3 categories:

- **Inadequate System of Internal Control** – Findings indicate significant control weaknesses and the need for urgent remedial action. Where corrective action has not yet started, the current remedial action is not, at the time of the audit, sufficient or sufficiently progressing to address the severity of the control weaknesses identified.
- **Adequate System of Internal Control Subject to Reservations** – A number of findings, some of which are significant, have been raised. Where action is in progress to address these findings and other issues known to management, these actions will be at too early a stage to allow a satisfactory audit opinion to be given.
- **Satisfactory System of Internal Control** - Findings indicate that on the whole, controls are satisfactory, although some enhancements may have been recommended.

External Assessment of Internal Audit

Public Sector Internal Audit Standard 1312 requires that "External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation."

The Council is part of the Central Midlands Audit Partnership. The Chief Audit Executive of CMAP requested that Milford Research and Consultancy Limited conducted this external quality assessment of the internal auditing activities of CMAP. The principal objectives of the quality assessment are to assess the internal audit activity's conformance to Standards, evaluate the internal audit activity's effectiveness in carrying out its mission (as set forth in its charter to its partners), and identify opportunities to enhance its management and work processes.

The assessment is based on the following 3 ratings:

- **Generally Conforms** - means that an internal audit activity has a charter, policies, and processes that are judged to be in conformance with the Standards.

- **Partially Conforms** - means deficiencies in practice are noted that are judged to deviate from the Standards, but these deficiencies did not preclude the internal audit activity from performing its responsibilities in an acceptable manner.
- **Does Not Conform** - means deficiencies in practice are judged to be so significant as to seriously impair or preclude the internal audit activity from performing adequately in all or in significant areas of its responsibilities.

The assessment was carried out in the period February – April 2017. Although the final report has not been produced, the consultant has fed back his findings to the CMAP Board.

	Number of standards	Generally Conforms	Partially Conforms	Does Not Conform
Code of Ethics	4	4	0	0
Attribute Standards	19	12	5	2
Performance Standards	33	27	5	1

The overall opinion is that the internal audit activity **Generally Conforms** with the Standards and Code of Ethics. The Consultant has identified some opportunities for further improvement and development. CMAP has begun a Development Programme to enhance and build on the service it provides to partners. Where the areas of non-conformance present a risk to CMAP, these have been addressed.

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Chief Audit Executive's Opinion 2016-17

Based on the work undertaken during the year, I have reached the overall opinion that there is a **Satisfactory System of Internal Control** - Findings indicate that on the whole, controls are satisfactory, although some enhancements may have been recommended.

I have arrived at this opinion having regard to the following:

- The level of coverage provided by Internal Audit was considered adequate.
- There were no adverse implications for the Authority's Annual Governance Statement arising from any of the work that Internal Audit has undertaken in 2016-17.
- All assignments attracted either a 'Comprehensive' or 'Reasonable' assurance rating.
- 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 two.
- Sufficient audit coverage of the Council's Main Financial Systems has been provided in 2016-17
- Internal Audit finalised the review of the Council's system of risk management during 2016-17 and the level of assurance was considered 'Reasonable'. Four of the eight low risk recommendations have now been implemented and actions are progressing sufficiently in relation to the remaining four.
- Internal Audit 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 was overhauled as a result. Internal Audit has been involved in the Council's Anti-Fraud group throughout the year and has observed the progress made against actions deriving from this work.
- Internal Audit was heavily involved in the extraction and cleansing of the Council's data for submission for the National Fraud Initiative (NFI) and the Council is making sufficient progress against the matches highlighted.
- Internal Audit has not identified, or been made aware of, any significant control weaknesses arising from anti-fraud or investigative work.
- A Data Quality audit was commenced during 2016-17 where a random sample of performance indicators were examined in depth. No significant concerns were identified by this work and it is likely that an assurance rating of 'comprehensive' will be provided when the audit is complete.

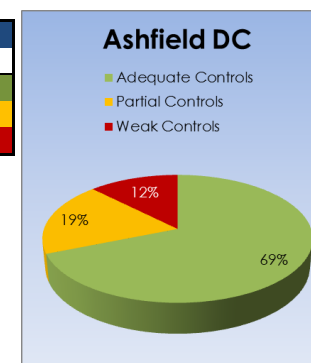
- Internal Audit's coverage during 2016-17 included an appropriate range of governance areas. Two safeguarding audits attracted 'Comprehensive' and 'Reasonable' assurance ratings. The audit of the Council's Ethical Processes and Payments attracted an assurance rating of 'Reasonable'.
- Throughout the year, Internal Audit has met regularly with the Deputy Chief Executive (Resources) (S151 Officer) to discuss emerging issues and risks that the organisation faces.
- Internal Audit has scrutinised some of the key risks associated with the transfer of Ashfield Homes' services and systems back to the Council.
- Recent changes to the Corporate Leadership Team have been discussed with Internal Audit and assurances have been provided regarding the continued role and influence of the Section 151 Officer in the financial management of the organisation's activities.
- The assurances provided by Mansfield District Council's Internal Audit service from their audit of the shared Payroll service.

This opinion is provided with the following caveats:

- The opinion does not imply that Internal Audit has reviewed all risks and assurances relating to the Council. The opinion is substantially derived from the conduct of risk-based audit work and as such, it is one component that is taken into account when producing the Council's Annual Governance Statement.
- 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.
- Certain shared services have been audited by other organisations to their own procedures and standards.

For those audits finalised during 2016-17, we established the following information about the controls examined:

Ashfield District Council	2016-17
Evaluated Controls	289
Adequate Controls	199
Partial Controls	54
Weak Controls	36

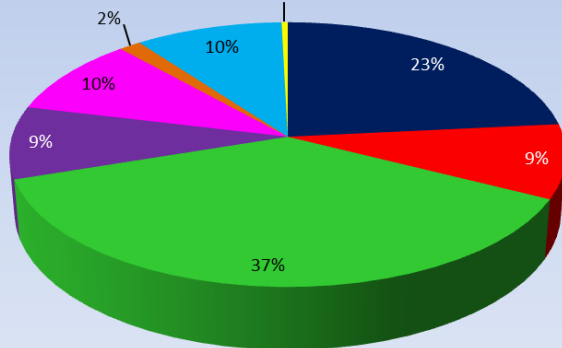


Audit Coverage

The following charts seek to demonstrate the extent of audit coverage provided to Ashfield District Council during 2016-17.

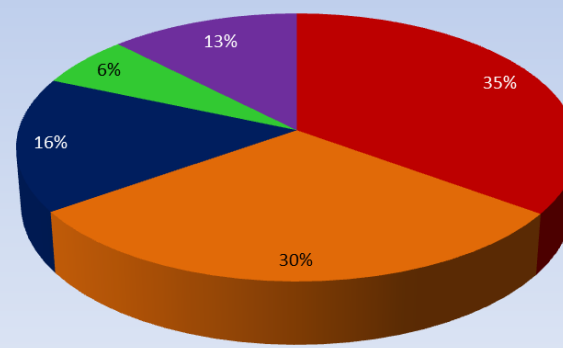
Coverage per Type of Audit 2016-17

- Key Financial System
- Governance Review
- Systems/Risk Audit
- IT Audit
- ADC Audit Management
- Investigation
- Consultancy/Advice/Emerging Issues
- Follow-up



Coverage per Department 2016-17

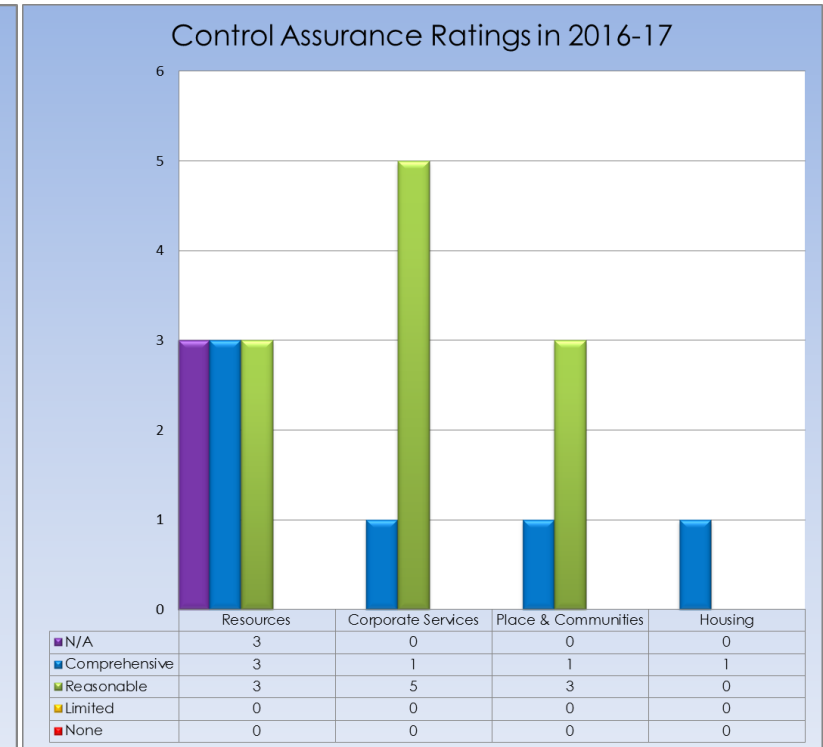
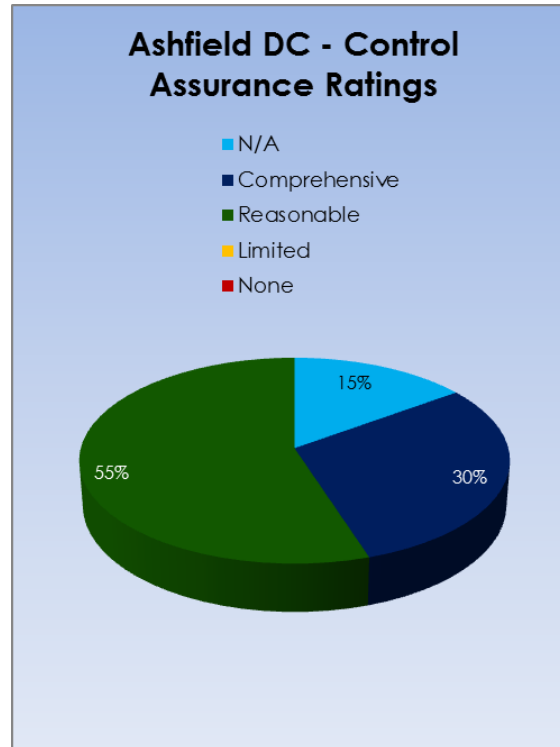
- Resources
- Corporate Services
- Place & Communities
- Housing
- ADC Audit Management



Control Assurance Ratings

All audit reviews contain an overall opinion based on the adequacy of the level of internal control in existence at the time of the audit. These are graded as either:

- **N/A** – The type of work undertaken did not allow us to reach a conclusion on the adequacy of the overall level of internal control.
- **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.
- **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.
- **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.
- **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.



This report rating is determined by the number of control weaknesses identified in relation to those examined, weighted by the significance of the risks.

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Performance Measures

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.

By the end of the Plan year 92.8% of the Audit Plan had been completed against a target of 91%.

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 aimed to achieve an increased target productive rate of 72.7% for the year. The average productive rate for 2015-16 was 71.8%, which we managed to increase to an average of 72.5% in 2016-17.

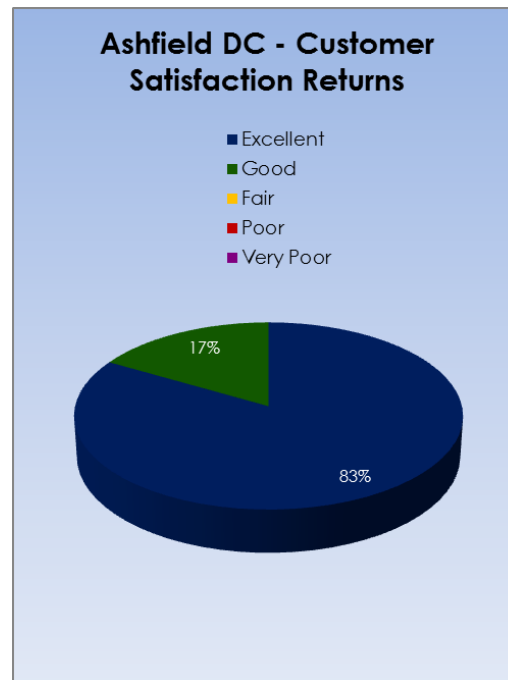
Customer Satisfaction Returns

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. Appendix A summarises the average score for each category from the 6 responses received. The average score from the surveys was 51.2 out of 55. The lowest score received from a survey was 44, 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 5 of 6 responses categorised the audit service they received as excellent; another response categorised the audit as good. There were no overall responses that fell into the fair, poor or very poor categories.



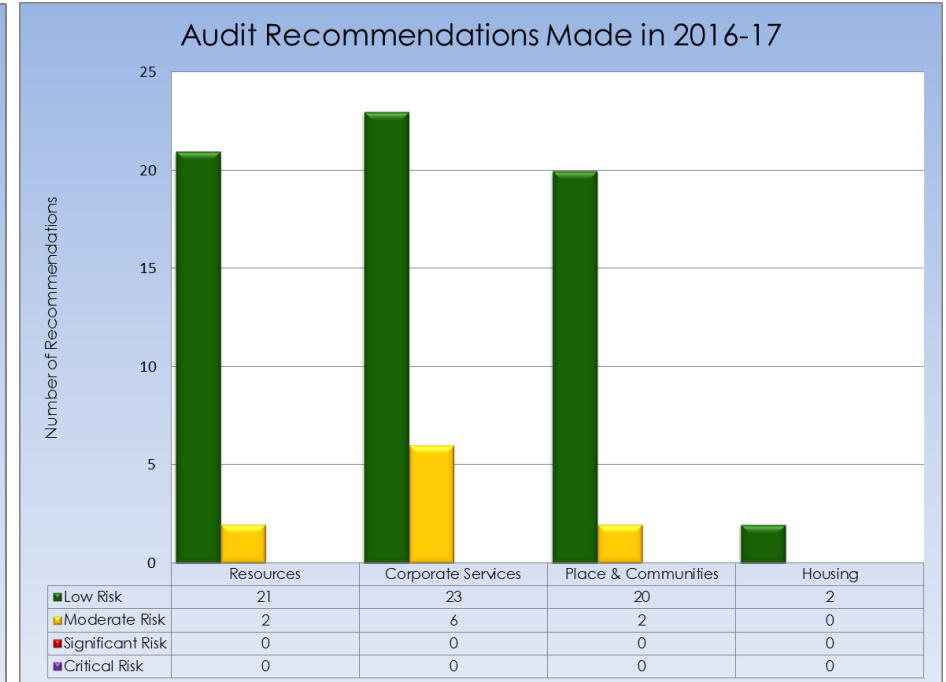
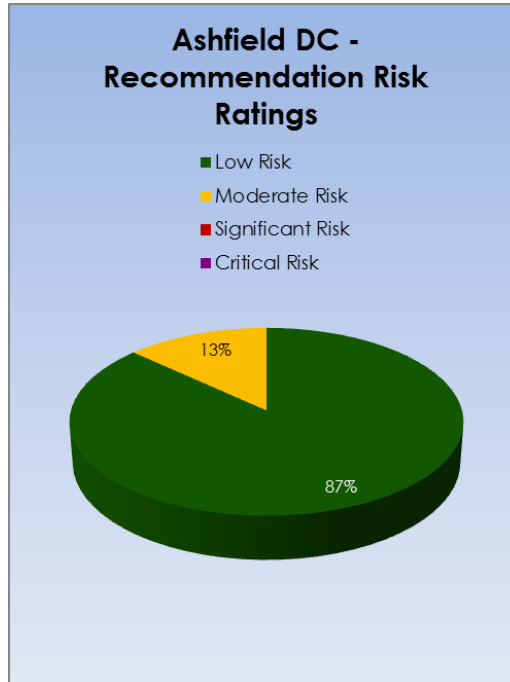
Audit Recommendations

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:

- **Low risk.**
- **Moderate risk.**
- **Significant risk.**
- **Critical 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. A summary of recommendations made, by directorate, for 2016-17 is shown in the table below.

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Ashfield District Council – Internal Audit Annual Report 2016-17

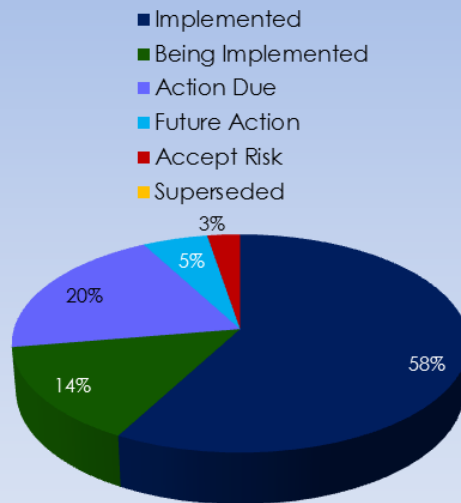
Recommendations Action Status

Internal Audit sends emails, automatically generated by our recommendations database, to officers responsible for action where their recommendations' action dates have been exceeded. We request an update on each recommendation's implementation status, which is fed back into the database, along with any revised implementation dates.

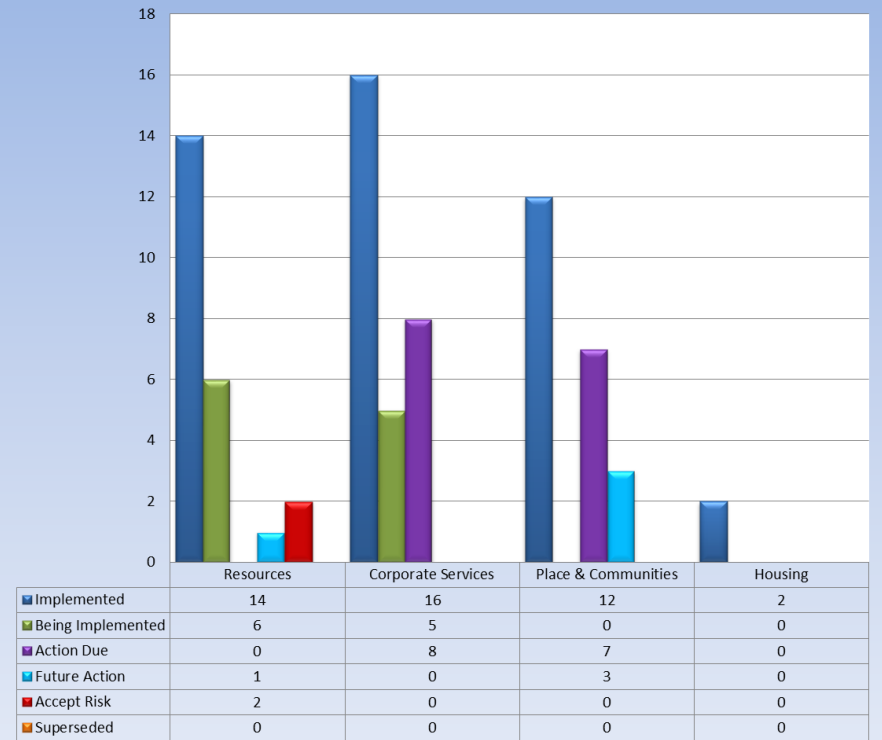
Each recommendation made by Internal Audit has been assigned one of the following "Action Status" categories as a result of our attempts to follow-up management's progress in the implementation of agreed actions. The following explanations are provided in respect of each "Action Status" category:

- **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).
- **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.
- **Accept Risk** = Management has decided to accept the risk that Audit has identified and take no mitigating action.
- **Superseded** = Audit has received information about changes to the system or processes that means that the original weaknesses no longer exist.

Ashfield DC - Recommendation Action Status



Action Status of Recommendations Made in 2016-17





Ashfield District Council – Audit Progress Report

Audit Committee: 24th June 2017



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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 30th June 2017.

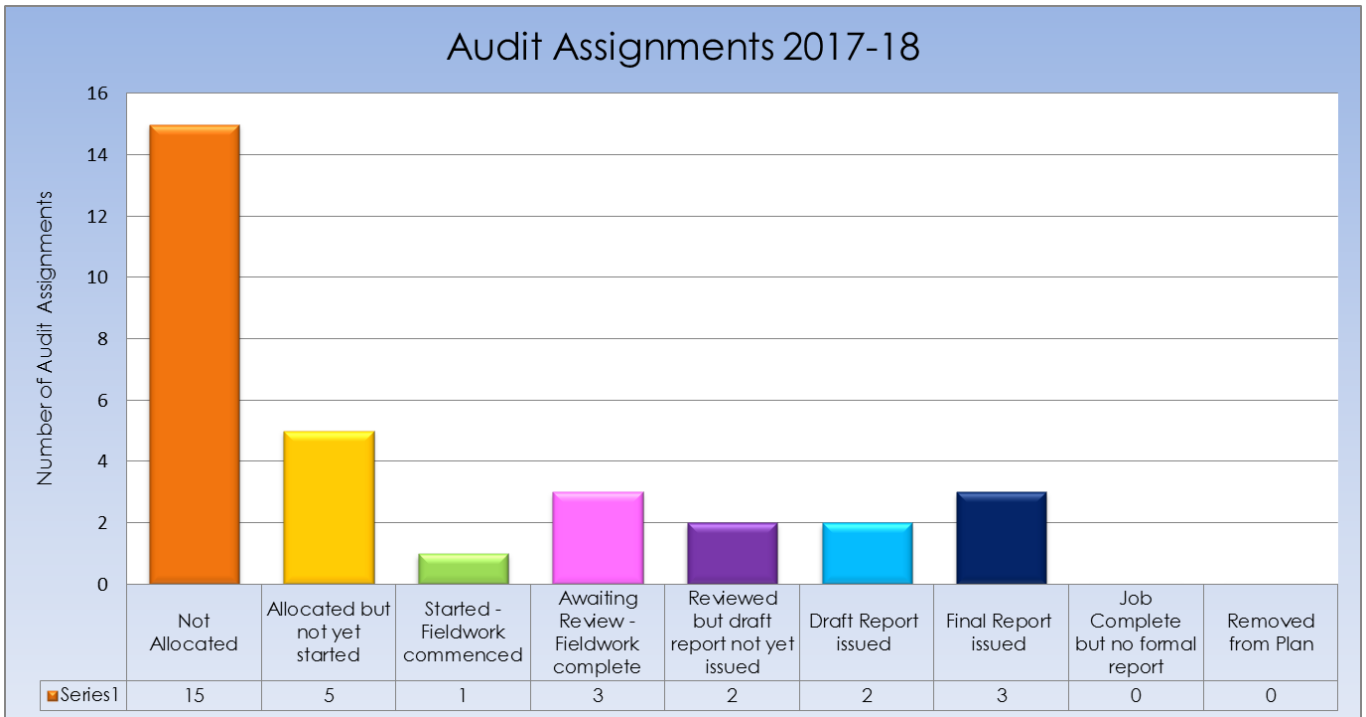
2017-18 Audit Plan Assignments	Type of Audit	Current Status	% Complete	Level of Assurance
Corporate Governance	Governance & Ethics Review	Allocated	5%	
Capital Accounting	Key Financial System	Not Allocated	0%	
Taxation	Key Financial System	Fieldwork Complete	80%	
Fixed Assets	Key Financial System	Not Allocated	0%	
Rent Accounting	Key Financial System	Not Allocated	0%	
Housing Benefit & Council Tax Support	Key Financial System	Not Allocated	0%	
Procurement (incl. Contracts Register)	Procurement/Contract Audit	Not Allocated	0%	
Right to Buy	Systems/Risk Audit	Fieldwork Complete	80%	
Depot Income	Systems/Risk Audit	Fieldwork Complete	80%	
Development Control	Systems/Risk Audit	In Progress	10%	
Markets	Systems/Risk Audit	Allocated	5%	
Homelessness	Systems/Risk Audit	Not Allocated	0%	
Housing Lettings/Allocations	Systems/Risk Audit	Not Allocated	0%	
Contract Management	Procurement/Contract Audit	Not Allocated	0%	
Rent Arrears	Systems/Risk Audit	Not Allocated	0%	
Responsive Maintenance/Voids (Agile Audit)	Systems/Risk Audit	Allocated	0%	
Health & Safety - Gas Safety	Systems/Risk Audit	Not Allocated	0%	
External Wall Insulation Project – Grant Funding	Grant Certification	Allocated	20%	
Health & Safety	Governance & Ethics Review	Not Allocated	0%	
ECINS Security Assessment	IT Audit	Allocated	10%	
ICT Infrastructure	IT Audit	Not Allocated	0%	
People Management	Systems/Risk Audit	Not Allocated	0%	
Payroll	Key Financial System	Not Allocated	0%	
Corporate Improvement/Transformation (incl. Commercialisation)	Governance & Ethics Review	Not Allocated	0%	
Audit Plan Assignments B/fwd from 2016-17				
Data Quality & Performance Management	Governance & Ethics Review	Draft Report	95%	
Main Accounting Systems 2016-17	Key Financial System	Draft Report	95%	
Creditors	Key Financial System	Reviewed	90%	
Housing Benefit & Council Tax Support 2016-17	Key Financial System	Final Report	100%	Reasonable
Private Sector Housing	Systems/Risk Audit	Final Report	100%	Limited
xPress Security Assessment	IT Audit	Reviewed	90%	
OPEN Housing/Contractor IT Security Assessment	IT Audit	Final Report	100%	Reasonable

5 more audit assignments finalised in March 2017 are also included in this report to Committee.

Ashfield District Council – Audit Progress Report

Audit Coverage

Progress on Audit Assignments Chart



Ashfield District Council – Audit Progress Report

Audit Coverage

Completed Audit Assignments

Between 1st March 2017 and 30th June 2017, the following audit assignments reached their conclusion:

1. Private Sector Housing.
2. Treasury Management 2016-17.
3. Council Tax 2016-17.
4. Non-Domestic Rates 2016-17.
5. Business Continuity & Emergency Planning .
6. Ethical Processes & Payments (Members & Officers).
7. Housing Benefit & Council Tax Support 2016-17.
8. Open Housing IT Security Assessment.

Private Sector Housing

Overall Assurance Rating: **Limited**

This audit focused on the administrative process for issuing Notices in relation to the enforcement of Housing Standards and ensuring they are recorded on the Local Land Charges Register. It also reviewed the Works in Default process, including ensuring Contract Procedure Rules are followed and costs are recovered.

From the 12 key controls evaluated in this audit review, 3 were considered to provide adequate control and 9 contained weaknesses. This report contained 8 recommendations, 4 of which were considered to present a low risk and 4 a moderate risk. The following issues were considered to be the key control weaknesses:

1. The Housing Health and Safety rating system procedure notes did not address how officers should document cases. Additionally, the Works in Default procedure notes stated that the 10% Administration charge should not be identified separately on the invoice. (Low Risk)
2. Testing identified that a number of Enforcement Notices were not issued and recorded correctly. (Moderate Risk)
3. Testing identified 6 occasions from a sample of 20, where Charges should have been placed on the Local Land Charges Register, but hadn't. (Moderate Risk)
4. Testing identified one case where an electricians report had not been retained on the case notes. (Moderate Risk)
5. There was not a central record for monitoring the status of cases to ensure key actions have been completed. (Moderate Risk)
6. Only one quote was obtained for a Works in Default case as further access to the property was denied. The decision to award the work on the basis of one quote was not documented. (Low Risk)
7. The Works in Default and Filthy and Verminous Premises Procedure notes did not include placing any unpaid costs on the Land Charges Register, to ensure payment could be received if and when the property was sold. (Low Risk)
8. Testing identified that recharges for Works in Default were not always raised where required and the cost was being borne in the balance sheet. Additionally, costs had been coded to the balance sheet when they were ineligible to be recharged. (Low Risk)

All 8 of the issues raised in this report were accepted and actions were agreed to address all issues. Six have already been implemented and the remaining two issues were due to be completed by 31st July 2017 and 31st August 2017.

Ashfield District Council – Audit Progress Report

Treasury Management 2016-17

Overall Assurance Rating: Reasonable

This audit focused on reviewing the adequacy of the treasury management governance and performance arrangements, ensuring that adequate training and support was available to officers and Members and treasury management transactions were supported by appropriate evidence and approval.

From the 16 key controls evaluated in this audit review, 10 were considered to provide adequate control and 6 contained weaknesses. This report contained 5 recommendations, 3 of which were considered to present a low risk and 2 presenting a moderate risk. The following issues were considered to be the key control weaknesses:

1. The Council was not fully complying with the CIPFA Treasury Management code with respect to assessing the need for Member training. Member training was being provided by the Council's Treasury Management advisors only once every 4 years as part of their arrangement and then at intervals to be decided by the Council at their cost. The CIPFA Treasury Management self-assessment document had not been completed. (Low Risk)
2. A rollover of an investment with a Local Authority had been agreed verbally with the Corporate Finance Manager, but formal approval of the transaction was never obtained. (Moderate Risk)
3. Documentation to support Money Market Fund movements was being held in an inconsistent format and in hard-copy format. (Low Risk)
4. The reconciliation between Treasury Management activity and the General Ledger had not been undertaken since June 2016. (Moderate Risk)
5. Accountancy was not recording quotes obtained from brokers when preparing investment deals or borrowing arrangements and therefore had no point for comparison. (Low Risk)

All 5 of the issues identified were accepted. Positive action had already been taken to address 3 of the issues by the end of the audit. Further positive action in respect of 1 issue was agreed to be taken by 1st April 2017 with another to be addressed by 31st December 2017.

Council Tax 2016-17

Overall Assurance Rating: Comprehensive

This audit focused on considering and testing the robustness of controls in place for Council Tax processing and recovery actions.

From the 24 key controls evaluated in this audit review, 23 were considered to provide adequate control and 1 contained a weakness. This report contained 1 recommendations which was 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:

1. Lower valued aged debts were not subjected to monitoring and action taken to recover monies where special arrangements to pay were not adhered to (Low Risk)

The issue raised within this report was accepted. Management had already taken action to address the issue at the time of issuing the final report.

Non-Domestic Rates (NDR) 2016-17

Overall Assurance Rating: Comprehensive

This audit focused on considering and testing the robustness of controls in place for NDR processing and recovery actions.

From the 24 key controls evaluated in this audit review, 21 were considered to provide adequate control and 3 contained weaknesses. This report contained 3 recommendations, all of which were considered to present a low risk. The following issues were considered to be the key control weaknesses:

Ashfield District Council – Audit Progress Report

1. The liability start date on Civica differed to the start date on the customer's notifications for 2 mobile business premises that were waiting for a rateable value decision from the Valuation Office, to enable bills to be raised. (Low Risk)
2. There were delays in processing data and reconciling the Valuation Office records to those held on Civica in 9 out of 36 cases during 2016 because only one officer had responsibility for processing NDR Valuation Office schedules. (Low Risk)
3. The Discretionary Relief review scheduled to take place during 2016-17 had not happened to date. (Low Risk)

All 3 of the issues raised within this report have been accepted. Management had taken action to address 1 of the issues at the time of issuing the final report. Management agreed to take action to address 1 of the issues by the end of April 2017 and the remaining issue by the end of May 2017.

Business Continuity & Emergency Planning

Overall Assurance Rating: Reasonable

This audit focused on the Council's compliance with the Civil Contingencies Act, specifically requirements for assessing risks, ensuring it can continue to operate following an emergency by maintaining an Emergency Plan and co-operating with other authorities. It also considered the methods for warning and informing the public.

The responsibility for the Housing stock was transferred to the control of the Council from 1st October 2016; therefore the Business Continuity and Emergency Procedures for Housing Services Directorate were in the old Ashfield Homes Ltd format and had not been integrated into the Council's Systems. The Business Continuity processes from Ashfield Homes are included in this audit and it is understood there are plans to complete a service review on the Risk Management, Business Continuity and Health & Safety functions, to understand which areas will need to be combined with the Council's systems.

From the 17 key controls evaluated in this audit review, 10 were considered to provide adequate control and 7 contained weaknesses. This report contained 7 recommendations, 4 of which were considered to present a low risk and 3 a moderate risk. The following issues were considered to be the key control weaknesses:

1. The Critical Functions for the Housing Services Directorate (formerly Ashfield Homes Ltd.) had not been reviewed since 2011 and rest of the Council since 2012. Also, following the removal of the Business Continuity Committee, Business Continuity had not been reported to CLT since March 2016. (Low Risk)
2. There were numerous Business Continuity Service Area Plans and Critical Plans that were not in place or up-to-date. The Business Continuity Plans for the Housing Services Directorate (formerly Ashfield Homes Ltd.) should have been reviewed at various dates in 2016, however this had not happened. (Moderate Risk)
3. The links from the Council's website to the Local Resilience Forum, Notts Prepared and preparing a Home Emergency Plan websites were no longer working. (Low Risk)
4. The red rated Critical Plans and Business Continuity Plans had not been included on the Resilience Direct Website. (Moderate Risk)
5. The Emergency Plan included contact information for employees who had since left the employment of the Council. (Low Risk)
6. Some Business Continuity Service Area Plans and Critical Plans did not include a section on recovery of the service. (Low Risk)
7. The Business Continuity Service Area Plan for the Communication Team was not up-to-date and essential information that would be used to inform the public in the event of an emergency would not be available. (Moderate Risk)

All 7 issues were accepted and 3 had already been implemented by the end of the audit. Three issues were to be completed by the end of April 2017. The remaining issue was agreed to be completed by 31st May 2017.

Ashfield District Council – Audit Progress Report

Ethical Processes & Payments

Overall Assurance Rating: Reasonable

This audit focused on reviewing the adequacy of members' and officers' ethical processes regarding interests, expenses, attendance, Members Allowance Scheme, Code of Conduct, and gifts & hospitality.

From the 21 key controls evaluated in this audit review, 13 were considered to provide adequate control and 8 contained weaknesses. This report contained 6 recommendations, 5 of which were considered to present a low risk and 1 a moderate risk. The following issues were considered to be the key control weaknesses:

1. Although the consequences of non-compliance with the Code of Conduct were discussed at the Members induction training, the Members Code of Conduct did not detail consequences of non-compliance. (Low Risk)
2. Evidence of the reminder issued to Members for them to complete the gifts and hospitality form and to update their declaration of interest documents had not been retained. (Low Risk)
3. Officers' approved disclosures of gifts and hospitality offered to them had not been added to the register since 2014. (Low Risk)
4. Employees were not aware of the requirement to disclose gifts or hospitality offered to them, irrespective of whether the gifts or hospitality was accepted. (Low Risk)
5. The declaration of interest forms for members were not being returned within the set time frame and Employee declaration forms were only being issued to employees above Grade E. Also employees were not being chased, to complete and return their declaration forms to HR for filing. (Moderate Risk)
6. Members had been paid mileage expenses at the incorrect mileage rate. (Low Risk)

All 6 issues were accepted and 2 had already been implemented by the end of the audit. The 4 remaining issues were agreed to be completed by end of March 2017, 1st April 2017, 1st May 2017 and 31st May 2017.

Housing Benefit & Council Tax Support 2016-17

Overall Assurance Rating: Reasonable

This audit focused on the information interfaced from the Department of Work and Pensions and HM Customs and Exercise, reviewing how this information is downloaded and used to calculate Housing Benefit & Council Tax Support. The audit has also reviewed overpayments, including identifying, calculating overpayments and their classification.

From the 20 key controls evaluated in this audit review, 17 were considered to provide adequate control and 3 contained weaknesses. This report contained 2 recommendations, 1 of which was considered to present a low risk and the other a moderate risk. The following issues were considered to be the key control weaknesses:

1. There were shared user access logins to the Revenues system to enable reports to be filed logically in the spool manager and to identify the automatically updated information in the claim calculation. This left the Council unable to identify the officer carrying out the operation should an erroneous or fraudulent transaction be made. (Low Risk)
2. The procedures for documenting and obtaining sufficient evidence of the calculations of earning income had not always been followed. (Moderate Risk)

Both of the issues raised in this report were accepted and actions were agreed to address all issues, both had already been implemented by the end of the audit.

Ashfield District Council – Audit Progress Report

Open Housing IT Security Assessment

Overall Assurance Rating: **Reasonable**

This audit focused on the security, configuration and management of the OpenHousing application and supporting server infrastructure, which included NODE220 – the live database server, NODE251 – the live application server, NODE252 – the Webspeed server, and NODE224 – the test and train database server.

We could not provide any assurance on the database level security for the OpenHousing database. At the time of testing nobody appeared to have direct DBA level access to query the database's security related tables, to show a list of database level accounts and corresponding permissions (e.g. those that would be defined in the `_user`, `_oeusertable` and `_oslocal` tables). The administrators had a degree of access over the data via a middle layer (Microsoft SSRS), as well as a query tool from within the application for the OpenHousing tables, but no direct account in the database to establish a direct connection with the security related tables.

As such we are unable to provide any degree of assurance that only authorised users have direct access to the database; that only authorised users have DBA level permissions in the database, and that there were no password vulnerabilities associated with these database level accounts..

From the 46 key controls evaluated in this audit review, 32 were considered to provide adequate control and 14 contained weaknesses. This report contained 10 recommendations, 7 of which were considered to present a low risk and 3 presenting a moderate risk. Another 1 minor risk issue was highlighted for management's consideration. The following issues were considered to be the key control weaknesses:

1. NODE252 (the application's Webspeed server) was not protected by any form of anti-virus or anti-malware protection. (Low Risk)
2. The FTP (file transfer protocol) service was enabled on NODE251, but did not appear to be serving any operational purposes in relation to the application. (Low Risk)
3. In over 140 cases, users had access to the `cssapp` or `cssapps\poolfiles` shares on NODE251, but did not have a corresponding account in the OpenHousing application, which could ultimately mean unauthorised access to sensitive information. (Moderate Risk)
4. The `sectiongroup_housing` security group (approximately 190 members, of which 166 were enabled in AD (Active Directory) at the time of testing) had been granted FULL control over both the `cssapp` and `cssspoolfiles` share on NODE251, which would allow users to gain access to more restricted subdirectories such as those containing direct debit bank account information. (Moderate Risk)
5. Backups of the database were openly accessible to every user in the domain (over 1000 accounts) on the file share `\\NODE220\cssbackups`. (Moderate Risk)
6. Systems Administrator functionality, e.g. access to update and create entries in `USERS`, `EDTPWD`, `WEBOEUSER` functions, had been granted to non-systems administrators, e.g. Senior Team Leader - Responsive Repairs, Quality Control Officer, and Finance Manager. (Low Risk)
7. A small number of users with job titles that did not appear to be rent related roles, had access to sensitive financial information via the `DDSBANK` function. This includes bank account name, number and sort-code. When verified with the systems administrator one of the users could not be justified. (Low Risk)
8. The application did not enforce data retention policies for all records processed. We were informed that some processes and routines included options to make records historic or inactive, however this was not consistent throughout the application. (Low Risk)
9. There had not been a recent review of security permissions assigned to users within application. Given the recent transition this could ultimately expose sensitive information to unauthorised access. (Low Risk)
10. The existing software licence agreement (which was in effect until the 31st March 2017) for the application stipulated a 70 concurrent user's agreement. However, at the time of testing,

Ashfield District Council – Audit Progress Report

there were 291 accounts in the co-users table which did not have the disabled flag set. There also didn't appear to be active monitoring in place, nor any obvious functionality within the application to identify login sessions so we could monitor compliance against the terms of the agreement. (Low Risk)

All 10 of the issues raised were accepted and positive action had already been taken to address 5 of the issues raised by the end of the audit. The final 5 issues were to be addressed by the end of June 2017.

Audit Plan Changes

With the agreement of the Council's Deputy Chief Executive (Resources) in April 2017, changes were made to the Internal Audit Plan to address emerging risks identified by management.

- Arising from the Council's review of cash collections, concerns were raised about the income collection processes at the depot and a lack of audit coverage in the past.
- As a result of impending changes to staffing in the section, the Service Director requested coverage of the Council's Right to Buy process.

Accordingly, the Partnership Governance audit and the Outdoor Recreation audit have been withdrawn from the 2017-18 Plan and the time originally assigned to these audits will be utilised for a Depot Income audit and a Right to Buy audit.

Ashfield District Council – Audit Progress Report

Audit Performance

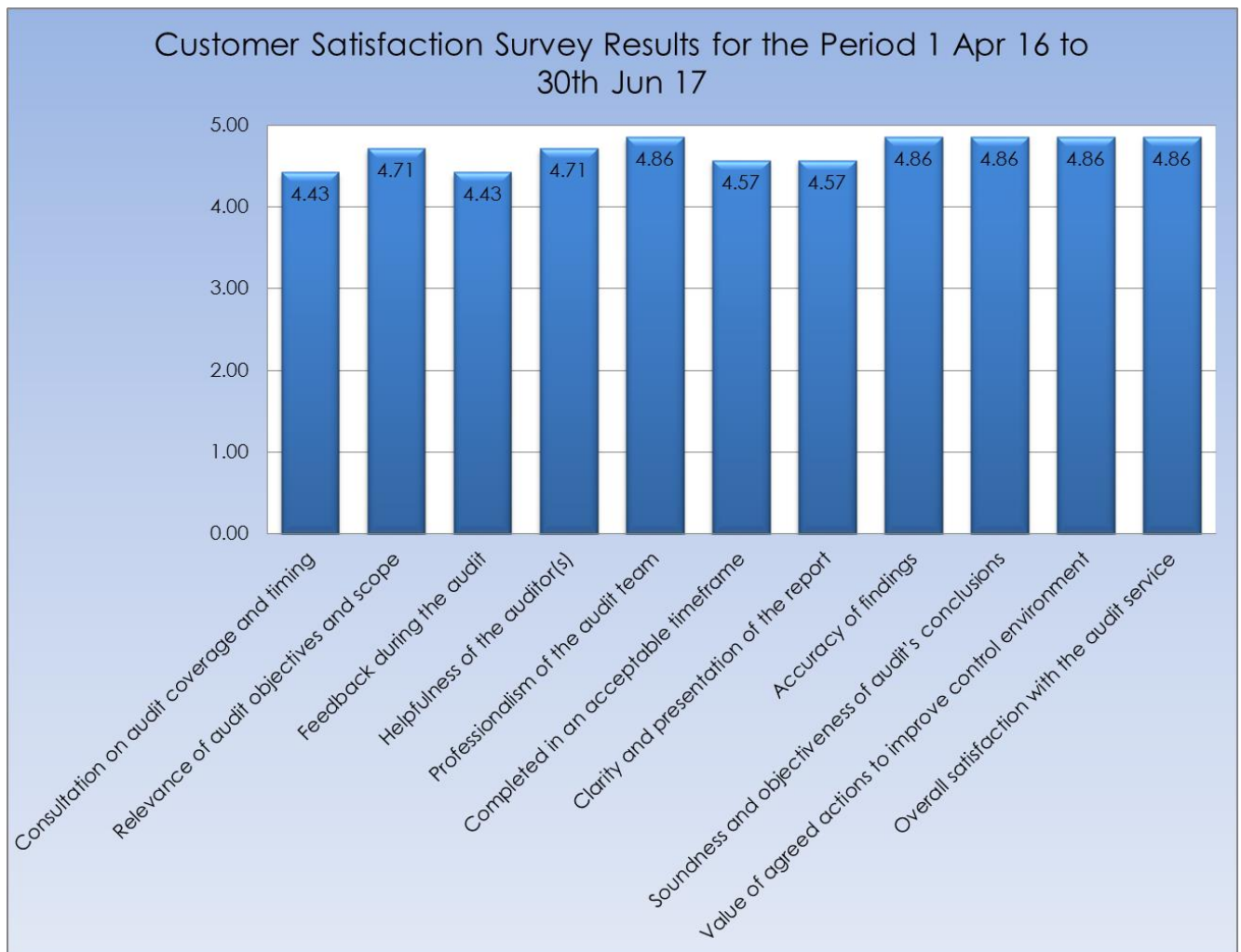
Customer Satisfaction

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 7 responses received between 1st April 2016 and 30th June 2017. The overall average score from the surveys was 51.7 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 7 responses received to date, 6 categorised the audit service they received as excellent and the other 1 as good.



Ashfield District Council – Audit Progress Report

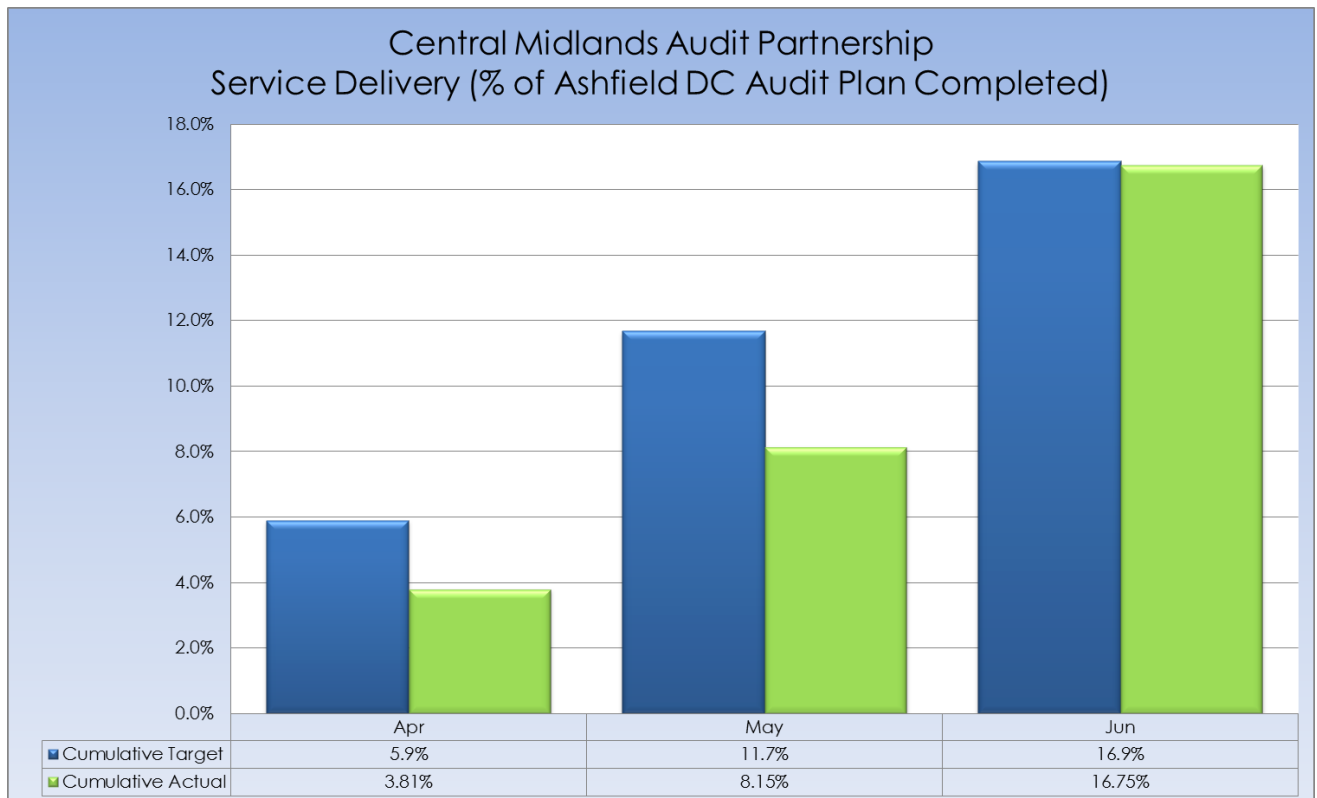
Audit Performance

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 2017-18 Audit Plan (including incomplete jobs brought forward) after approximately 3 months of the Audit Plan year.

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 1st April 2016 and 30th June 2017:

	Implemented	Being Implemented	Risk Accepted	Superseded	No progress information	Future Action Date	Total
Low Risk	57	15	2	0	0	4	78
Moderate Risk	10	6	0	0	0	2	18
Significant Risk	0	0	0	0	0	0	0
Critical Risk	0	0	0	0	0	0	0
Totals	67	21	2	0	0	6	96

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

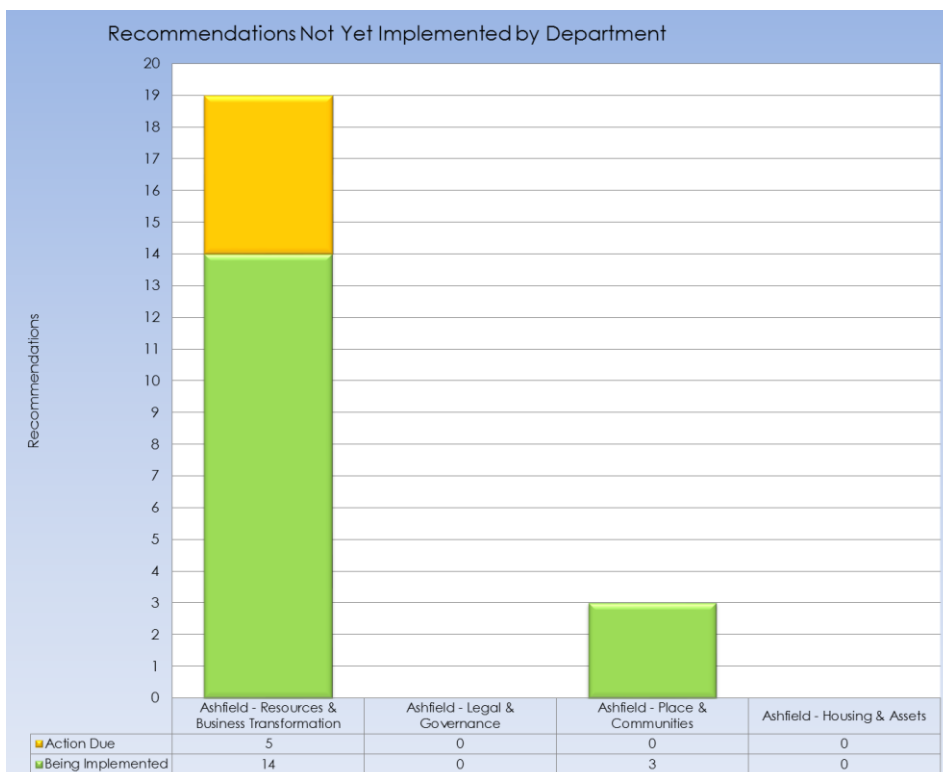
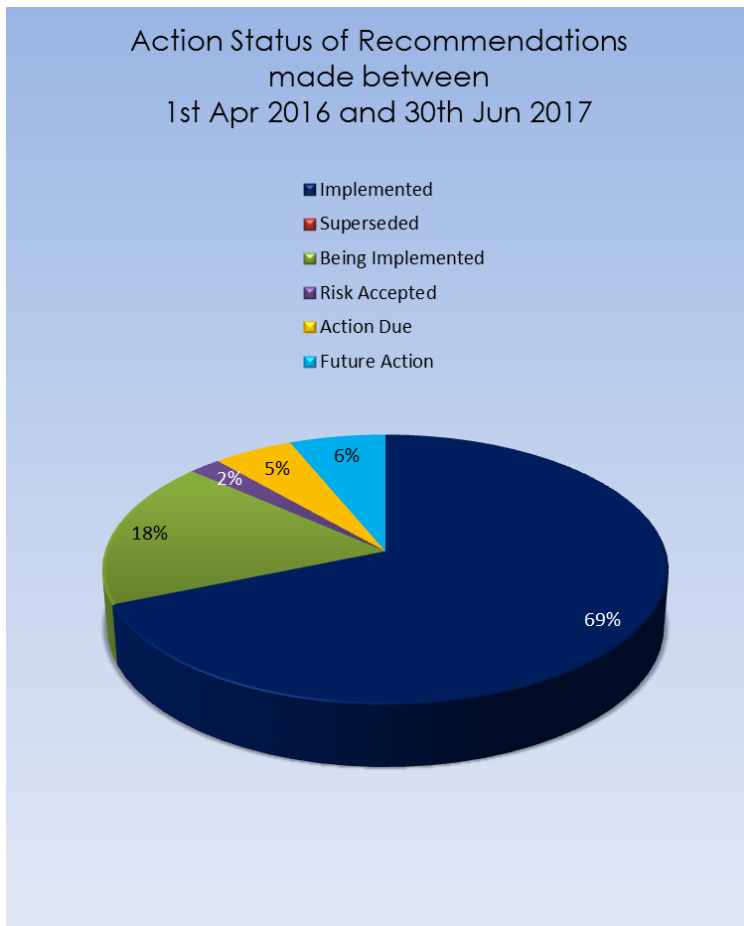
Recommendations Not Yet Implemented	Resources & Business Transformation	Legal & Governance	Place & Communities	Housing & Assets	Totals
Being Implemented	18	0	3	0	21
No progress information	0	0	0	0	0
	18	0	3	0	21

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). Both of the risk accepted issues shown above have already been reported to this Committee.

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Recommendation Tracking

Implementation Status Charts



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Recommendation Tracking

Highlighted Recommendations

We have included this section of this report to bring recommendations to your attention for the following reason:

- Any Moderate, Significant or Critical risk recommendations (either being implemented or with no response) that have passed their original agreed implementation date.
- Any Low risk recommendations still being implemented where it has been more than a year since the original agreed implementation date or those with no response where it has been more than 3 months since the original agreed implementation date.

Resources & Business Transformation

Business Continuity & Emergency Planning

Control Issue 2 - There were numerous Business Continuity Service Area Plans and Critical Plans that were not in place or up-to-date. The Business Continuity Plans for the Housing Services Directorate (formerly Ashfield Homes Ltd.) should have been reviewed at various dates in 2016, however this had not happened.

Risk Rating – Moderate Risk

Status Update - Nearly there with all BC service plans but now cross referencing the critical functions and identifying gaps. The exception report on BC service plans didn't go to CLT as was waiting for the Critical functions to be attached. There is a cross checking exercise matching the critical functions identified in BC Service plans against the actual plans and also where they have previously been rated (RAG). Despite repeated chasing plans are not forthcoming and therefore the programme of testing is being implemented - firstly to underpin the robustness of the BC programme but also to identify weaknesses and where additional plans may be required.

Original Action Date 30 Apr 17 **Revised Action Date** 31 Oct 17

Control Issue 4 - The red rated Critical Plans and Business Continuity Plans had not been included on the Resilience Direct Website.

Risk Rating – Moderate Risk

Status Update - Nearly there with all BC service plans but now cross referencing the critical functions and identifying gaps. The exception report on BC service plans didn't go to CLT as was waiting for the Critical functions to be attached. There is a cross checking exercise matching the critical functions identified in BC Service plans against the actual plans and also where they have previously been rated (RAG). Despite repeated chasing plans are not forthcoming and therefore the programme of testing is being implemented - firstly to underpin the robustness of the BC programme but also to identify weaknesses and where additional plans may be required.

Original Action Date 31 May 17 **Revised Action Date** 31 Oct 17

Control Issue 7 - The Business Continuity Service Area Plan for the Communication Team was not up-to-date and essential information that would be used to inform the public in the event of an emergency would not be available.

Risk Rating – Moderate Risk

Status Update - Plan will be worked on with Corporate Communications to ensure that it is fit for purpose and up-to-date.

Original Action Date 30 Apr 17 **Revised Action Date** 31 Aug 17

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Ethical Processes & Payments

Control Issue 3 - The declaration of interest form for members were not being returned within the set time frame and Employee declaration forms were only being issued to employees over Grade E. Also employees were not being chased, to complete and return their declaration forms to HR for filing.

Risk Rating – Moderate Risk

Status Update - Forms have been circulated to all employees (either via email or via mail) and we are now collating those forms. The Director has been regularly provided with reports outlining those forms outstanding for circulation to managers to chase their return. Former Ashfield Homes' employees are not being chased as they are not on the ADC code of conduct.

Original Action Date 1 May 17 **Revised Action Date** 30 Jun 17

Email Security

Control Issue 1 - 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.

Risk Rating – Moderate Risk

Status Update - We are currently in the process of upgrading the Arcserve UDP backup system from v6.0 to v6.5. Part of this upgrade will be to implement Arcserve RHA 16.5 (Replication and High Availability). This will give us the capability of maintaining a "quiesced" version of a server. Once the backups have completed for a server they are applied to the HA version. Tests can be performed on this version to ensure it is updated and working, and in the event of a DR situation we could switch to the HA version and continue use of email, calendars etc.

Original Action Date 31 Mar 17 **Revised Action Date** 30 Jun 17

Place & Communities

Safeguarding

Control Issue 5 - 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.

Risk Rating – Moderate Risk

Status Update – No Response Received

Original Action Date 31 Mar 17 **Revised Action Date** n/a

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Status of Previous Audit Recommendations

Recommendations Not Implemented

There were a number of Audit Recommendations that were issued and agreed prior to Ashfield District Council joining the Central Midlands Audit Partnership. These recommendations have continued to be monitored via the Covalent system.

As there is only one legacy recommendation remaining in the Covalent system, I have chosen to provide Audit Committee with full details of this until it is cleared.

Additionally, two legacy recommendations remain outstanding relating to Ashfield Homes Ltd. These also continue to be monitored and details are provided on the following pages.

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DCE/AUD - Audit Recommendations - Full Outstanding



All Audit Recommendations

Service Director – Corporate

Category	IT Governance				
Recom. No.	Recommendation	Risk Factor (1 High, 3 Low)	Impl. Date	Status	Progress Bar
AUD/1516 - 06/01	The ICT Development Group report annually to the CLT and Members on the extent to which ICT goals and priorities for the preceding year have been achieved and on any lessons that need to be applied to achieve strategically successful delivery going forward	2	31-Mar-2017	▶	<div style="border: 1px solid black; width: 100px; height: 20px; background-color: #4a86e8; position: relative;"> 80% </div>
	Response				
	Accepted				
	Manager				
	Craig Bonar; Robert Mitchell				
	21-April-2017	Annual CLT developments report completed- to be reported to Transformation and Efficiency Board then CLT			
Comment History	06-Feb-2017	Both a backward and forward report on priorities and actions to be presented to TEP Board in March; which in turn is reported to CLT/XLT			
	17-Oct-2016	There will be a report to the October TEP Board which will then be reported to CLT. TEP Board has replaced the ICT Development Group for the purpose of submitting and monitoring ICT/Technology development			

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Ashfield Homes Ltd – Outstanding Recommendations

Report	Recommendation	Responsible officer	Due date	Update
C 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	<p>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).</p> <p>Update 14/11/2016 – 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.</p> <p>Update 09/03/2017 – The Council and Company have now amalgamated so the issue is now being approached corporately. The Council has an agreement with DWP to assist customers to apply for Universal Credit, which is being rolled out to Ashfield for working age claimants in 2018. The Council's future approach will be developed through the Welfare Reform Group which meets quarterly and produces an action plan to deal with the wide aspects of Welfare Reform.</p> <p>Update 10/07/2017 - The wider roll out of Universal Credit has been confirmed as August 2018. There is no action plan in place at present. It is due to be presented to the next meeting in September 2017 (date to be confirmed) following the production of this and liaison with the Director of Housing and Assets (Paul Parkinson)</p>
C 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	<p>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</p> <p>Update 16/11/2016 Potentially looking at buy off the shelf paperless system and therefore changing the system altogether.</p> <p>Update 01/02/2017 – No further updates. Any action has been put on hold as there is a service review underway.</p> <p>Update 10/07/2017 – The full review of in-house Schedule of Rates is now in progress.</p>

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