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# ASHFIELD DISTRICT COUNCIL

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

# Agenda

# Audit Committee

| | |
|---|---|
| Date: | **Monday, 25th September, 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

If you require an adjustment to enable you to participate or access the meeting, please contact the Democratic Services team at least 48 hours before the meeting.

# AUDIT COMMITTEE

## Membership

**Chairman:** Councillor Kevin Rostance

**Councillors:**

| | |
|---|---|
| Lee Anderson | Chris Baron |
| Rachel Bissett | Jackie James |
| Christine Quinn-Wilcox | Robert Sears-Piccavey |

## FILMING/AUDIO RECORDING NOTICE

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

## SUMMONS

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

**R. Mitchell**
**Chief Executive**

| AGENDA | | Page |
|---|---|---|
| **1.** | **To receive apologies for absence, if any.** | |
| **2.** | **Declarations of Disclosable Pecuniary 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 24th July, 2017 and summary of any action points.** | 5 - 8 |
| **4.** | **Presentation by the Corporate Finance Manager (and Section 151 Officer) - Statement of Accounts 2016/17.** | |
| **5.** | **Audited Statement of Accounts 2016/17 including Letter of Representation.** | 9 - 22 |
| **6.** | **KPMG: Report to those charged with Governance (ISA 260) 2016/17.** | 23 - 52 |
| **7.** | **Update Report: Housing Benefit - Estimating HB Expenditure and Subsidy.** | 53 - 54 |
| **8.** | **Update Report: Welfare Reform.** | |
| **9.** | **Corporate Risk Register.** | 55 - 94 |
| **10.** | **Audit Progress Report.** | 95 - 110 |

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# AUDIT COMMITTEE

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

## on Monday, 24th July, 2017 at 6.30 pm

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

Councillors Lee Anderson, Chris Baron, Rachel Bissett, Jackie James and Robert Sears-Piccavey.

**Apology for Absence:** Councillor Christine Quinn-Wilcox.

**Officers Present:** Lynn Cain, Ruth Dennis and Sharon Lynch.

**In Attendance:** Adrian Manifold (CMAP), Mandy Marples (CMAP). Councillor Paul Roberts.

### AC.1 Declarations of Disclosable Pecuniary or Personal Interests and Non Disclosable Pecuniary/Other Interests

There were no declarations of interest made.

### AC.2 Minutes

RESOLVED that

a) the minutes of the meeting of the Committee held on 20th March, 2017, be received and approved as a correct record;

b) for future meetings, a 'summary of action points' be added to the agenda item for minutes being received and approved to enable officers to update Committee on any progress as required.

### AC.3 Draft Statement of Accounts 2016/17

Members were asked to consider the Council's draft Statement of Accounts for 2016/17. The Committee was required to do this in order to comply with the Accounts and Audit Regulations (England) 2015.

The Corporate Finance Manager and Section 151 Officer, Sharon Lynch, explained that the accounts were intended to provide a summary of how the Council performed during the last financial year. They were still in draft form at this stage and were currently being checked by the Council's external auditors.

A presentation was given highlighting the key points from the draft accounts and, in particular, the Council's significant underspend in a range of areas. Members were advised on some of the reasons for the under spends including any mitigating circumstances.

Members discussed the draft accounts and some of the specific information. There was a general consensus that the Council was in a manageable financial position at present although it was acknowledged by Committee that the Council would require earlier intervention and monitoring in the future to ensure budgets underspends were kept to a minimum.

To conclude, the Chairman took the opportunity to thank those involved in compiling the draft accounts for their continued hard work and commitment.

RESOLVED
that the draft Statement of Accounts for 2016/17 and the current out-turn position, as presented, be received and noted.

(During consideration of this item, Councillor Rachel Bissett entered the meeting at 6.55 p.m.)

**AC.4** **<u>Internal Audit Annual Report 2016/17</u>**

Adrian Manifold, CMAP Audit Manager, presented the Internal Audit Annual Report for 2016/17. The Chief Audit Executive had reached an overall opinion, as based on work undertaken throughout the year, that there was currently a ‘satisfactory system of internal control’ at the Council. Findings had indicated that on the whole, controls were satisfactory and management had accepted all of the issues raised within audit reports and had implemented recommendations as required.

The opinion had been arrived at by having regard for the following:-

- the level of coverage by Internal Audit was acceptable;
- all assignments attracted either a ‘Comprehensive’ or ‘Reasonable’ assurance rating;
- all reports have been accepted by management including the agreed actions;
- sufficient audit coverage of the Council’s main financial systems had been provided;
- Risk Management at the Council has been deemed to be reasonable;
- designated actions were progressing satisfactorily;
- the fraud action plan was progressing satisfactorily and no significant weaknesses had been identified;
- no concerns through the Data Quality Audit had been raised regarding the Council’s data quality;
- the range of work undertaken had been deemed to be appropriate;

- Internal Audit had met regularly with the former Deputy Chief Executive (Resources) to discuss any emerging issues or risks;

- key risks following the transfer of AHL had been scrutinised and were satisfactory;

- assurances had been provided in relation to the continued role and influence of the S151 Officer;

- adequate assurance provided by Mansfield District Council's Internal Audit service in relation to payroll.

Committee briefly considered the range of audit coverage (via type and Division) undertaken during 2016/17, the grading of assurance ratings, performance measures and customer satisfaction returns and lastly, the overall level of risk associated with the audit recommendations made over the year. To conclude, the CMAP Audit Manager stated that overall he was pleased with the Council's status for 2016/17.

RESOLVED
that the 2016/17 Annual Report of Internal Audit and the Internal Audit Opinion that supports it, be received and approved.

Reason:
To approve the Annual Report as part of the documentation supporting the Annual Governance Statement.

## AC.5 Audit Progress Report

Adrian Manifold presented the report and summarised the audit progress from 1st March, 2017 until 30th June, 2017 with 8 assignments having been completed during this period.

With regard to the Responsive Maintenance/Voids audit assignment, this audit had been undertaken using a new method called an 'agile audit'. This new method was unique to the public sector and involved carrying out the audit over a shorter period and engaging management throughout the process.

This particular audit was now 95% complete and had ensured officers were better informed and had allowed issues to be addressed in a timely manner. Although only a trial at this stage, the quick turnaround had been welcomed by managers and the feedback was very positive. CMAP were encouraged by this result and would be using the method again.

Members' attention was drawn to the Private Sector Housing audit assignment that had been assigned a Limited rating. Some weaknesses had been discovered and 8 recommendations had been reported. Management had taken the recommendations on board and were progressing them without delay. 6 were due to be implemented by the end of the audit review with the remaining 2 having an implementation date of 31st August, 2017.

Members briefly discussed the completed audit assignments, the allocated risk levels and any progress regarding the implementation of agreed recommendations.

In response to a question, Committee received an update in relation to the future provision of the External Audit function once KPMG ceased to provide the service to the Council after completion of the 2017/18 audit. The appointment of External Auditors for local authorities for the financial year 2018/19 onwards had been completed by the Public Sector Audit Appointments (PSAA). A formal announcement by the PSAA of the appointment of External Auditors would take place on 31st December 2017.

RESOLVED
that audit assignment progress as at 30th June, 2017, as presented to Committee, be received and noted.

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

The meeting closed at 7.55 pm

Chairman.

Agenda Item 5

Ashfield
DISTRICT COUNCIL

| | | | |
|---|---|---|---|
| **Report To:** | AUDIT COMMITTEE | **Date:** | 25TH SEPTEMBER 2017 |
| **Heading:** | AUDITED STATEMENT OF ACCOUNTS 2016/17 | | |
| **Portfolio Holder:** | N/A | | |
| **Ward/s:** | N/A | | |
| **Key Decision:** | NO | | |
| **Subject To Call-In:** | NO | | |

## Purpose Of Report

This report is intended to provide the Audit Committee with the outcome of the external audit of the Statement of Accounts for the financial year 2016/17 and to seek approval of the Statement. Please find a link to view a copy of the audited accounts.

## Recommendation(s)

It is recommended that:-

1) the findings of the Statement of Accounts audit are approved.
2) the audited Statement of Accounts for 2016/17 including the Annual Governance Statement are approved together with the associated Letter of Representation.

## Reasons For Recommendation(s)

To comply with statutory and constitutional requirements.

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

There are no alterative options.

## Detailed Information

A copy of the Statement of Accounts and Letter of Representation follow this report.

**Amendments to the Statement of Accounts 2016/17**

The audit resulted in some minor changes being made to the accounts, these being presentational and rounding errors.

In summary, the amendments made to the Council accounts have required notes to be changed, however these changes have had no material impact on the key financial statements i.e. Expenditure & Funding Analysis (EFA), Comprehensive Income & Expenditure Account (CIES), Balance Sheet and Movement in Reserves Statement. There has therefore been no change to the previously reported out-turn position for the General Fund and the Housing Revenue Account.

The primary changes made to the Council's accounts are as follows:

1. Restatement of 2015/16 EFA and CIES

   As previously reported to Audit Committee on the 20th March 2017, the Annual Statement of Accounts required the production of Expenditure & Funding Analysis and Comprehensive Income & Expenditure Accounts to be reported in the same segments as those reported to management. In the case of Ashfield District Council, this meant reporting by Directorate and required the restatement of the CIES for 2015/16 together with providing comparatives for the EFA for 2015/16.

   During the audit, it was noted that the restatements contained some but not all internal recharges. This has now been amended to ensure consistency and comparable figures. The total values of both the EFA and CIES remained unchanged.

2. Assets Held as Lessor (Note 33)

   A change was made to the prior year comparatives figures for Operating Leases following the identification of a previous error. The gross value of assets held for use in operating leases as at 31st March 2016 has been restated from £8.923m to £8.194m and the accumulated depreciation and impairment of these properties as at 31st March 2016 were restated from £1.908m to £1.286m.

   The following paragraph was added at the end of this note:

   'The secured income for 2015/16 has been restated in the 2016/17 Statement of Accounts. The reason for restatement is due to an omission of the secured income from ground leases on the original 2015/16 secured income.'

3. Statement of Accounting Policies - Measurement

   The following paragraph was added to the accounting policy for Measurement:

   'Costs of dismantling assets such as roofs, windows and heating systems in Council Dwellings are included in the costs paid to the main contractor. The main contractor is responsible for the disposal of the dismantled assets. The dismantled assets have been assessed by the valuer as only having a negligible value.'

4. Debtors (Note 19)

Following a review of debtors, £1.168m of long term debtors have been reclassified as short term debtors. The overall Balance Sheet value is unchanged.

5. Pensions (Note 35)

The following paragraph was inserted into the section Participation in Pension Schemes:

'There were five new early retirements during the year which were not allowed for at the previous accounting date. The total annual pension that came into payment was £51.9k'

The membership data for Ashfield homes was originally missing from a note table on page 97 (previously on page 95) but has now been amended as per below:

| | **Number** | **Salaries/ Pensions** | **Average Age** | **Average Age** |
|---|---|---|---|---|
| | | **£'000** | **Current Employees** | **Former AHL** |
| Active members | 566 | 13,181 | 48 | 44 |
| Deferred pensioners | 635 | 1,359 | 46 | 40 |
| Pensioners | 732 | 4,317 | 72 | 64 |
| Unfunded pensioners | 179 | 321 | 77 | 0 |

The following Asset Breakdown table was originally not included in the Statement of Accounts but upon advice from external audit, it has now been included:

| | | **31 December 2016** | |
|---|---|---|---|
| **Asset Breakdown** | | **% Quoted** | **% Unquoted** |
| Fixed Interest Government Securities | UK | 3.1% | 0.0% |
| | Overseas | 0.0% | 0.0% |
| Corporate Bonds | UK | 5.8% | 0.0% |
| | Overseas | 0.3% | 0.0% |
| Equities | UK | 29.8% | 0.1% |
| | Overseas | 38.4% | 0.0% |
| Property | All | 0.0% | 11.1% |
| Others | Private Equity | 0.0% | 1.6% |
| | Infrastructure | 0.0% | 2.3% |
| | Inflation Linked | 0.0% | 2.5% |
| | Cash/Temporary Investments | 0.0% | 5.0% |
| **Total** | | **77.4%** | **22.6%** |

1. Group Movement in Reserves

   The following note was added to the bottom of the Group Movement in Reserves Statement:

   ‘The balances on the Subsidiary Pension Reserve and the Council’s Share of Subsidiaries are both now nil due to the dissolution of Ashfield Homes Ltd. These balances have now been incorporated into the Balance Sheet of the Council.’

2. Annual Governance Statement

   Upon advice from external auditors, the following paragraphs were added to the Annual Governance Statement:

   Putting Principles into Effect (Page 137):

   Section F – Managing Risks & performance through robust internal control and strong public sector management, the following has been added:

   ‘The Council’s Audit Committee undertakes the core functions as outlined with CIPFA’s Audit Committees: Practical Guidance for Local Authorities & Police. A review of its operation has led to improvements being identified including agreeing the frequency of risk and anti-fraud reporting.’

   Internal Audit Opinion 2016/17 (page 152):

   The following has been added:

   ‘Central Midlands Internal Audit Partnership’ has undertaken a self-assessment of its compliance with the CIPFA statement on the Role of the Head of Internal Audit and is compliant. An independent review of the function is currently being undertaken, the findings of which will be reported to the next Audit Committee upon conclusion.’

**Letter of Representation**

The Letter of Representation is attached for consideration and approval.

**Implications**

**Corporate Plan:**

Production of timely and accurate Statement of Accounts is a statutory requirement. Achievement of this reflects sound financial management supporting the Corporate Plan.

**Legal:**

This report enables the Council to present for approval the audited Statement of Accounts by 30th September 2017 in accordance with statute.

**Finance:**

This report is effective from 25/09/2017 and has the following financial implications:

| Budget Area | Implication |
|---|---|
| General Fund – Revenue Budget | As per the Statement of Accounts |
| General Fund – Capital Programme | As per the Statement of Accounts |
| Housing Revenue Account – Revenue Budget | As per the Statement of Accounts |
| Housing Revenue Account – Capital Programme | As per the Statement of Accounts |

**Human Resources / Equality and Diversity:**

There are no human resources, equality or diversity impacts

**Other Implications:**

None

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

N/A

**Exempt Report:**

No

**Background Papers**

None

**Report Author and Contact Officer**

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Ashfield
DISTRICT COUNCIL

**Contact:** Sharon Lynch
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**Our Ref:** SL/PE
**Your Ref:**
**Date:** 25 September 2017

John Cornett
KPMG LLP
St Nicholas House
31 Park Row
Nottingham
NG1 6FQ

25 September 2017

Dear John

This representation letter is provided in connection with your audit of the financial statements of Ashfield District Council ("the Authority"), for the year ended 31 March 2017, for the purpose of expressing an opinion:

i. as to whether these financial statements give a true and fair view of the financial position of the Authority and the Group as at 31 March 2017 and of the Authority's and the Group's expenditure and income for the year then ended; and

ii. whether the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

These financial statements comprise the Expenditure and Funding Analysis, the Authority and Group Movement in Reserves Statements, the Authority and Group Comprehensive Income and Expenditure Statements, the Authority and Group Balance Sheet, the Authority and Group Cash Flow Statements, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and the Collection Fund and the related notes.

The Authority confirms that the representations it makes in this letter are in accordance with the definitions set out in the Appendix to this letter.

The Authority confirms that, to the best of its knowledge and belief, having made such inquiries as it considered necessary for the purpose of appropriately informing itself:

**Financial statements**

1. The Authority has fulfilled its responsibilities, as set out in the Accounts and Audit Regulations 2015, for the preparation of financial statements that:

    i. give a true and fair view of the financial position of the Authority and the Group as at 31 March 2017 and of the Authority's and the Group's expenditure and income for the year then ended;

    ii. have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17; and

    iii. The financial statements have been prepared on a going concern basis.

2. Measurement methods and significant assumptions used by the Authority in making accounting estimates, including those measured at fair value, are reasonable.

3. All events subsequent to the date of the financial statements and for which IAS 10 *Events after the reporting period* requires adjustment or disclosure have been adjusted or disclosed.

**Information provided**

4. The Authority has provided you with:

    - access to all information of which it is aware, that is relevant to the preparation of the financial statements, such as records, documentation and other matters; additional information that you have requested from the Authority for the purpose of the audit; and
    - unrestricted access to persons within the Authority and the Group from whom you determined it necessary to obtain audit evidence.

5. All transactions have been recorded in the accounting records and are reflected in the financial statements.

6. The Authority confirms the following:

    i) The Authority has disclosed to you the results of its assessment of the risk that the financial statements may be materially misstated as a result of fraud.

    Included in the Appendix to this letter are the definitions of fraud, including misstatements arising from fraudulent financial reporting and from misappropriation of assets.

ii) The Authority has disclosed to you all information in relation to:

a) Fraud or suspected fraud that it is aware of and that affects the Authority and the Group and involves:
    - management;
    - employees who have significant roles in internal control; or
    - others where the fraud could have a material effect on the financial statements; and

b) allegations of fraud, or suspected fraud, affecting the Authority's and Group's financial statements communicated by employees, former employees, analysts, regulators or others.

In respect of the above, the Authority acknowledges its responsibility for such internal control as it determines necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In particular, the Authority acknowledges its responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

7. The Authority has disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

8. The Authority has disclosed to you and has appropriately accounted for and/or disclosed in the financial statements, in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

9. The Authority has disclosed to you the identity of the Authority's and the Group's related parties and all the related party relationships and transactions of which it is aware. All related party relationships and transactions have been appropriately accounted for and disclosed in accordance with IAS 24 *Related Party Disclosures*.

   Included in the Appendix to this letter are the definitions of both a related party and a related party transaction as we understand them as defined in IAS 24 and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

10. The Authority confirms that:

    a) The financial statements disclose all of the key risk factors, assumptions made and uncertainties surrounding the Authority's and the Group's ability to continue as a going concern as required to provide a true and fair view.
    b) Any uncertainties disclosed are not considered to be material and therefore do not cast significant doubt on the ability of the Authority and the Group to continue as a going concern.

11. On the basis of the process established by the Authority and having made appropriate enquiries, the Authority is satisfied that the actuarial assumptions underlying the valuation of defined benefit obligations are consistent with its knowledge of the business and are in accordance with the requirements of IAS 19 (Revised) Employee Benefits.

    The Authority further confirms that:

    a) all significant retirement benefits, including any arrangements that are:
        - statutory, contractual or implicit in the employer's actions;
        - arise in the UK and the Republic of Ireland or overseas;
        - funded or unfunded; and
        - approved or unapproved,

    have been identified and properly accounted for; and

    b) all plan amendments, curtailments and settlements have been identified and properly accounted for.

    This letter was tabled and agreed at the meeting of the Audit Committee on 25th September 2017.

    Yours faithfully,

Chair of the Audit Committee | Chief Financial Officer

**<u>Appendix to the Authority Representation Letter of Ashfield District Council: Definitions</u>**

**Financial Statements**

A complete set of financial statements comprises:

- A Comprehensive Income and Expenditure Statement for the period;

- A Balance Sheet as at the end of the period;

- A Movement in Reserves Statement for the period;

- A Cash Flow Statement for the period; and

- Notes, comprising a summary of significant accounting policies and other explanatory information and the Expenditure and Funding Analysis.

A local authority is required to present group accounts in addition to its single entity accounts where required by chapter nine of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

A housing authority must present:

- a HRA Income and Expenditure Statement; and

- a Movement on the Housing Revenue Account Statement.

A billing authority must present a Collection Fund Statement for the period showing amounts required by statute to be debited and credited to the Collection Fund.

A pension fund administering authority must prepare Pension Fund accounts in accordance with Chapter 6.5 of the Code of Practice.

An entity may use titles for the statements other than those used in IAS 1. For example, an entity may use the title 'statement of comprehensive income' instead of 'statement of profit or loss and other comprehensive income'.

**Material Matters**

Certain representations in this letter are described as being limited to matters that are material.

IAS 1.7 and IAS 8.5 state that:

> "Material omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements. Materiality depends on the size and nature of the omission or

misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor."

**Fraud**

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorisation.

**Error**

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

Prior period errors are omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:

a) was available when financial statements for those periods were authorised for issue; and
b) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

**Management**

For the purposes of this letter, references to "management" should be read as "management and, where appropriate, those charged with governance".

**Related Party and Related Party Transaction**

**Related party:**

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24 *Related Party Disclosures* as the "reporting entity").

a) A person or a close member of that person's family is related to a reporting entity if that person:
    i. has control or joint control over the reporting entity;
    ii. has significant influence over the reporting entity; or

iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

b) An entity is related to a reporting entity if any of the following conditions applies:
   i. The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
   ii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
   iii. Both entities are joint ventures of the same third party.
   iv. One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
   v. The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
   vi. The entity is controlled, or jointly controlled by a person identified in (a).
   vii. A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
   viii. The entity or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Key management personnel in a local authority context are all chief officers (or equivalent), elected members, the chief executive of the authority and other persons having the authority and responsibility for planning, directing and controlling the activities of the authority, including the oversight of these activities.

A reporting entity is exempt from the disclosure requirements of IAS 24.18 in relation to related party transactions and outstanding balances, including commitments, with:

a) a government that has control, joint control or significant influence over the reporting entity; and
b) another entity that is a related party because the same government has control, joint control or significant influence over both the reporting entity and the other entity.

**Related party transaction:**

A transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

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KPMG

# External audit report 2016-17

**Ashfield District Council**

–

September 2017

# Summary for Audit Committee

**Financial statements**

This document summarises the key findings in relation to our 2016-17 external audit at Ashfield District Council (‘the Authority’).

This report focusses on our on-site work which was completed in August 2017 on the Authority’s significant risk areas, as well as other areas of your financial statements. Our findings are summarised on pages 4 – 5.

**Subject to all outstanding queries being resolved to our satisfaction we anticipate issuing an unqualified audit opinion on the Authority's financial statements before the deadline of 30 September.**

Our audit of the Authority’s financial statements has not identified any audit adjustments which impact on the bottom line figures reported in the core statements. We have, however, identified a number of presentational issues. We understand that the Authority has amended the statements for all such issues identified. Further details can be seen in Appendix Three.

Based on our work, we have raised four recommendations. Details on our recommendations can be found in Appendix One.

Our audit is substantially complete however matters communicated in this Report may change pending receipt of further evidence on the below items. We will provide a verbal update on the status of our audit at the Audit Committee meeting but would highlight the following work is still outstanding:

- General audit file completion and review procedures;
- Receipt of final amended accounts;
- Final review of amended accounts; and
- Letter of Management Representation.

We anticipate issuing our completion certificate and Annual Audit Letter in October 2017.

**Use of resources**

We have completed our risk-based work to consider whether in all significant respects the Authority has proper arrangements to ensure it has taken properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

**We therefore anticipate issuing an unqualified value for money opinion.**

See further details on page 14**.**

**Public Interest Report**

We have a duty to consider whether to issue a report in the public interest about something we believe the Authority should consider, or if the public should know about. We have nothing to report.

**Acknowledgements**

We would like to take this opportunity to thank officers and Members for their continuing help and co-operation throughout our audit work.

**We ask the Audit Committee to note this report.**

**The key contacts in relation to our audit are:**

**John Cornett**
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# Contents



This report is addressed to Ashfield District Council (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.psaa.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.

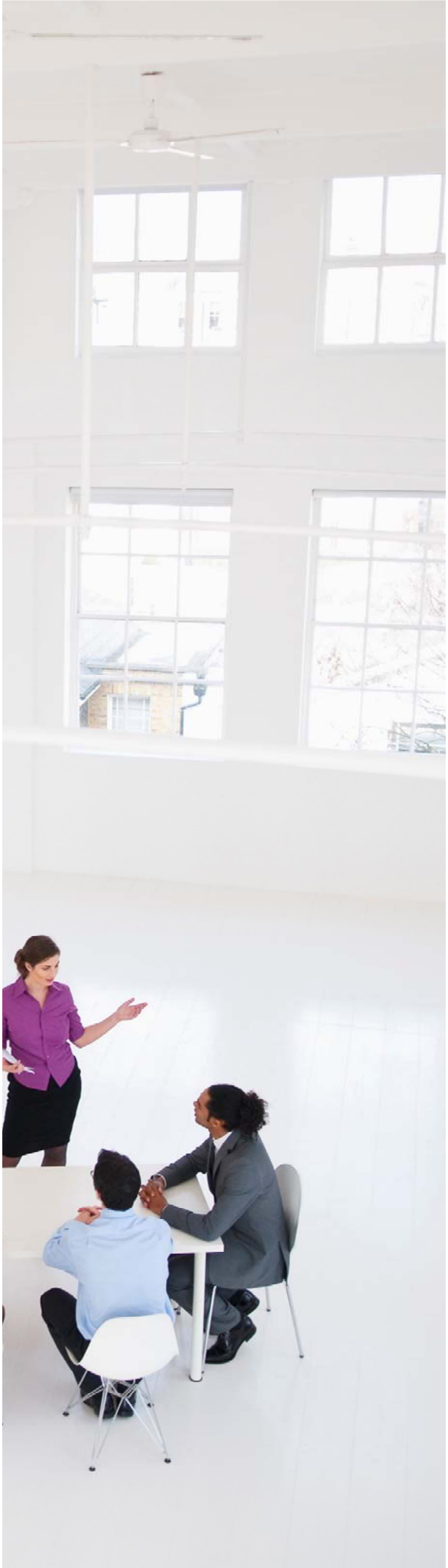
We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact [engagement lead's name], the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied 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 (on 0207 694 8981, or by email to 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, by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3H.

Section one

# Financial Statements

We anticipate issuing an unqualified audit opinion on the Authority's 2016-17 financial statements by 30 September 2017. We will also report that your Annual Governance Statement complies with the guidance issued by CIPFA/SOLACE (*'Delivering Good Governance in Local Government'*) published in April 2016.

For the year ending 31 March 2017, the Authority has reported a general fund surplus of £0.495 million. The General Fund has increased by £0.5m compared to the previous year with the balance of £4.39 million.



# Significant audit risks

## Our *External Audit Plan 2016-17* sets out our assessment of the Authority's significant audit risks. We have completed our testing in these areas and set out our evaluation following our work:

| Significant audit risks | Work performed |
|---|---|
| **1. Significant changes in the pension liability due to LGPS Triennial Valuation** | **Why is this a risk?**<br><br>During the year, the Pension Fund has undergone a triennial valuation with an effective date of 31 March 2016 in line with the *Local Government Pension Scheme (Administration) Regulations 2013*. The share of pensions assets and liabilities for each admitted body is determined in detail, and a large volume of data is provided to the actuary to support this triennial valuation.<br><br>There is a risk that the data provided to the actuary for the valuation exercise is inaccurate and that these inaccuracies affect the actuarial figures in the accounts. Most of the data is provided to the actuary by Nottinghamshire County Council, who administer the Pension Fund.<br><br>**Testing carried out at the Pension Fund**<br><br>We liaised with your Pension Fund audit team to gain assurance over:<br>▪ the operation of the Fund's controls, including the controls over the transfer of data to the actuary;<br>▪ the figures submitted from the Fund to the actuary, including the completeness and accuracy of the data; and<br>▪ investment balances.<br><br>**Our work to address this risk**<br><br>We have reviewed the process used to submit payroll data to the Pension Fund and have found no issues to note. We have also tested the year-end submission process and other year-end controls. We found that the actuarial assumptions were reviewed by the management who confirmed that the assumptions used by the actuary are appropriate.<br><br>We have substantively agreed the total figures submitted to the actuary to the ledger with no issues to note. We have engaged with your Pension Fund auditors to gain assurance over the pension figures. We have no issues to note.<br><br>We are satisfied from the procedures we have undertaken that the pension assets and liabilities are not materially misstated in the financial statements. |
| **2. Bringing Ashfield Homes Limited back under the control of the Authority** | **Why is this a risk?**<br><br>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. Following an option appraisal, 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 transition date was set for 1 October 2016.<br>There is a risk that the Authority does not account for the Group transactions correctly or provide adequate disclosure in the financial statements. There is also a risk that there are errors in the data migration exercise undertaken as part of the transition to bring AHL back under the control of the Authority.<br><br>**Our work to address this risk**<br><br>As part of our audit, we:<br>▪ Considered the arrangements the Authority has put in place to ensure the accuracy of the data migration exercise;<br>▪ Considered whether any legal issues have arisen as a result of the transfer;<br>▪ Reviewed the consolidation of AHL six month trading information, working closely with AHL's auditors;<br>▪ Reviewed AHL closing balance sheet position to ensure the opening balances have transferred into the Authority's financial ledger correctly; |

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| Significant audit opinion risks | Work performed |
|---|---|
| **2. Bringing Ashfield Homes Limited back under the control of the Authority (cont.)** | ▪ Reviewed the reports issues by the internal auditor and noted that no issues had been highlighted;<br>▪ We have gained assurance over the arrangements the Authority had put in place to ensure the accuracy of the data migration;<br>▪ Reviewed the adequacy of the disclosures in the financial statements in relation to the pension liability, HRA transactions and any redundancy payments made as a result of the transfer; and<br>▪ Reviewed the accounting treatment for the Group transactions to ensure it is in line with the Code of Practice.<br><br>We are satisfied from the procedures we have undertaken that the Group transactions and disclosures are not materially misstated in the financial statements. |

**Fraud risk of revenue recognition**

Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk.

In our *External Audit Plan 2016-17* we reported that we do not consider this to be a significant risk for Local Authorities as there is unlikely to be an incentive to fraudulently recognise revenue.

This is still the case. Since we have rebutted this presumed risk, there has been no impact on our audit work.

**Management override of controls**

Professional standards require us to communicate the fraud risk from management override of controls as significant because management is typically in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

Our audit methodology incorporates the risk of management override as a default significant risk. We have not identified any specific additional risks of management override relating to this audit.

In line with our methodology, we carried out appropriate controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual.

There are no matters arising from this work that we need to bring to your attention.

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# Other areas of audit focus

## We identified one area of audit focus. This is not considered as a significant risk as it is less likely to give rise to a material error. Nonetheless this is an area of importance where we would carry out substantive audit procedures to ensure that there is no risk of material misstatement.

| Other areas of audit focus | Our work to address the areas |
|---|---|
| **1. Disclosures associated with retrospective restatement of CIES, EFA and MiRS** | **Background**<br><br>CIPFA has introduced changes to the 2016-17 Local Government Accounting Code (Code):<br><br>▪ Allowing local authorities to report on the same basis as they are organised by removing the requirement for the Service Reporting Code of Practice (SeRCOP) to be applied to the Comprehensive Income and Expenditure Statement (CIES); and<br><br>▪ Introducing an Expenditure and Funding Analysis (EFA) which provides a direct reconciliation between the way local authorities are funded and prepare their budget and the CIES. This analysis is supported by a streamlined Movement in Reserves Statement (MiRS) and replaces the current segmental reporting note.<br><br>The Authority was required to make a retrospective restatement of its CIES (cost of services) and the MiRS. New disclosure requirements and restatement of accounts require compliance with relevant guidance and correct application of applicable accounting standards.<br><br>**What we have done**<br><br>We carried out this work during our interim visit in order for us to feed back any findings ahead of our final audit.<br><br>For the restatement, we have obtained an understanding of the methodology used to prepare the revised statements. We have also agreed figures disclosed to the Authority's general ledger and found no issues to note.<br><br>The Authority had not excluded the recharges from the prior year figures, thus the prior year figures in the Comprehensive Income and Expenditure statement and Expenditure and Funding Analysis statement needed to be restated to exclude the recharges to make them comparable with the current year in line with new guidance released in 2016-17. This had been amended in the latest version of the financial statements received. |

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# Judgements

## We have considered the level of prudence within key judgements in your 2016-17 financial statements and accounting estimates. We have set out our view below across the following range of judgements.

**Level of prudence**


| Subjective areas | 2016-17 | 2015-16 | Commentary |
|---|---|---|---|
| **Provisions** | 3 | 3 | The total provision includes Business Rates Appeals (£1,164k) which has been explained below:<br>The Authority employed LG Futures in the prior year to review the reasonableness of the assumptions used to calculate the provision however they were not engaged to do the same in 2016-17 and the assessment was made by the Authority itself.<br>Appeals relating to 2016-17 and the years prior to that are expected to decrease in the coming years as a result of change in appeals regime with new obligations and fees to be encountered in the process.<br>We consider the assumptions used by Ashfield District Council to be reasonable, as the same % of probable reduction in rateable value (8%) has been applied to the new cases under the amended rules, as has been done historically. |
| **PPE: HRA assets** | 3 | 3 | The Authority continues its use of the beacon methodology in line with the DCLG's *Stock Valuation for Resource Accounting* published in November 2016. From our review, we noted the Authority has applied the appropriate social housing discount factor. The Authority has utilised an external valuation expert to provide valuation estimates. We have reviewed the instructions provided and deem that the valuation exercise is in line with the instructions. The resulting increase of 14.8% is in line with regional indices provided by Gerald Eve, the valuation firm engaged by the NAO to provide supporting valuation information. |

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# Proposed opinion and audit differences

## Subject to all outstanding queries being resolved to our satisfaction, we anticipate issuing an unqualified audit opinion on the Authority's 2016-17 financial statements following approval of the Statement of Accounts by the Audit Committee on 25 September 2017.

### Status of our audit

Our audit is substantially complete however matters communicated in this Report may change pending receipt of further evidence on the below items. We will provide a verbal update on the status of our audit at the Audit Committee meeting but would highlight the following work is still outstanding:

- Completion of audit procedures in relation to non pay and payroll journals;
- Addressing any residual audit queries arising from our completion procedures;
- General audit file completion and review procedures;
- Receipt of final accounts;
- Final review of amended accounts; and
- Letter of Management Representation.

### Audit differences

In accordance with ISA 260 we are required to report uncorrected audit differences to you. We also report any material misstatements which have been corrected and which we believe should be communicated to you to help you meet your governance responsibilities.

The final materiality (see Appendix 4 for more information on materiality) level for this year's audit was set at £1,200,000. Audit differences below £60,000 are not considered significant.

We did not identify any material misstatements.

### Presentational Errors

We identified a small number of errors in the financial statements, mentioned below. These have been discussed with management and the financial statements have been amended for all of them.

The prior year figures in the Comprehensive Income and Expenditure statement and Expenditure and Funding Analysis statement needed to be restated to exclude the recharges to make them comparable with the current year in line with new guidance released in 2016-17.

Debtors were also amended as the split between the Long Term and Short Term Debtors had been calculated based on the ageing rather than the due date. This did not have any impact on the total debtors.

In addition, we identified a number of presentational adjustments required to ensure that the accounts are compliant with the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 ('the Code'). We understand that the Authority will be addressing these where significant.

### Annual Governance Statement

We have reviewed the Authority's 2016-17 Annual Governance Statement and following a small amendment we confirm that:

- It complies with Delivering Good Governance in Local Government: A Framework published by CIPFA/SOLACE; and
- It is not misleading or inconsistent with other information we are aware of from our audit of the financial statements.

### Narrative report

We have reviewed the Authority's 2016-17 Narrative Report and have confirmed that it is consistent with the financial statements and our understanding of the Authority.

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Section one: financial statements

# Accounts production and audit process

Our audit standards (*ISA 260*) require us to communicate our views on the significant qualitative aspects of the Authority's accounting practices and financial reporting.

We also assessed the Authority's process for preparing the accounts and its support for an efficient audit. The efficient production of the financial statements and good-quality working papers are critical to meeting the tighter deadlines.

### Accounting practices and financial reporting

The Authority has recognised the additional pressures which the earlier closedown in 2017-18 will bring. We have been engaging with the Authority in the period leading up to the year end in order to proactively address issues as they emerge.

We consider the Authority's accounting practices appropriate.

### Completeness of draft accounts

We received a complete set of accounts for audit on 28th June 2017, which is before the statutory deadline.

### Quality of supporting working papers

We issued our *Accounts Audit Protocol 2016-17* ("Prepared by Client" request) in February 2017 (Interim) and March 2017 (Final) which outlines our documentation request. This helps the Authority to provide audit evidence in line with our expectations. We followed this up with a meeting with Management to discuss specific requirements of the document request list.

We worked with management to ensure that working paper requirements are understood and aligned to our expectations. We are pleased to report that this has resulted in good-quality working papers with clear audit trails.

However, there is an opportunity for further improvements to be made in providing clear and concise audit trails in particular areas. We have raised recommendations in respect of this, see recommendation two and three relating to housing benefits and bank reconciliations.

### Response to audit queries

Available officers dealt with our audit queries on a timely basis. However, we experienced a number of delays due to the absence of key staff, which made it difficult at times to plan work and resulted in some delays. As a result of this, not all of our audit work was completed within the timescales expected.

### Prior year recommendations

As part of our audit we have specifically followed up the Authority's progress in addressing the recommendations in last year's ISA 260 report.

The Authority has implemented all of the recommendations in our ISA 260 Report 2015/16.

Appendix Two provides further details.

### Controls over key financial systems

We have tested controls as part of our focus on significant audit risks and other parts of your key financial systems on which we rely as part of our audit. The strength of the control framework informs the substantive testing we complete during our final accounts visit.

As noted above, we identified a number of areas were controls could be further improved and therefore have raised a number of recommendations as detailed in Appendix 1.

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# Completion

## We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's 2016-17 financial statements.

## Before we can issue our opinion we require a signed management representation letter.

## Once we have finalised our opinions and conclusions we will prepare our Annual Audit Letter and close our audit.

### Declaration of independence and objectivity

As part of the finalisation process we are required to provide you with representations concerning our independence.

In relation to the audit of the financial statements of Ashfield District Council for the year ending 31 March 2017, we confirm that there were no relationships between KPMG LLP and Ashfield District Council, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Public Sector Audit Appointments Ltd requirements in relation to independence and objectivity.

We have provided a detailed declaration in Appendix 5 in accordance with ISA 260.

### Management representations

You are required to provide us with representations on specific matters such as your financial standing and whether the transactions within the accounts are legal and unaffected by fraud. We have provided a template to the Responsible Finance Office for presentation to the Audit Committee. We require a signed copy of your management representations before we issue our audit opinion.

### Other matters

ISA 260 requires us to communicate to you by exception 'audit matters of governance interest that arise from the audit of the financial statements' which include:

- Significant difficulties encountered during the audit;
- Significant matters arising from the audit that were discussed, or subject to correspondence with management;
- Other matters, if arising from the audit that, in the auditor's professional judgement, are significant to the oversight of the financial reporting process; and
- Matters specifically required by other auditing standards to be communicated to those charged with governance (e.g. significant deficiencies in internal control; issues relating to fraud, compliance with laws and regulations, subsequent events, non disclosure, related party, public interest reporting, questions/objections, opening balances etc.).

There are no others matters which we wish to draw to your attention in addition to those highlighted in this report.

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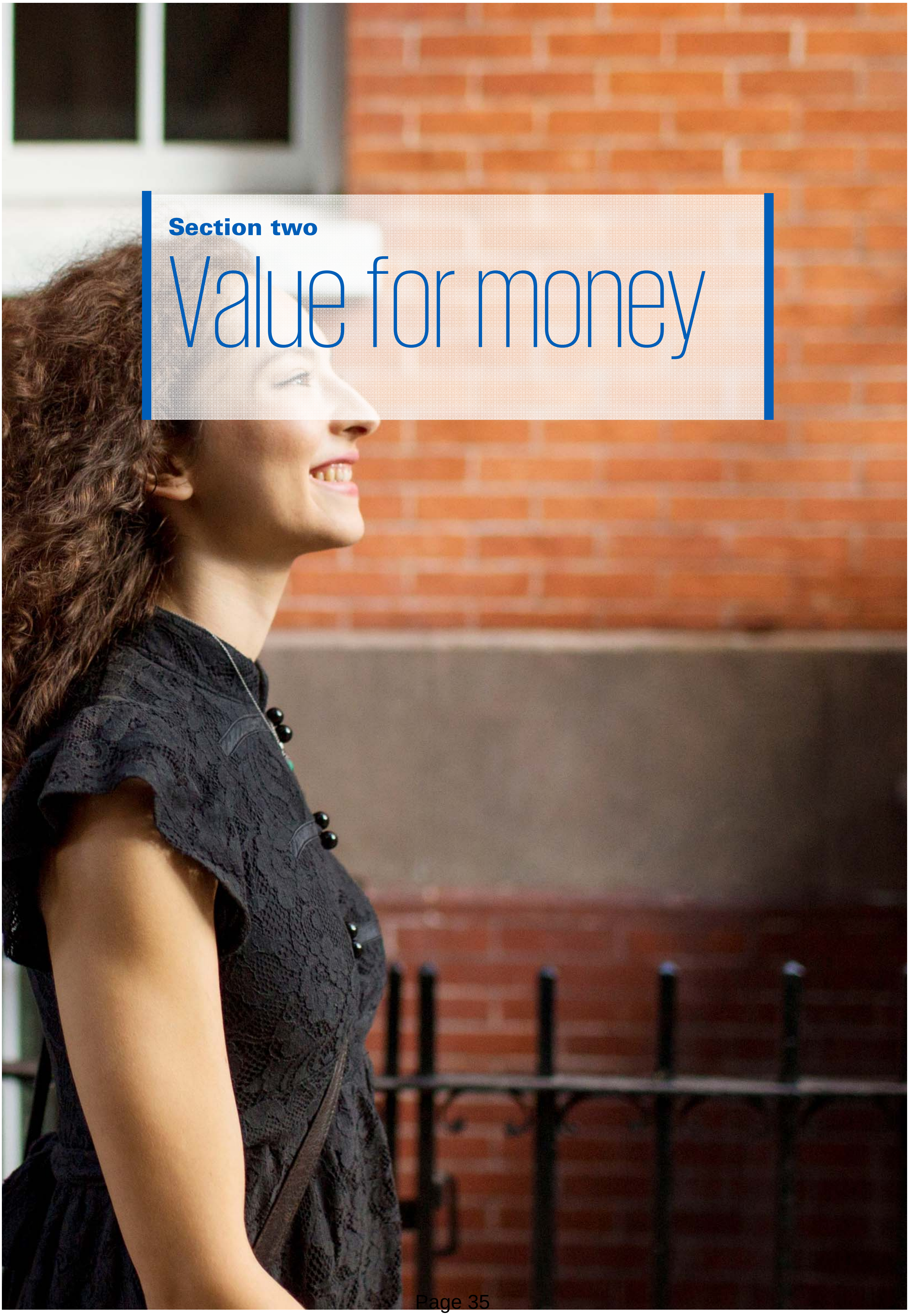
**Section two**

# Value for money



Our 2016-17 VFM conclusion considers whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

We have concluded that the Authority has made proper arrangements to ensure it took properly-informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

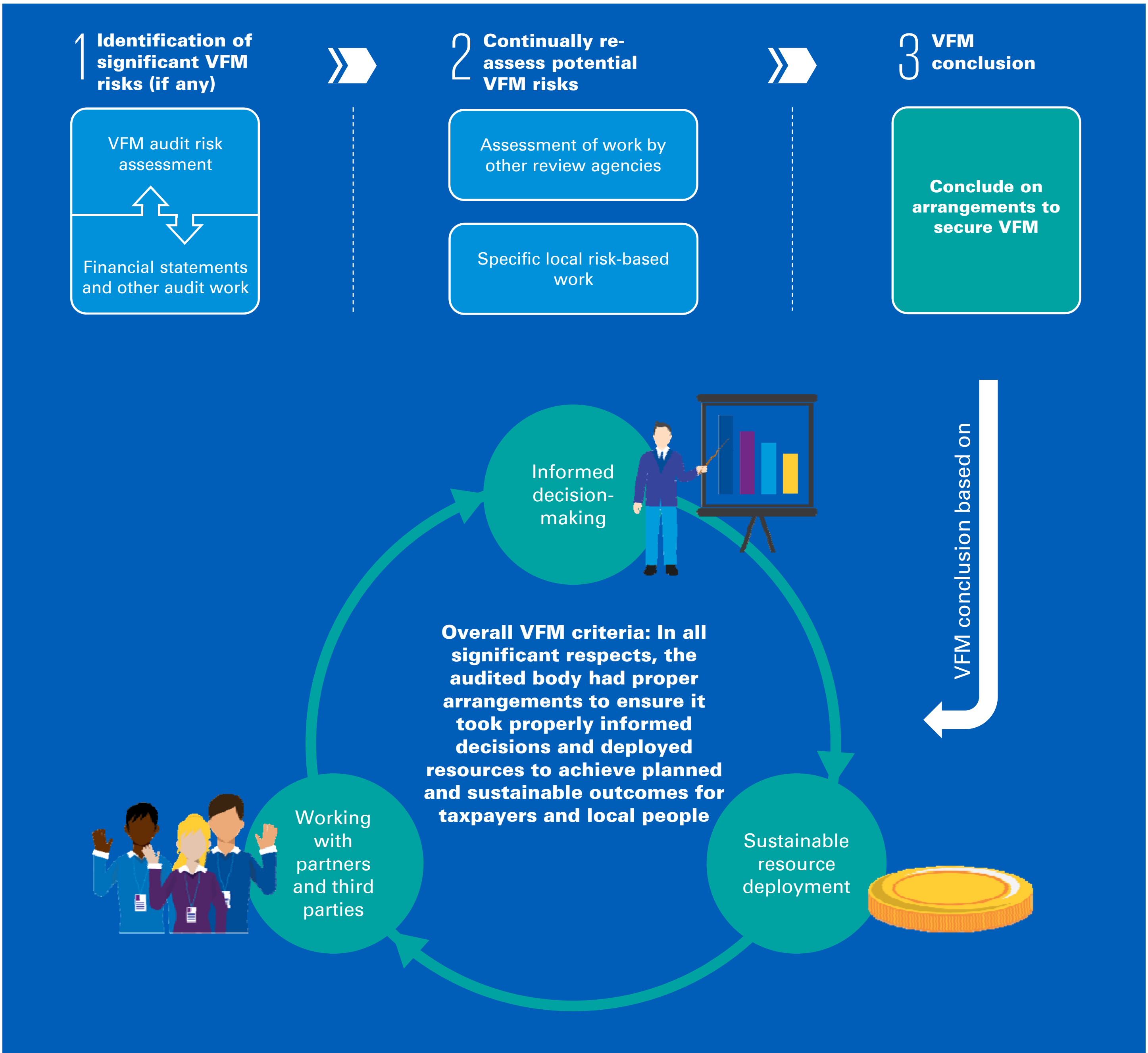
# VFM conclusion

## The Local Audit and Accountability Act 2014 requires auditors of local government bodies to be satisfied that the authority 'has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources'.

This is supported by the Code of Audit Practice, published by the NAO in April 2015, which requires auditors to 'take into account their knowledge of the relevant local sector as a whole, and the audited body specifically, to identify any risks that, in the auditor's judgement, have the potential to cause the auditor to reach an inappropriate conclusion on the audited body's arrangements.'

Our VFM conclusion considers whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

We follow a risk based approach to target audit effort on the areas of greatest audit risk.



# We have identified one significant VFM risk, as communicated to you in our *2016-17 External Audit Plan*. We are satisfied that external or internal scrutiny provides sufficient assurance that the Authority's current arrangements in relation to this risk area are adequate.

**The table below summarises our assessment of the individual VFM risk identified against the three sub-criteria. This directly feeds into the overall VFM criteria and our value for money opinion.**

**VFM assessment summary**

| VFM risk | Informed decision-making | Sustainable resource deployment | Working with partners and third parties |
|---|---|---|---|
| **1. Financial resilience in the local and national economy** | ✓ | ✓ | ✓ |
| **Overall summary** | ✓ | ✓ | ✓ |

In consideration of the above, we have concluded that in 2016-17, the Authority has made proper arrangements to ensure it took properly-informed decisions, worked with partners and third parties and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

Further details on the work done and our assessment are provided on the following page.

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# Significant VFM risks

| Significant VFM risks | Work performed |
|---|---|
| **1. Financial resilience in the local and national economy** | **Why is this a risk?**<br><br>There has been a significant shift in the national outlook over the last 12 months, primarily driven by the outcome of the referendum on 23 June 2016 on the UK's membership of the European Union. Consequently GDP growth forecasts have been revised downwards, which potentially reduces the level of any growth in business rates income. Inflationary pressures, service pressures, and a reduction in the local government finance settlement will impact on the Authority's finances.<br><br>The Authority continues to face similar financial pressures and uncertainties to those experienced by others in the local government sector. The Authority needs to have effective arrangements in place for managing its annual budget, generating income and identifying and implementing any savings required to balance its medium term financial plan. This is relevant to the sustainable resource deployment sub-criteria of the VFM conclusion.<br><br>**Summary of our work**<br><br>We undertook the following procedures over this significant risk:<br><br>▪ Reviewed the arrangements for assuring delivery of the Authority's savings programme and reviewed the delivery of the saving plans to date including actions taken by the Authority where savings were not achieved in line with the plan. In addition, we evaluated the arrangements the Authority has in place in identifying further savings for future years.<br><br>▪ We continued to meet regularly with the S151 Officer and key staff to understand the Authority's financial position and assess the adequacy of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources.<br><br>We noted:<br><br>▪ 2016/17 was a financially challenging year for the sector, however the Authority, achieved a net general fund surplus (after transfer to reserves) of £0.495m which was better than budget. This enabled the General Fund balance to increase to £4.4 million and earmarked reserves to increase to £6.3m as of 31 March 2017. In addition, the Authority achieved a £1.779m surplus in the HRA after transfer, resulting in an increase in HRA balance to £23.7m.<br><br>▪ In February 2017, the Authority approved a Medium Term Financial Strategy (MTFS) 2017-18 –2021-22 that sets out a balanced budget for 2017-18. The MTFS includes identified savings of £820k for the General Fund and £324k for the HRA for 2017-18.<br><br>▪ The MTFS identifies the need to save a further £3.8 million from its net revenue budget over the five year period 2018-19 – 2022-23 as Revenue Support Grant is phased out by 2020 and New Homes Bonus is estimated to reduce to £1.98m in 2021-22. It is envisaged that the savings will be identified through a number of initiatives including:<br><br>    ▪ Further development of a Commercial Enterprise Strategy;<br>    ▪ Improved IT efficiency;<br>    ▪ Efficient use of assets; and<br>    ▪ Service reviews and shared services.<br><br>▪ The MTFS highlights the increasingly difficult financial challenges that the Authority is going to face. Members will be required to make some difficult decisions which may require them to become less risk averse. |

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# Appendices

# Key issues and recommendations

Our audit work on the Authority's 2016-17 financial statements have identified a number of presentational issues. We have listed these issues in this appendix together with our recommendations which have been agreed with Management. We have also included Management's responses to these recommendations.

The Authority should closely monitor progress in addressing the risks, including the implementation of our recommendations. We will formally follow up these recommendations next year.

Each issue and recommendation have been given a priority rating, which is explained below.

High priority — Issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.

Medium priority — Issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.

Low priority — Issues that would, if corrected, improve internal control in general but are not vital to the overall system. These are generally issues of good practice that we feel would benefit if introduced.

The following is a summary of the issues and recommendations raised in the year 2016-17.

**2016-17 recommendations summary**

| Priority | Total raised for 2016-17 |
|---|---|
| **High** | **1** |
| **Medium** | **1** |
| **Low** | **2** |
| **Total** | **4** |

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## Appendix 1

| | | |
|---|---|---|
| High priority | **1. Asset Verification Exercises**<br>The Authority does not conduct regular verification exercises for the infrastructure assets, as a result assets worth £866k were written off due to lack of evidence over their existence. Thus there is an increased fraud risk that fictitious assets are added on to the Fixed Assets Register and are then subsequently written off.<br>**Recommendation**<br>We recommend that the Authority reviews its asset verification procedures, to ensure every asset is verified on a regular basis. | **Management Response**<br>**Accepted**<br>**Owner**<br>Principal Accountant – Capital & Treasury Management<br>**Deadline**<br>Immediately |
| Low priority | **2. Housing Benefits Reconciliation**<br>We identified that the Authority performs a reconciliation between the payments per the revenue systems and ledger. The Authority does not however, perform a reconciliation between the ledger and the claim form.<br>Moreover, the reconciliations performed are not reviewed by any other officer of the Finance team.<br>**Recommendation**<br>The Authority should reconcile the expenditure per the ledger to the claim form on an annual basis.<br>The reconciliation should be reviewed by an officer other than the preparer. | **Management Response**<br>ADC systems do not currently facilitate a summary report in order for this to take place. KPMG will provide an example reconciliation.<br>Accepted<br>**Owner**<br>Principal Accountant – Revenues<br>**Deadline**<br>Immediately |
| Low priority | **3. Bank Reconciliation**<br>We identified that the Authority performs a monthly reconciliation between the bank statement and the ledger. Whilst this reconciliation is signed as reviewed, it's not signed off by the preparer. Thus there is lack of evidence to confirm that there is enough segregation of duties in the reconciliation process.<br>**Recommendation**<br>The Authority should ensure that these reconciliations are signed off as prepared by the concerned officer. | **Management Response**<br>Accepted<br>**Owner**<br>Principal Accountant – Capital & Treasury Management<br>**Deadline**<br>Immediately |


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Medium priority

### 4. Working papers and audit process

We experienced a number of delays due to the absence of key staff, which made it difficult at times to plan and complete work. As a result of this, not all of our audit work was completed within the timescales expected. Whilst this has not unduly delayed the audit, there is scope to coordinate the audit work with staff availability for future years.

**Recommendation**

The Authority should coordinate the audit work with staff availability to ensure there are no delays in meeting the earlier deadlines from 2017-18.

**Management Response**

Although some leave was granted, we feel that there was sufficient resource and knowledge within the team to respond to queries. These matters will be discussed between ADC and KPMG in the de-brief to determine if there are lessons to be learnt.

**Owner**

Corporate Finance Manager (Section 151 Officer)

**Deadline**

October 2017

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# Follow-up of prior year recommendations

## In the previous year, we raised three recommendations which we reported in our *External Audit Report 2015-16 (ISA 260). The Authority has implemented all of the recommendations.*

We have used the same rating system as explained in Appendix 1.

Each recommendation is assessed during our 2016/17 work, and we have obtained the recommendation's status to date. We have also obtained Management's assessment of each outstanding recommendation.

Below is a summary of the prior year's recommendations.

**2015/16 recommendations status summary**

| Priority | Number raised | Number implemented / superseded | Number outstanding |
|---|---|---|---|
| **High** | 0 | 0 | **0** |
| **Medium** | 3 | 3 | **0** |
| **Low** | 0 | 0 | **0** |
| **Total** | **3** | **3** | **0** |

Medium priority

### 1. Payroll Assurance

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 further strengthened.

### Recommendation

The Authority should review the current process in place and in particular we recommend that the Authority should:

- 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;
- Review the payroll file and approve the BACS payment before the submission deadline; and
- The Council 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.

### Management original response

A meeting has been scheduled with all relevant parties later this month with a view to putting the recommendations in place as soon as possible but definitely no later than the December 2016 Payroll.

### KPMG's July 2017 assessment

**Fully implemented**

KPMG

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Medium priority

### 2. Fixed Asset Register(FAR) reconciliation to the General Ledger (GL)

The Authority as part of its year end process reconciles the net book value (NBV) per the Fixed Asset Register to the general ledger. However, to ensure accuracy of records the Authority should reconcile all lines of the FAR e.g. gross book value and depreciation etc.

In addition, the Authority should also consider completing a monthly reconciliation which reduces the time required to carry out this exercise during the closedown process.

**Recommendation**

We recommend that the Council reconciles the Fixed Asset Register to the General Ledger on a monthly basis, in addition to reconciling all lines with the FAR.

.

**Management original response**

Agreed.

The Authority to undertake a year-end reconciliation as suggested as part of the 2016-17 close-down process.

The Authority will also consider monthly reconciliations but will evaluate in terms of the time taken and benefit received.

**KPMG's July 2017 assessment**

**Fully implemented**

Medium priority

### 3. Non-Pay Expenditure – Data Analytics

We undertook data analytics over non-pay expenditure for the period 1 April 2015 to 31 March 2016. This work highlighted in a number of instances that invoices were either not matched to a purchase order (PO) or matched to PO dated after the invoice date.

We are aware that the Finance team has been working hard to improve controls by delivering training to raise awareness about the purchasing process.

**Recommendation**

We recommend that the Authority continues to periodically review the effectiveness of the controls around the purchase order system and in particular review recurring patterns of non compliance.

.

**Management original response**

Agreed.

A report has already been prepared for the Corporate Leadership Team in respect of compliance performance in the 2016-17 financial year.

**KPMG's July 2017 assessment**

**Ongoing**

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**Appendix 3**

# Audit differences

## We are required by ISA 260 to report all uncorrected misstatements, other than those that we believe are clearly trivial, to those charged with governance (which in your case is the Audit Committee). We are also required to report all material misstatements that have been corrected but that we believe should be communicated to you to assist you in fulfilling your governance responsibilities.

A number of minor amendments focused on presentational improvements have also been made to the 2016-17 draft financial statements. The Finance team is committed to continuous improvement in the quality of the financial statements submitted for audit in future years.

### Adjusted audit differences

The following table sets out the significant audit differences identified by our audit of Ashfield District Council's financial statements for the year ended 31 March 2017. It is our understanding that these will be adjusted. However, we have not yet received a revised set of financial statements to confirm this.

**Table 1: Adjusted audit differences (£'000)**

| No. | Income and expenditure statement | Movement in reserves statement | Assets | Liabilities | Reserves | Basis of audit difference |
|---|---|---|---|---|---|---|
| 1 | | | Cr Long Term Debtors £1,168,000 | | | Long Term debtors were incorrectly classified based on their ageing rather than their due date. |
| 2 | | | Dr Short Term Debtors £1,168,000 | | | As above |
| | | | **No impact on the total debtors figure** | | | **Total impact of adjustments – It is a presentational error and doesn't impact the total debtors** |

In addition, the prior year figures in the Comprehensive Income and Expenditure statement and Expenditure and Funding Analysis statement needed to be restated to exclude the recharges to make them comparable with the current year in line with new guidance released in 2016-17.

### Unadjusted audit differences

We are happy to report that there were no unadjusted audit differences.

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**Appendix 4**

# Materiality and reporting of audit differences

## The assessment of what is material is a matter of professional judgement and includes consideration of three aspects: materiality by value, nature and context.

Material errors by value are those which are simply of significant numerical size to distort the reader's perception of the financial statements. Our assessment of the threshold for this depends upon the size of key figures in the financial statements, as well as other factors such as the level of public interest in the financial statements.

Errors which are material by nature may not be large in value, but may concern accounting disclosures of key importance and sensitivity, for example the salaries of senior staff.

Errors that are material by context are those that would alter key figures in the financial statements from one result to another – for example, errors that change successful performance against a target to failure.

We used the same planning materiality reported in our External Audit Plan 2016-17, presented to you in February 2017.

Materiality for the Authority's accounts was set at £1,200,000 which equates to around 1.5% percent of gross expenditure. We design our procedures to detect errors in specific accounts at a lower level of precision.

**Reporting to the Audit Committee**

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any misstatements of lesser amounts to the extent that these are identified by our audit work.

Under *ISA 260*, we are obliged to report omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. *ISA 260* defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

*ISA 450* requires us to request that uncorrected misstatements are corrected.

In the context of the Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £60,000 for the Authority.

Where management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Committee to assist it in fulfilling its governance responsibilities.

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**Appendix 5**

# Declaration of independence and objectivity

Auditors appointed by Public Sector Audit Appointments Ltd must comply with the Code of Audit Practice (the 'Code') which states that:

> *"The auditor should carry out their work with integrity, objectivity and independence, and in accordance with the ethical framework applicable to auditors, including the ethical standards for auditors set by the Financial Reporting Council, and any additional requirements set out by the auditor's recognised supervisory body, or any other body charged with oversight of the auditor's independence. The auditor should be, and should be seen to be, impartial and independent. Accordingly, the auditor should not carry out any other work for an audited body if that work would impair their independence in carrying out any of their statutory duties, or might reasonably be perceived as doing so."*

In considering issues of independence and objectivity we consider relevant professional, regulatory and legal requirements and guidance, including the provisions of the Code, the detailed provisions of the Statement of Independence included within the Public Sector Audit Appointments Ltd Terms of Appointment ('Public Sector Audit Appointments Ltd Guidance') and the requirements of APB Ethical Standard 1 Integrity, Objectivity and Independence ('Ethical Standards').

The Code states that, in carrying out their audit of the financial statements, auditors should comply with auditing standards currently in force, and as may be amended from time to time. Public Sector Audit Appointments Ltd guidance requires appointed auditors to follow the provisions of *ISA (UK&I) 260 'Communication of Audit Matters with Those Charged with Governance'* that are applicable to the audit of listed companies. This means that the appointed auditor must disclose in writing:

- Details of all relationships between the auditor and the client, its directors and senior management and its affiliates, including all services provided by the audit firm and its network to the client, its directors and senior management and its affiliates, that the auditor considers may reasonably be thought to bear on the auditor's objectivity and independence.
- The related safeguards that are in place.
- The total amount of fees that the auditor and the auditor's network firms have charged to the client and its affiliates for the provision of services during the reporting period, analysed into appropriate categories, for example, statutory audit services, further audit services, tax advisory services and other non-audit services. For each category, the amounts of any future services which have been contracted or where a written proposal has been submitted are separately disclosed. We do this in our Annual Audit Letter.

Appointed auditors are also required to confirm in writing that they have complied with Ethical Standards and that, in the auditor's professional judgement, the auditor is independent and the auditor's objectivity is not compromised, or otherwise declare that the auditor has concerns that the auditor's objectivity and independence may be compromised and explaining the actions which necessarily follow from this. These matters should be discussed with the Audit Committee.

Ethical Standards require us to communicate to those charged with governance in writing at least annually all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place that, in our professional judgement, may reasonably be thought to bear on our independence and the objectivity of the Engagement Lead and the audit team.

### General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP Audit Partners and staff annually confirm their compliance with our Ethics and Independence Manual including in particular that they have no prohibited shareholdings.

Our Ethics and Independence Manual is fully consistent with the requirements of the Ethical Standards issued by the UK Auditing Practices Board. As a result we have underlying safeguards in place to maintain independence through: Instilling professional values, Communications, Internal accountability, Risk management and Independent reviews.

We would be happy to discuss any of these aspects of our procedures in more detail.

### Auditor declaration

In relation to the audit of the financial statements of Ashfield District Council for the financial year ending 31 March 2017, we confirm that there were no relationships between KPMG LLP and Ashfield District Council, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Public Sector Audit Appointments Ltd requirements in relation to independence and objectivity.

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## Appendix 5

### Non-audit work and independence

Below we have listed the non-audit work performed and set out how we have considered and mitigated (where necessary) potential threats to our independence.

| Summary of non-audit work | | |
|---|---|---|
| **Description of non-audit service** | **Estimated fee** | **Potential threat to auditor independence and associated safeguards in place** |
| **Pooling of Housing Capital Receipts Return** | **£3,000** | **Self-interest:** The work involves verifying data included in the claim. The work being carried out is therefore factual and not judgemental and does not constitute a threat to our independence. The engagement did not have either a perceived or actual impact on the audit team and the audit team resources that will be deployed to perform a robust and thorough audit. The fee is a small percentage of the overall fee.<br>**Self-review:** The nature of this work is to confirm the accuracy of the data included in the claim. Management have prepared the claim, so there is no threat of self review.<br>**Management threat:** All decisions surrounding the claim will be made by the Authority.<br>**Familiarity**: This threat is limited given the scale, nature and timing of the work.<br>**Advocacy**: We will not act as advocates for the Authority in any aspect of this work. We will draw on our experience in such roles to provide the Authority with a range of approaches but the scope of this work falls well short of any advocacy role.<br>**Intimidation**: not applicable |
| **Total estimated fees as a percentage of the external audit fees** | **5%** | |

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**Appendix 6**

# Audit fees

### Audit fees

As communicated to you in our External Audit Plan 2016-17, our scale fee for the audit is £56,036 including VAT *(£56,036 in 2015-16)*. However, we propose an additional fee of £[TBC] due to additional work undertaken in relation to the CIES restatement, transfer of Ashfield Homes Limited (AHL) and the triennial pension revaluation. See table below for further detail.

Our work on the certification of Housing Benefits (BEN01) is not yet complete. The planned scale fee for this work has been determined by the PSAA, see further details below.

| PSAA fee table | | |
|---|---|---|
| **Component of audit** | **2016/17** *(planned fee)* £ | **2015/16** *(actual fee)* £ |
| **Accounts opinion and use of resources work** | | |
| PSAA scale fee set in 2014-2015 | 56,036 | 56,036 |
| Additional work to conclude our opinions (note 1) | TBC | 5,000 |
| **Subtotal** | **56,036** | **61,036** |
| **Housing benefits (BEN01) certification work** | | |
| PSAA scale fee set in 2014-15 – planned for September/October 2017 | 15,146 | 12,930 |
| **Pooling of Housing Capital Receipts Return** | 3,000 | 3,000 |
| **Total fee for the Authority set by the PSAA** | **74,182** | **76,966** |

*All fees are quoted exclusive of VAT.*

*Note 1: Accounts opinion and use of resources work*

For 2016-17, we have discussed additional fee in relation to CIES restatement with the S151 officer. This is still subject to PSAA determination.

We are also in discussions with management about extra fees as a result of the additional work we carried out on payroll and data migration in relation to AHL being brought in-house this year and costs incurred due to delays in response to audit queries.

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**Briefing Note for Audit Committee - 25th September 2017**

## Housing Benefit – Estimating HB Expenditure & Subsidy

Local Authorities have a statutory duty to administer Housing Benefit on behalf of the Department of Work and Pensions (DWP). The Revenues & Customer Services team process Housing Benefit claims and make payments directly to tenants (private sector), or directly to rent accounts (council tenants). These payments are funded by Housing Benefit Subsidy payments that are received monthly from the DWP.

**Housing Benefit Expenditure (for Subsidy Purposes) - 2016-17 (Revised estimates)**
Council Tenants - £13,624,133
Private Tenants - £19,199,371
Total - £32,823,504.

## Housing Benefit Entitlement – Subsidy Estimates

The Council is required to provide estimates of future HB entitlement so that the Benefit Subsidy payments can be made monthly to the authority during the period when the HB is actually being paid to the claimant. The initial estimate of HB entitlement is calculated in January for the following year. This is based on actual payments that have been made in the current year (usually as at 30th November or 31st December), these are then used to estimate the entitlement for the following year.

The projected year-end position is also used to revise the 2016/17 budget.

## Overpayments / Adjustments

The information provided to the DWP is based upon entitlement however the actual amount paid will differ due to deductions for overpayments, offsetting of underpayments and overpayments and other adjustments.

Overpayments arise for a number of reasons which include claimant error (the claimant not notifying the Council or DWP of a change in circumstances) and local authority error (an error made in determining the claim).

Where an individual is in receipt of on-going housing benefit the amount due to be paid will be adjusted to recover the overpayment known as 'clawback'.

The variance of £624k between the budgeted expenditure and actual expenditure is a result of reduced HB claims or entitlement than forecast and the deduction of overpayments. The out-turn position represents a 1.89% variance to budget.

When the claimant is not in receipt of on-going housing benefit an invoice is raised to re-coup the overpayments. Due to real-time information being received from DWP the level of overpayments and therefore overpayment income is also reducing.

## Housing Benefit Subsidy Payments

As discussed above, during the financial year the Council receives subsidy from the DWP to cover the cost of Housing Benefits payments. There is a direct correlation between entitlement and DWP payments received and therefore where Housing Benefit entitlements reduce so does the amount paid to the Council in subsidy. Further amendments to the subsidy may also occur subject to the outcome of the external audit of the subsidy claim.

The amount of subsidy received is £212k less than budgeted (less then 1% variance to budget).

**Future forecasting - Using Government HB expenditure growth forecasts**

National growth forecasts are provided by the DWP however, in recent years it is noted that these do not generally fit local conditions. At a time when the government estimates are predicting significant reductions in the numbers of Housing Benefit claimants across the country (for example – in 2017/18 government figures predict a reduction in Social Tenant expenditure by -6.7% and Private Tenant expenditure by -6.9%), here in Ashfield the fall in the number of claimants over recent years has been notably slower than the national average. The effects of using the national figures for Ashfields estimation purposes in 2016-17, would have resulted in the initial estimate of HB expenditure being set too low, resulting in an "overspend" against the HB initial estimate figures (when we find that we have more claimants than the government estimates had predicted).

**Conclusion**

As identified above there a number of factors which influence the housing benefit expenditure and income budgets. Work is being undertaken to re-assess the budget requirements for 2017/18 onwards. A consideration for 2018/19 shall be the introduction of Universal Credit whereby responsibility for some Housing Benefit payments will transfer to the DWP.

| | | | |
|---|---|---|---|
| **Report To:** | Audit Committee | **Date:** | 25th September 2017 |
| **Heading:** | CORPORATE RISK – CURRENT POSITION | | |
| **Portfolio Holder:** | LEADER | | |
| **Ward/s:** | | | |
| **Key Decision:** | no | | |
| **Subject To Call-In:** | no | | |

**Purpose Of Report**

For Audit Committee to review the Corporate Risk Register and the analysis of movement in risk and mitigating actions in respect of those risks.

**Recommendation(s)**

- Audit Committee are asked to note the current significant items on the Register and to consider whether any further immediate actions are necessary to mitigate those risks.

**Reasons For Recommendation(s)**

To prioritise and manage the mitigation of Risk in order that the Council can achieve its objectives

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

None

**Detailed Information**

**Context/Background**

All strategic risk at corporate and directorate level is incorporated into the Covalent performance system to enable quarterly updates at the same time as updating performance, therefore enhancing the consideration of risk in the delivery of services.

The Risk Template was revised to incorporate new columns to ensure we identify:-
- business continuity links
- ability to influence
- actions required and milestones separate to actions completed

**Corporate Risk Strategy**

The Corporate Risk Strategy has been reviewed with amendments made where necessary to reflect updates to organisational working arrangements. See attached at Appendix 1

**Corporate Risk Register**

The most up to date Corporate Risk Register (position as at August 2017) attached at Appendix 2

Risk Rating Summary

| | 2012/13 Qu 4 | 2013/14 Qu 4 | 2014/15 Qu4 | 2015/16 Qu4 | 2016/17 Qu4 | 2017/18 Qu 1 |
|---|---|---|---|---|---|---|
| Signif | 23 | 15 | 10 | 10 | 9 | 8 |
| Medium | 10 | 11 | 9 | 7 | 6 | 8 |
| Low | 1 | 8 | 7 | 5 | 2 | 2 |
| Total | 34 | 34 | 26 | 22 | 17 | 18 |

Current assessments indicate that **levels of significant risks have continued to reduce whilst the total number of Corporate Risks has reduced.**

Those significant risks remaining are (* mitigatable, and remained significant over last 12 months):-

- Failure to have adopted LDF
- Introduction of universal credit
- Ethical framework *
- Impact of 1% rent reduction*
- Failure to make required savings as identified in MTFS*
- Ability to achieve efficiencies and compliance in procurement*
- Failure to support and safeguard vulnerable people

**Risk Audit Update**

An Internal Audit of risk was undertaken in 2016/17, the recommendations were:-

- Corporate Risk Strategy review of governance structure – completed and reflected in update to Strategy appended to this report.
- Ensure employees attend risk management training – e-learning training developed which is currently being incorporated into corporate training programme
- Ensure risk management training built into Member training schedule – e-learning training developed which is currently being incorporated into Member training programme
- Ensure overdue operational risks query viewable in covalent – completed and reported quarterly
- Non movement of mitigatable risk - included in this report

**Implications**

**Corporate Plan:**

Effective risk management will enable the delivery of corporate and service level priorities, particularly ensuring our people, structures, systems, processes and practices are ‘fit for purpose’ and remove barriers to improvement and growth.

**Legal:**

No direct legal implications.

**Finance:**

This report is effective from 01/09/2017 and has the following financial implications:

| Budget Area | Implication |
|---|---|
| General Fund – Revenue Budget | There may be resource implications to the improvement or mitigation of risk. Financial risks are incorporated into the Corporate Risk Register. |
| General Fund – Capital Programme | |
| Housing Revenue Account – Revenue Budget | |
| Housing Revenue Account – Capital Programme | |

**Human Resources / Equality and Diversity:**

There is a need to ensure that service managers are clear with regards to the Corporate Risk Strategy and the requirement to follow the consistent processes contained therein. Risk Management training is a priority and refresher training is currently being scheduled for Members and Officers

**Other Implications:**

None

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

Not applicable

**Background Papers**

Corporate Risk Strategy – updated February 2017
Detailed Corporate Risk Register – Quarter 1 2017/18

**Report Author and Contact Officer**

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**Rob Mitchell**
**CHIEF EXECUTIVE**

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# Corporate Risk Management Strategy & Process

# Contents

# 1. Ashfield District Council Risk Management Strategy - Introduction

## 1.1 Philosophy and aims

Our philosophy:
*Ashfield District Council will seek to embed risk management into its culture, processes and structure to ensure that opportunities are maximised. Ashfield District Council will seek to encourage managers to identify, understand and manage risks, and learn how to accept the right risks. Adoption of this strategy must result in a real difference in Ashfield District Council's behaviour.*

## 1.2 Purpose

The purpose of this risk strategy document is to set out in clear simple terms how risk management should work within Ashfield District Council and become embedded in the culture.

It therefore aims to:

- Develop risk management and raise its profile across the Council, and ensure that risk management becomes a living tool.
- Make risk management part of normal business and therefore incorporated within all decision making processes.
- Integrate risk management into the culture of the Council.
- Ensure that all risks are managed in accordance with best practice.
- Create effective processes that will allow risk management assurance statements to be made annually.

## 1.3 What is risk management?

Risk Management can be defined as:

**"The management of integrated or holistic business risk in a manner consistent with the virtues of economy, efficiency and effectiveness. In essence it is about making the most of opportunities (making the right decisions) and about achieving objectives once those decisions are made. The latter is achieved through controlling, transferring and living with risks"**
***ZMMS/SOLACE, Chance or choice?, July 2000***

Risk management therefore is essentially about identifying all the obstacles and weaknesses that exist within the Council. A holistic approach is vital to ensuring that all elements of the organisation are challenged including our decision making processes, work with partners, consultation processes, existing policies and procedures as well as the effective use of all assets – including our staff. Once the obstacles have been identified the next stage is to prioritise them to identify the key obstacles to the organisation moving forward. Once prioritised it is essential that steps are taken to then effectively manage those key obstacles / risks. The result is that major obstacles or blockages that exist within the organisation can be mitigated to provide the council with a greater chance of being able to achieve its objectives and provide services.

Risk management needs to be seen as a strategic tool and an essential part of effective and efficient management and planning.

### 1.4 Why do we need a risk management strategy?

Risk management will, by aligning to the business planning and performance management processes, strengthen the ability of the Council to achieve our objectives and enhance the value of the services we provide.

Also, Risk Management will, by aligning to the Business Continuity processes, strengthen the ability of the Council to react to all situations and protect its own interests and those of the district, ensuring essential service delivery.

However it is also something we are required to do, for example:

- The CIPFA/SOLACE framework on Corporate Governance requires the Council to make a public assurance statement annually, on amongst other areas, the Council's risk management strategy, process and framework. The framework requires us to establish and maintain a systematic strategy, framework and processes for managing risk.
- Risk management was a key discipline identified in the Organisational Assessment, particularly looking at whether an authority has assessed the risks inherent in its corporate and service plans. This requirement has now been removed, however, is recognised as good practice.
- Risk management is now considered standard practice in both the public and private sectors.
- To meet our statutory obligations such as Civil Contingencies Act, providing emergency response and planning and providing for emergency assistance.

### 1.5 Benefits of risk management

Successful implementation of risk management will produce many benefits for the Council if it becomes a living tool. These include:

- Increased chance of achieving strategic objectives as key risks are identified and minimised.
- Achieves buy-in to risk (and action) for officers and members.
- An organisation can become less risk averse (because you understand risks).
- Improved performance, accountability and prioritisation - feeds into and aligns with the performance management framework.
- Better governance can be demonstrated to stakeholders.
- Control and mitigation of business continuity risk

### 1.6 Link to Corporate Objectives

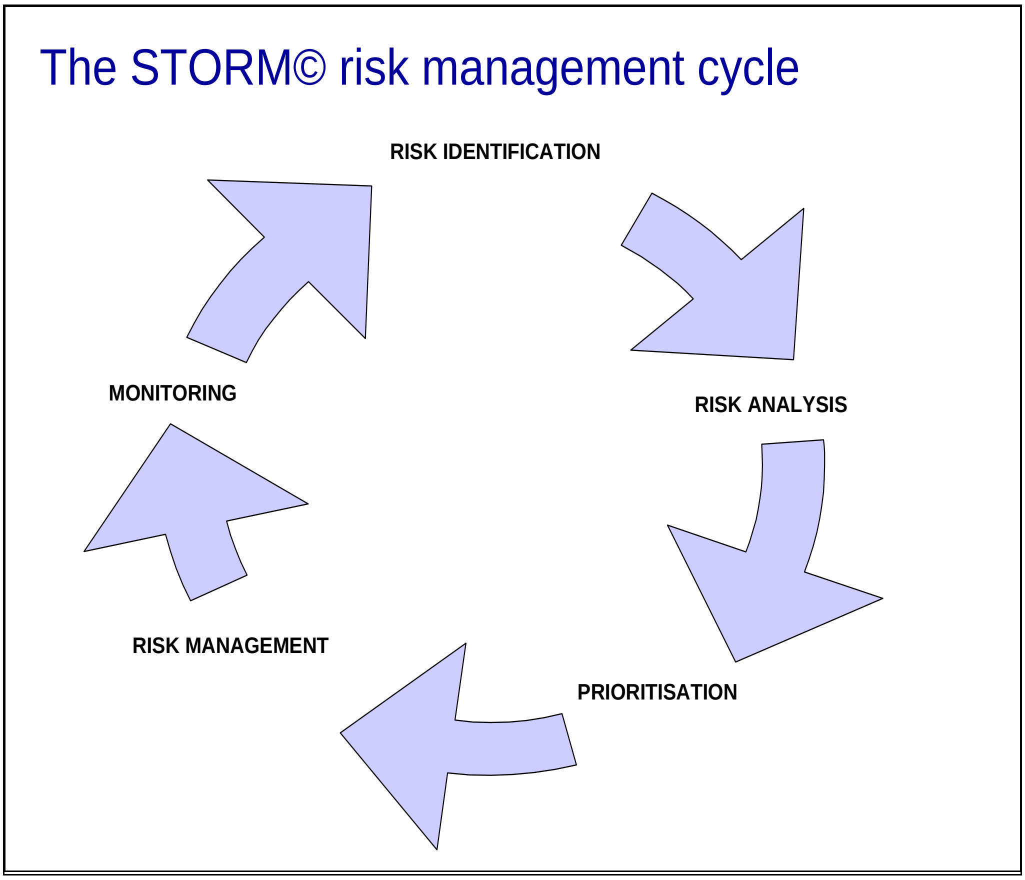
Adequate risk management arrangements link to the authority's Organisational Improvement priority. However, the minimisation of risks also enables all of the council's priorities to be achieved. The identification of risk relating to the achievement of performance and improvement is a key aspect of the performance management framework.

## 2. Implementing a risk management process

This section covers the implementation of the risk management process within the Council. In order to implement risk management within the Council managers and staff need to become familiar with, and have guidance on, the:

- risk management process,
- roles and responsibilities of officers and members,
- reporting and monitoring.

### 2.1 The Risk Management Cycle




Implementing the strategy involves adopting a systematic and robust process. The following risk management cycle describes the processes that should be followed.

**Step 1** Identifying risks facing the Council.

The identification of risks is derived from both a ‘top down’ (corporate planning) and a ‘bottom up’ (operational/business continuity level) process of risk assessment resulting in coverage of the whole Council.

**Step 2** Analysing the risks

The risks are analysed and reported in a corporate standard format. (See Appendix 3 )

**Step 3** Prioritising the risks

The process then prioritises the risks resulting in a focus on the key risks and priorities i.e. those risks most likely to happen and with the greatest impact

**Step 4** Managing of the risks through action plans

The risks are then managed through the development of appropriate risk management action plans. The Corporate standard template incorporates risk identification and action planning.

**Step 5** Monitoring of the action plans and the risks

Risks are managed through the performance management framework at least once every six months, whilst monitoring the delivery of the service and corporate action plans.

The cycle is continuous and should be followed on a regular basis.

The risk management process is described in detail in Appendix 1.

## 2.2 Roles and Responsibilities

The following describes the roles and responsibilities that members and officers will play in introducing, embedding and owning the risk management process:

**Members**

Members have a responsibility to understand the corporate/strategic risks that Ashfield District Council faces, and will be made aware of these risks, and progress on their management, via annual reports to Cabinet and regularly through the Programme Management process and Programme Highlight reports to Priority Theme Boards.

Member’s key tasks are:

- Approving the Corporate Risk Management Strategy
- Monitoring the Council’s risk management and internal control arrangements via annual reports to Cabinet, and regular Priority Theme Board Programme Highlight reports

- Approving the public disclosure of the annual outcome of this assessment (the assurance statement), and publishing it in the annual Statement of Accounts.

**Corporate Leadership Team (CLT)**
The Corporate Leadership Team is pivotal in leading the promotion and embedding of risk management within the Council. In addition they have an important role in identifying and managing risks.

Corporate Leadership Team's key tasks are:
- Recommending to Cabinet the Corporate Risk Management Strategy and its subsequent revision.
- actively being involved in the assessment and management of risks on a biannual basis, at Corporate strategic level
- being actively involved in the identification, assessment and management of risks within their directorates as part of the service planning process.
- supporting and promoting risk management throughout the Council,
- support the Risk Management Sponsor

**Risk Management Sponsor – Strategic Planning Risk**
The Risk Management Sponsor (Strategic Planning Risk) will lead the championing and embedding of strategic risk management and drive its implementation within the Council. This role is part of the duties of the Corporate Performance and Improvement Manager.

Responsibilities will include:
- compile, and report biannually (from Covalent), to CLT all corporate risks, including the risks escalated up from the Directorate level, and lead their identification, assessment and management of strategic risks on a biannual basis
- produce an annual report to Cabinet on the progress of strategic risk management, the risks, and action in managing them,
- support and advise the CLT on strategic risk management issues
- communicate the benefits of effective strategic risk management to all members of Ashfield District Council
- ensure the alignment of risk within strategic planning and performance and improvement processes

**All Employees**
All employees need to understand their role in the risk management process and why they should be concerned with risk in order to achieve their objectives and to deliver key services. They need to know how to evaluate risks and when to accept the right risks in order to pursue an opportunity.

To do this all employees will need to have an understanding of the different risk s and different management techniques available to use and when to use them. This will ensure that the most effective tool is used to give the maximum benefit for the least amount of effort.

## 2.3 Reporting and monitoring

The responsibility for monitoring and reviewing the corporate risk is the responsibility of the Corporate Leadership Team who is required to do this biannually.

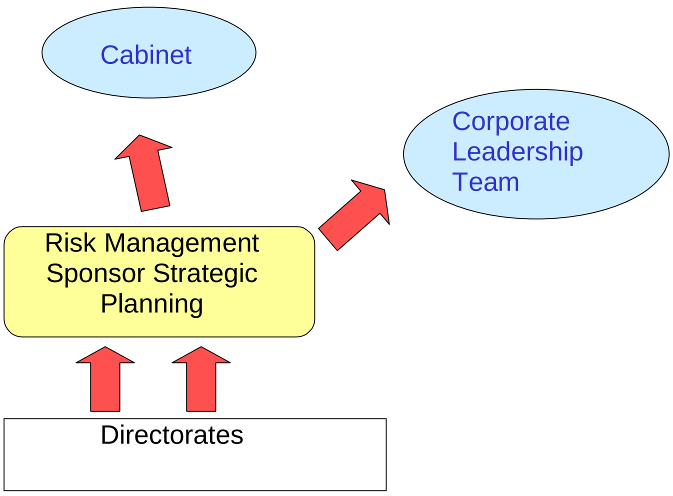
Service Risk Registers should be reviewed as a minimum annually by the respective Service Manager.

Service Directors are responsible for escalating risks, those above the risk tolerance line to the Corporate Leadership Team who will determine if they should be included on the Corporate Risk Register. This should be done through the Risk Management Sponsor – Strategic Planning.

The Risk Management Sponsor – Strategic Planning will report progress on the risk management process, and key risks, annually to Cabinet. They will also be responsible for reviewing the Corporate Risk Management Strategy and most effective risk management processes on an annual basis.

The action plans developed to manage the Strategic risks will be aligned to the Performance Management Framework and will be monitored through the Performance Management System Covalent. This will ensure the integration of risk management with other processes and ultimately ensure its profile and success is maintained.

The framework for reporting risk is summarised below:




It is our ultimate aim for risk assessments to be included in all policies and reports, as well as in our partnership working arrangements, so that risk is considered in everything the Council does. However this will develop in the future as the implementation of risk management continues and becomes more embedded as a process within the Council.

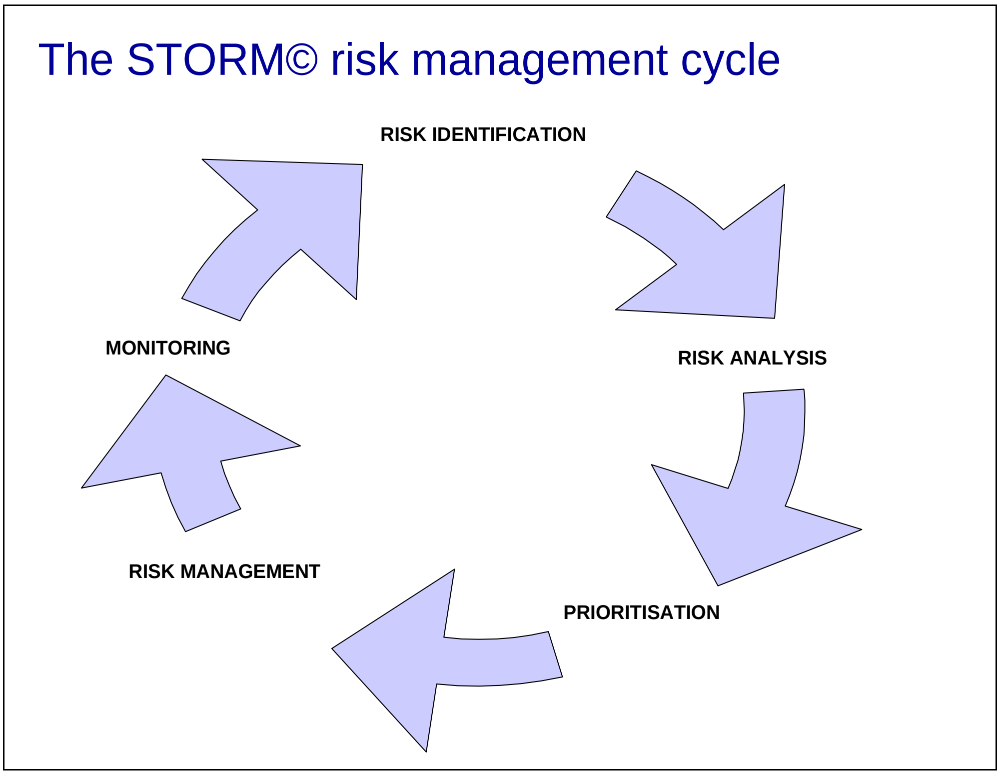
## Conclusion

The adoption of a sound risk management strategy should achieve many benefits for Ashfield District Council. It will help with business planning, the achievement of objectives, the demonstration of continuous improvement and will go a long way to demonstrate effective corporate governance.

The challenge however is to implement this comprehensive risk management process without significantly increasing workloads. This should be achieved by the integration of risk management into existing processes and reviews rather than as a separate process.

## Appendix 1 – The risk management process

The methodology that will be adopted by Ashfield District Council will be the Zurich Municipal Management Services (ZMMS) STORM© methodology. STORM© (Strategic and Tactical, Organisational Risk Management) is a structured, systematic methodology that identifies, evaluates, prioritises and manages risk at strategic, tactical and operational levels and guides the formation of a Risk Management Strategy. A key element of STORM© involves embedding a risk management culture in all staff and members so that Ashfield District Council can successfully take the process forward into the future.




The key stages are based on the risk management cycle (above), and all aspects of the process are explained in detail below.

### Stage 1 - risk Identification

The initial approach at Ashfield District Council was to have individual interviews with the senior managers and Members to identify the key strategic and cross cutting risks facing the Council. However it will be for each Division to decide upon the appropriate approach to identifying its key risks as this process is cascaded down throughout Ashfield District Council.

Therefore in taking the process forward divisions may use the interview approach to identify their risks, or use a facilitated workshop approach to risk identification. Both approaches are outlined briefly below:

**Interviews for risk identification**
Interviews are a suitable risk identification technique when there are hidden issues (because they are anonymous) or when it is not practical to gather a group of people together. Interviews are often a more effective way to reveal risks than facilitated workshops as they allow people to be more open and honest in revealing their concerns. Interviews are also more time effective for the interviewee's as they only require up to two hours on their specific issues rather than spending a half-day, or more, in a general workshop.

The objective of an interview is to identify the risks, their causes and consequences. Effective questioning, by experienced interviewers, will allow concerns, problems and potential risks and opportunities to be revealed. . It is therefore important that the interviewers challenge the interviewees about the risks and drill down into the issues to fully identify all the causes and consequences.

Also important is that the interviewees are chosen from across the Council or service to get a full picture of the risks present. And it is vital that the confidentiality of the interviews is respected and issues are not attributed directly to individuals.

**Workshops for risk identification**

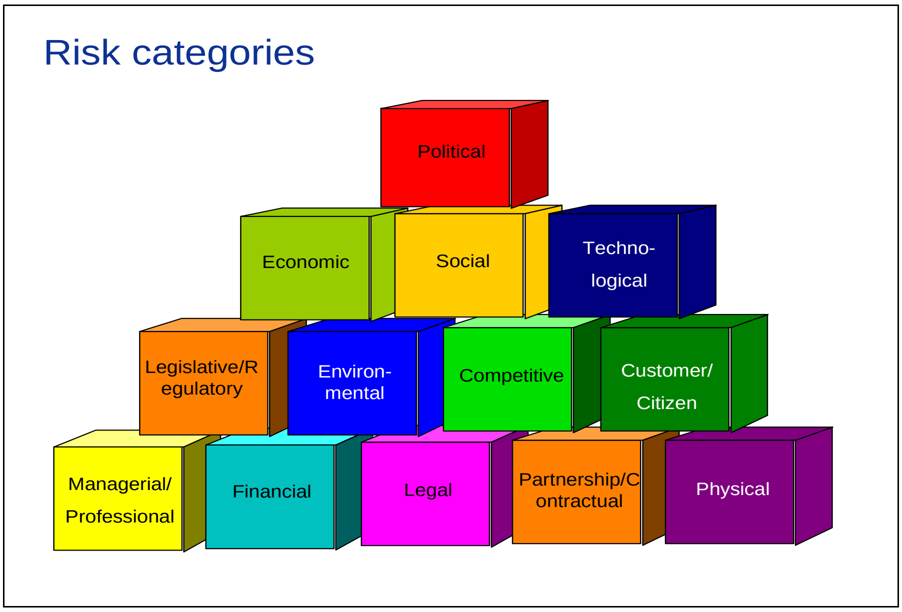
An alternative is to run facilitated workshops within services encouraging employees to share their concerns, problems and potential risks that they foresee.

Workshops should consist of a representative group of employees from across the Council, or service, and need effective facilitation to be successful. Again the objective of a workshop is to identify the risks, their causes and consequences. It is up to the facilitator to ensure that the risks are explored in sufficient depth and that all opinions are shared and captured.

However regardless of the risk identification technique being used is suggested that the following categories of possible risk areas be used. They should act as a prompt and as a trigger for employees involved in the process. They will therefore ensure that a holistic approach to risk identification is taken and that the risk process does not just concentrate on operational, financial or legal risks.

**Service Level Strategic Planning and Performance Management**

Alongside the two above approaches, each Service will review any relevant risks in the achievement of performance and improvement activity, and therefore achievement of Corporate Priorities. This will be undertaken annually as part of the service planning process, and reviewed as a minimum twice a year as part of the performance management framework. The Corporate Timeline Managers Checklist includes prompts for service managers to review risk on a regular basis (Appendix 2)




| Risk | Definition | Examples |
|---|---|---|
| Political | Associated with the failure to deliver either local or central government policy or meet the local administration's manifest commitment | New political arrangements, Political personalities, Political make-up |
| Economic | Affecting the ability of the council to meet its financial commitments. These include internal budgetary pressures, the failure to purchase adequate insurance cover, external macro level economic changes or consequences proposed investment decisions | Cost of living, changes in interest rates, inflation, poverty indicators |
| Social | Relating to the effects of changes in demographic, residential or socio-economic trends on the council's ability to meet its objectives | Employee levels from available workforce, ageing population, health statistics |
| Technological | Associated with the capacity of the Council to deal with the pace/scale of technological change, or its ability to use technology to address changing demands. They may also include the consequences of internal technological failures on the council's ability to deliver its objectives | E-Gov. agenda, IT infrastructure, Employee/client needs, security standards |
| Legislative | Associated with current or potential changes in national or European law | Human rights, appliance or non-appliance of TUPE regulations |
| Environmental | Relating to the environmental consequences of progressing the council's strategic objectives | Land use, recycling, pollution |
| Professional/ Managerial | Associated with the particular nature of each profession, internal protocols and managerial abilities | Employee restructure, key personalities, internal capacity |
| Financial | Associated with financial planning and control | Budget overspends, level of council tax, level of reserves |

| | | |
|---|---|---|
| Legal | Related to possible breaches of legislation | Client brings legal challenge |
| Physical | Related to fire, security, accident prevention and health and safety | Offices in poor state of repair, use of equipment |
| Partnership/ Contractual | Associated with failure of contractors and partnership arrangements to deliver services or products to the agreed cost and specification | Contractor fails to deliver, partnership agencies do not have common goals |
| Competitive | Affecting the competitiveness of the service (in terms of cost or quality) and/or its ability to deliver best value | Fail to win quality accreditation, position in league tables |
| Customer/ Citizen | Associated with failure to meet the current and changing needs and expectations of customers and citizens | Managing expectations, extent of consultation |

The risk identification stage should also include a review of published information such as corporate/service plans, strategies, financial accounts, media mentions, inspectorate and audit reports etc.

**Stage 2 – risk analysis**

The information gathered from the risk identification processes above should be analysed and risk scenarios developed for the key concerns using the Risk Register and Action Plan (see Appendix 3). The Risk Register and Action Plan (Corporate and Service) should include a clear description of the risk, priority rating of the risk and proposed action. Generally, where interviewees have perceived a risk, which has been corroborated by others, the risk should appear in the scenarios – particularly if it is backed up by available evidence.

Risks identified in workshops should already have been captured in an approximate risk scenario format and should only require checking or modifying slightly.

Risk scenarios also illustrate the possible consequences of the risk if it occurs so that its full impact can be assessed. An example risk scenario is provided below:

## risk scenario

| Vulnerability | Trigger | Consequence |
|---|---|---|
| There are a number of senior managers leading on key tasks within the organisation with limited cover or sharing of information to best effect. The pressure on managers is high and constant. | Key senior manager(s) leaves / unavailable | • Key tasks not done<br>• Key issues missed<br>• Tasks passed onto other staff<br>• Increased pressure across and down the Council<br>• Employee stress and illness<br>• Claims against the Council<br>• Recovery effected/stops<br>• Intervention<br>• Image of the Council damaged<br>• Future recruitment is difficult |

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**Stage 3 – prioritisation**

Following identification and analysis the risk scenarios need to be evaluated.

This should look at the risk scenarios and decide on their ranking according to the probability of the risk occurring and its impact if it did occur. The matrix (shown over) should be used to plot the risks and once completed this risk profile clearly illustrates the priority of each scenario.

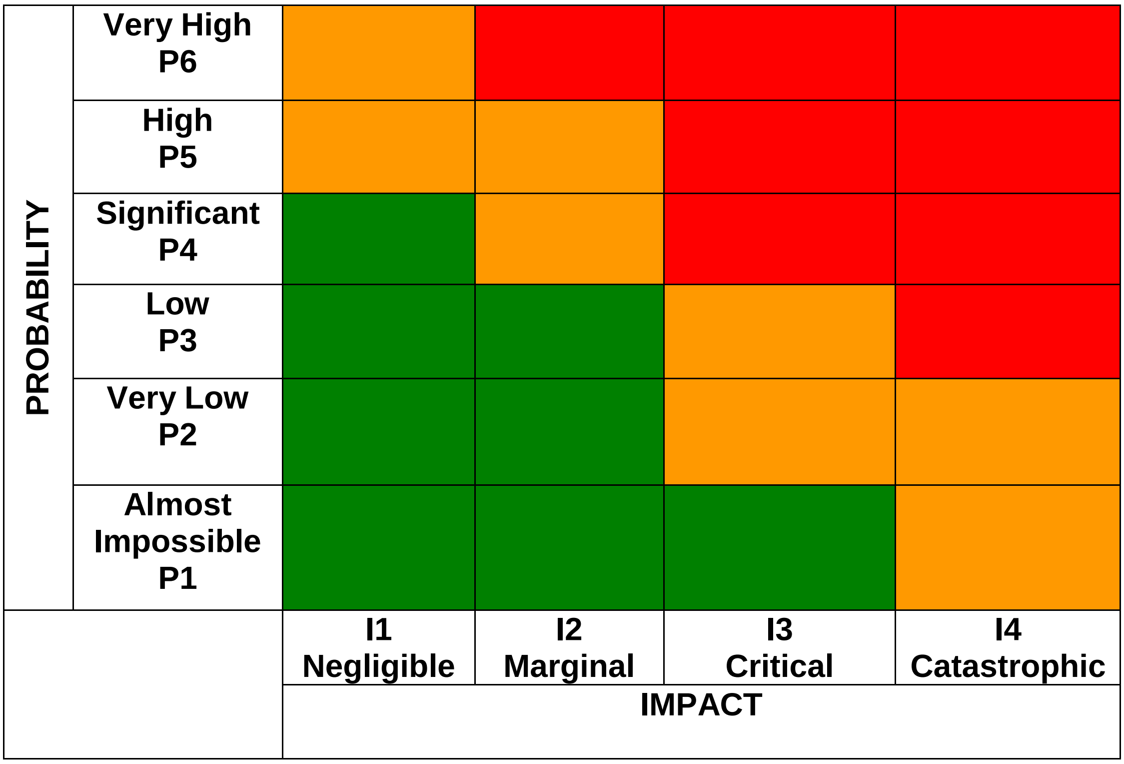
It is essential at this stage that there is agreement around the timescales being used. The profiling group will agree if the risks are to be profiled over a 12-18 month timescale or a 3-4 year timescale. It will often depend on what the information will be used for – annual planning or 3-year planning. Impact should be assessed against the achievement of the Corporate, or service objectives as applicable.

Although the risk profile will produce a priority for addressing each risk determining the group's appetite for risk can enhance this. All risks above the appetite cannot be tolerated and must be managed down, transferred or avoided. The appetite for risk is determined during the facilitated workshop and is achieved by starting in box P1:I1 and asking the group to decide if they are prepared to live with a risk in that box or if they want to actively manage it.

Continuing this process up and across the matrix sets a theoretical tolerance line.

When prioritising risks the P6:I4 box is the first priority or the most important risk to be managed. The priority is led by the impact axis – i.e. P5:I4 followed by P6:I3, P4:I4 followed by P5:I3 followed by P5:I2 and so on.

The risk matrix is given below:




**Stage 4 – risk management**

Once the risks have been prioritised the next step is to identify actions to help control the risk. Most risks are capable of being managed – either by managing down the likelihood or impact or both.  Relatively few risks have to be avoided or transferred.  Action plans will also identify the resources required to deliver the improvements, key dates and deadlines and critical success factors/CLs/KLs.

These plans should not be seen as a separate initiative and are incorporated into the existing business planning process. Therefore the results of the risk management work will be fed into the corporate planning, service planning and budgeting process. Ownership of each action plan needs to be allocated to appropriate members of staff with appropriate seniority and ability to drive the progress of the action plans. It will therefore be their responsibility to develop the actions required to mitigate the risks and complete the plans. The corporate Risk Register and Action plan template is shown in Appendix 3.

**Stage 5 – monitoring**

Monitoring the progress of action plans will be done as part of the Council's Performance Management process. This ensures the integration of risk management with other processes and ultimately ensure its profile and success is maintained. This is achieved through the recording and monitoring of risks within the corporate performance system called Covalent. The system sends email reminders to risk owners on a regular basis to review and re-assess the risk, adding comments regarding mitigating actions.

# Appendix 2 – Corporate Timeline Service Managers Checklist

| Task | By When | Progress | Completion Date |
|---|---|---|---|
| Financial | | | |
| Review of budgets | End November | | |
| Review of fees and charges | End November | | |
| Review of contracts | | | |
| Review of year end employee unused benefits | 6 April | | |
| Review of year end spend/ income and accruals/ prepayments | 6 April | | |
| Monitor service spend | ongoing | | |
| Capital bids | twice year to be agreed by CLT | | |
| Service planning/ performance/ risk | | | |
| Review of front line service plans | End February | | |
| Review of support service plans | End March | | |
| Finalise service plan based on year end performance | End April | | |
| Monitor performance and productivity | ongoing | | |
| Quarterly risk register review | Mid June | | |
| | Mid October | | |
| | Mid January | | |
| | Mid April | | |
| | | | |
| People | | | |
| PDRs – front line services | End March | | |
| PDRs –support services | End April | | |
| Workforce planning/ service needs analysis/ skills audits | Mid february | | |
| | | | |
| Business Continuity | | | |
| Review risk assessments | End September | | |
| Review business continuity service plans | End December | | |
| Review of critical function plans | End December | | |
| Other health and safety | | | |
| Equalities | | | |
| | | | |

**Appendix 3 – The Risk Register & Action Plan**



# ???Risk Register & Action Plan

| | | |
|---|---|---|
| Last updated by | | |
| Approved by | | |
| Document Owner | | |

# INDEX





**Note:**

Blue font denotes either a change or an addition from the last period

## Risk Matrix

| PROBABILITY or LIKLIHOOD | | | | | |
|---|---|---|---|---|---|
| | Very High P6 | | | | |
| | High P5 | | | | |
| | Significant P4 | | | | |
| | Low P3 | | | | |
| | Very Low P2 | | | | |
| | Almost Impossible P1 | | | | |
| | | I1 Negligible | I2 Marginal | I3 Critical | I4 Catastrophic |
| | | IMPACT | | | |

| Risk Ref. | Risk Name Description/ Vulnerability | Rating | | | Link to Corp Obj's | Consequence of the risk occurring | BC Link | Ability to Influence | Mitigating actions Required actions controls | Key Milestone Dates | Resp for action | Actions delivered against mitigations |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Initial | Current | Target | | | | | | | | |
| | | | | | | | | | | | | |
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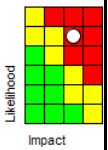
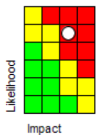
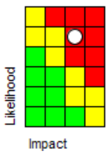
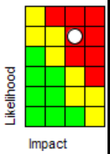
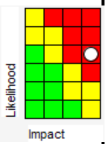
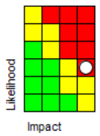
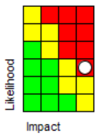
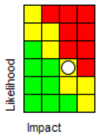
# Ashfield District Council Corporate Risk Register – Analysis Quarter 1 2017/18

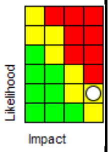
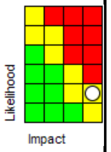
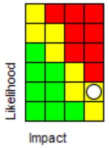
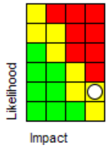
**Place and Economic Growth Priority**

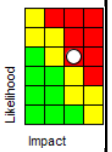
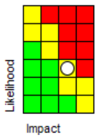
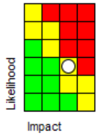
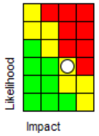
| Code | Title | Year End 2014/15 | Year End 2015/16 | Year End 16/17 | Qu1 17/18 | Change | Consequences of the Risk Occurring | Ability to Inf.<br>BC Link | Mitigating Actions | Resp for Action | Comments | Last Reviewed |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| (ADC) CR040 | Failure to have adopted LDF / Local Plan |  |  |  |  | No change | • Diminish ability to stimulate economic growth<br>• Increase likelihood of a developer lead approach to devt.<br>• Maximises potential for a ward of costs against the authority<br>•New approach to plan. High risk. Members Aware.<br>•Local Plan now at preferred approach. Need to publish next stage. Failure to achieve will set back timetable.<br>•If plan requires subsequent revision, will add delays. | ???<br>X | Need alternative approach to development with Members through adoption of Core Strategy<br>Regular engagement with Members to bring them on board<br>Keeping abreast of latest challenges; work with Planning Advisory Service for proof-reading<br>Keeping a clear audit trail of engagements with developers and consultees | Christine Sarris | Date for the Local Plan Examination is 3rd October for two weeks at this time. Slippage is due to PINS resources. Local Development Scheme has been revised to reflect this change | 12 Sept-2017 |
| (ADC) CR073a | [Key Risk] Idlewells Market |  |  |  |  | Risk reduced and finishes in Quarter 3 | *Loss of Trade<br>*Low occupancy rates<br>*New product doesn't sell<br>*Contract dispute<br>*Landlords dispute<br>*Structural and ME failures | High | *Contract Programme - Regular inspection and monitoring<br>*Business plan produced and updated | Theresa Hodgkinson | VAT will not be passed to the traders.<br><br>Funding has been fully claimed. Monitoring reports | 7 Sept 2017 |

| Code | Title | Year End 2014/15 | Year End 2015/16 | Year End 16/17 | Qu1 17/18 | Change | Consequences of the Risk Occurring | Ability to Inf. / BC Link | Mitigating Actions | Resp for Action | Comments | Last Reviewed |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | •Reputation (public expectations)<br>•Financial – claims<br>•VAT increase to traders<br>•Increase on insurance costs<br>*Delays on opening<br>*Funding agreement not achieved -reclaim | | * Pre letting campaign<br>* Communication plan – monitor/update<br><br>Risk register in place for all aspects of the project/monitored<br><br>Contract signed – Regular meetings/Site/ internal<br>*Quarter monitoring D2N2 grant. | | continue to be submitted in a timely manner.<br><br>Pre-letting campaign is underway.<br><br>Communications Plan continues to be updated and implemented. | |

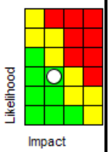
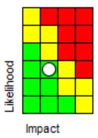
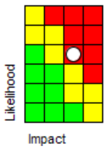
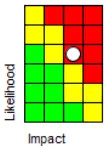


**Communities and Environment Priority**

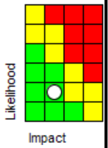
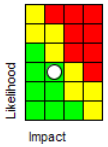
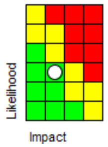
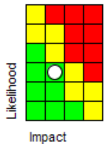
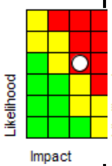
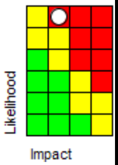
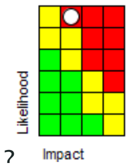
| Code | Title | Year End 2014/15 | Year End 2015/16 | Year End 16/17 | Qu1 17/18 | Change | Consequences of the Risk Occurring | Ability to Inf. | Mitigating Actions | Resp for Action | Comments | Last Reviewed |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| (ADC) CR071 | [Corporate Risk] Failure to demonstrate compliance with TEEP assessment under Waste Framework Directive |  |  |  |  | No change | • Full redesign and expansion of waste services<br>• Additional cost incurred | Medium | TEEP assessment to be reviewed annually by JWMC<br><br>Ensure TEEP compliance with trial review | Sam Dennis | Uncertainty around the implicaitons of Brexit make it difficult to predict the direction of travel for waste policy, however, assumptions at this point are that EU legilsation will be taken on pending any review. The Council currently collects co-mingled dry recyclables, compostab le garden waste and | 12 Sept-2017 |

| Code | Title | Year End 2014/15 | Year End 2015/16 | Year End 16/17 | Qu1 17/18 | Change | Consequences of the Risk Occurring | Ability to Inf. | Mitigating Actions | Resp for Action | Comments | Last Reviewed |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | separate glass recycling. there are no plans to change the service. | |
| (ADC) CR072 | [Corporate Risk] Failure to meet requirement of Waste Directive to achieve 50% recycling rate by 2020 |  |  |  |  | No change | • potential fines from EU<br>• reputational damage | High | development of Scrutiny review in September 2016<br><br>Discussions with County regarding innovative options is ongoing | Sam Dennis | Following the successful implementation of a free garden waste service and the reduction in the amount of waste sent for disposal, the Council's recycling rate is around 39%.<br><br>In order to maintain or increase recycling a waste advisor has been mainstreamed in the service and an educational programme is being developed. | 12 Sept-2017 |

**Housing Priority**

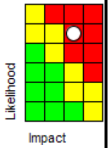
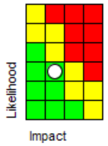
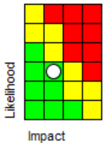
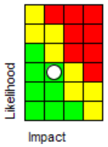
| Code | Title | Year End 2014/15 | Year End 2015/16 | Year End 16/17 | Qu1 17/18 | Change | Consequences of the Risk Occurring | Ability to Inf.<br>BC Link | Mitigating Actions | Respons for Action | Comments | Last Reviewed |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| (ADC) CR046 | [Corporate Risk] Introduction of Universal Credit |  |  |  |  | No change | • Potential loss of HRA rental income if tenants receiving UC choose not to pay rent (Profiling of current tenants as at 20/2/17 show that | Low | There is a dedicated officer for Welfare Reform in the Tenancy Service Section. This Officer has close | Craig Scott/ Nikki Moss | Ashfield District will move onto the Full Service from August 2018. This will mean that all new Working Age claimants will claim UC, which will | 18 Aug 2017 |

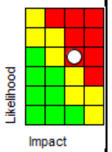
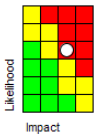
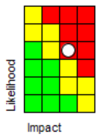
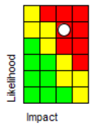
| Code | Title | Year End 2014/15 | Year End 2015/16 | Year End 16/17 | Qu1 17/18 | Change | Consequences of the Risk Occurring | Ability to Inf. / BC Link | Mitigating Actions | Respons for Action | Comments | Last Reviewed |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | there is a risk to the rent roll (circa £11 million) as there will be around 3200 tenants affected. 2380 –high risk and 820 medium risk). This does not include those tenant who have working age partners. | X | links with the DWP.<br><br>There is a formalised internal process for managing UC cases.<br><br>There is a UC action plan in place. This needs reviewing regularly especially around resource requirements to manage the process.<br><br>The Council operates an agency agreement with DWP to assist residents who wish to claim UC<br><br>The Welfare Reform Group brings together a series of different disciplines and partners to ensure the Council's response to UC remains pro-active and robust | | include a housing element and HB will no longer be claimed by new claimants from August 2018. The exceptions include claimants living in Exempt (Specified) Accommodation, who will continue to claim HB with the local authority. Existing Working Age claims will continue to be managed by ADC until the DWP announce the migration programme, which will follow the completion of the Full Service roll-out expected to be from 2019-20. Pensioners will remain Housing Benefit. The government will at some point announce what is going to replace HB for Pensioners in 2020-21, although this may be left until after the next election in 2022. It is expected that HB will therefore still be in payment to Pensioners up to 2022 at least. Pensioners currently make up about 48% of the current HB caseload. The council will continue to be responsible for it's own | |

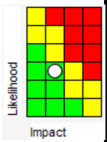
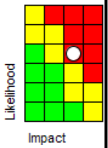
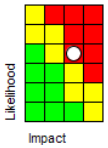
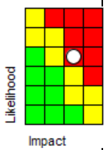
| Code | Title | Year End 2014/15 | Year End 2015/16 | Year End 16/17 | Qu1 17/18 | Change | Consequences of the Risk Occurring | Ability to Inf. / BC Link | Mitigating Actions | Respons for Action | Comments | Last Reviewed |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | Local Council Tax Support scheme which currently mirrors the HB scheme.<br><br>Additional resources will be required in the Tenancy Services Section to ensure that the necessary advice and assistance is provided to ADC tenants who are affected by UC. | |
| (ADC) CR062 | Inability to deliver affordable housing |   |   |   |   | No change | • Targets not met<br>• lack of new affordable housing going forward | Low | Use of S106 funding<br>Tackling empty homes<br>Close working with Planning Services<br>Work with private landlords via the Landlords Forum<br>Enforcement to tackle poor standard housing | Phil Warrington | We are currently assessing the viability of ADC owned sites through the Housing Delivery Report. Most new provision in the District is through RP's own development or through RP's purchasing s106 properties on private developments. RP's are increasingly reluctant to purchase s106 properties and there is little ADC can do to influence this or change their position. | 31 Aug-2017 |
| (ADC) CRO79 | [Corporate Risk] Impact of the impending 1% rent reduction on the Councils ability to invest in new build & existing housing stock | New 2015/16 |   |   | ?   | No change | Reduced headroom / ability to borrow in the HRA<br>Revisions required to the 30 year plan<br>Changes / reduced capital programme in the short term | medium | Wider review of the way the Council manage its housing stock<br><br>Reduce spend in the current capital programme | Paul Parkinson | The introduction of a weekly amenity charge for all tenants is being considered and a report has been drafted. If approved this will generate £225,000 additional income to the HRA. | 1 Sept-2017 |

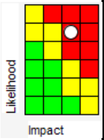
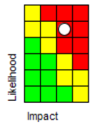
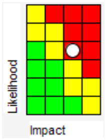
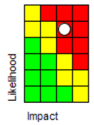
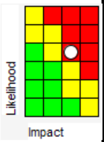
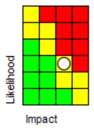
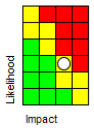
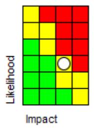
| Code | Title | Year End 2014/15 | Year End 2015/16 | Year End 16/17 | Qu1 17/18 | Change | Consequences of the Risk Occurring | Ability to Inf.<br>BC Link | Mitigating Actions | Respons for Action | Comments | Last Reviewed |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Fewer new affordable homes being delivered<br>Reduced service delivery to existing tenants | | Review viability of 30 year HRA plan | | | |

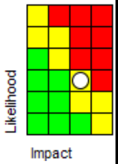
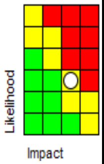
**Organisational Improvement Priority**

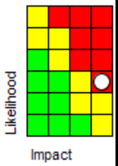
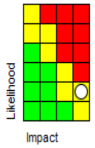
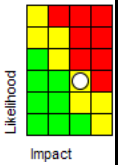
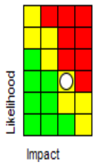
| Code | Title | Year End 2014/15 | Year End 2015/16 | Year End 16/17 | Qu1 17/18 | Change | Consequences of the Risk Occurring | Ability to Inf.<br>BC Link | Mitigating Actions | Respons for Action | Comments | Last Reviewed |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| (ADC) CR074 | [Corporate Risk] Overpayment of Housing Benefit |  |  |  |  | No change | - loss of subsidy<br>- increasing burden of debt collection | High | Mini re-structure<br>Offsite processing capacity<br>Improved training | Craig Scott | The £ value of Housing Benefit Overpayments created by claimant error is falling due to changes to the processing of Real Time Information provided through the RTI system. In 2017 the DWP are rolling out the WURTI system (Wider use of Real Time information), which provides up to date earnings information of all benefit claimants. Procedures for using this system have been implemented and these will be monitored for effectiveness. Changes in procedures will follow if necessary, to ensure that we are able to maximise the benefit of this | Aug-2017 |

| Code | Title | Year End 2014/15 | Year End 2015/16 | Year End 16/17 | Qu1 17/18 | Change | Consequences of the Risk Occurring | Ability to Inf. / BC Link | Mitigating Actions | Respons for Action | Comments | Last Reviewed |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | information to reduce HB overpayments caused by claimant error. In addition to this, we have introduced new procedures for dealing with change of circumstances notifications within a short timeframe thereby ensuring that we avoid loss of income (HB Subsidy) due to delays in processing. | |
| (ADC) CR029 | [Corporate Risk] Failure to make required savings as identified in MTFS |  |  |  |  | Reduced from high to medium | •Council cannot fund full range of services in future<br>•Pressure on General Fund reserves | Medium<br>√ | CLT and Cabinet will work together to identify savings and income generation opportunities<br>Generate additional income | Sharon Lynch | Work is on-going to identify £1m of savings for 2018/19 budget process. Progress has been made but further proposals are required to achieve the level outlined. Significant savings have been made to date however this is becoming increasingly difficult. | 1 Sept-2017 |

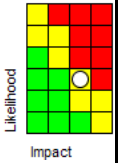
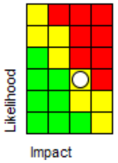
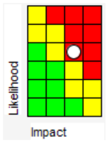
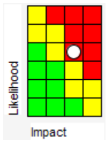
| Code | Title | Year End 2014/15 | Year End 2015/16 | Year End 16/17 | Qu1 17/18 | Change | Consequences of the Risk Occurring | Ability to Inf. / BC Link | Mitigating Actions | Respons for Action | Comments | Last Reviewed |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | For 2017/18, £1m of savings have been identified, and these workshops will continue throughout 2017, with the aim of identifying a further £1m of savings/addition income for 2018/19. | | | |
| (ADC) CR033 | [Corporate Risk] Ability to achieve efficiencies and compliance from procurement reviews / improvement |  |  |  |  | No change | •Penalties for non-compliance with legislation<br>•Inability to meet MTFS savings targets if procurement savings not achieved | Medium | Agreement of a new Procurement Strategy setting out clear guidance for spending managers<br>Review of Procurement Arrangements (Shared Procurement Unit) to ensure objectives are being met<br>Particular emphasis on small value procurement (under £25k) to ensure that the Council has legally compliant processes in place | Paul Parkinson | The procurement review is currently being progressed in alignment with Bassetlaw's review of their shared service. We are currently examining in-house improvement opportunities whilst awaiting the outcome of Bassetlaw's review. | 23 Aug-2017 |

| Code | Title | Year End 2014/15 | Year End 2015/16 | Year End 16/17 | Qu1 17/18 | Change | Consequences of the Risk Occurring | Ability to Inf. / BC Link | Mitigating Actions | Respons for Action | Comments | Last Reviewed |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| (ADC) CR003 | [Corporate Risk] Members' Ethical Framework – Failure to demonstrate high standards of behaviour |  |  |  |  | Slight increase, remains significant | •Significant resource to deal with implications of Code of Conduct Complaints.<br><br>•Potential for negative perception of the Council which impacts upon the Council's reputation<br><br>• Potentially adverse impact upon the workings of the Council<br><br>•New legislation does not provide "strong" sanctions for breaches to the Code which may make regulation of poor ethical behaviour difficult and leave complainants dissatisfied with outcomes. | High<br><br>X | Standards and Personnel Appeals Committee approves an annual work programme which includes an annual review.<br><br>A review of the Members' Code of Conduct Complaints Process will be carried out during 2017/2018in accordance with the recommendations of the LGA Peer Challenge 2017.<br><br>Present Quarterly Complaint Monitoring reports to Standards and Personnel (Appeals) Committee | Ruth Dennis | The Standards and Personnel Appeals Committee has agreed in its 17/18 work plan to review the Complaints Process, the Code and guidance relating to social media use. The Committee has established a working group of members from the Committee to work with the Monitoring Officer to review best practice and make recommendations to the Committee. It is planned to report in the first instance to the Committee in December 2017 | 4 Sept 2017 |
| (ADC) CR005 | [Corporate Risk] High levels of sickness absence |  |  |  |  | No change | •Productivity<br>•Financial<br>•Employee morale<br>•Service delivery<br>•Remaining staff placed under increased pressure | High | Robust management of sickness absence procedures by managers and robust procedures - Revised Absence | Craig Bonar | Sickness absence continues to be maintained below target and on improvement curve. Absence continues to be closely monitored | 18-Aug-2017 |

| Code | Title | Year End 2014/15 | Year End 2015/16 | Year End 16/17 | Qu1 17/18 | Change | Consequences of the Risk Occurring | Ability to Inf. / BC Link | Mitigating Actions | Respons for Action | Comments | Last Reviewed |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | •Reputational damage | √ | Mgt Policy implemented<br><br>Effective monitoring - monthly monitoring reports highlighting service area absence to assist CMG and managers in absence management<br><br>Employee support mechanisms - Employee assistance programme implemented<br><br>Appropriate occupational health support - Occupational Health provision reviewed | | by CLT, managers and HR | |
| (ADC) CR032b-a | Business Rates appeals are higher than forecast | New 2016/17 | New 2016/17 |  |  | No change | Negative impact a MTFS ; further savings required | | A prudent approach is taken to estimating likely successful appeals. | C Scott | The risk of Business rates Appeals being higher than the Appeals provision remains a slight possibility, however, we remain confident that the level of provision is realistic as it was calculated using historic data and is based on the appeals success rate and value of previous appeals. | 23 Aug-2017 |

| Code | Title | Year End 2014/15 | Year End 2015/16 | Year End 16/17 | Qu1 17/18 | Change | Consequences of the Risk Occurring | Ability to Inf. / BC Link | Mitigating Actions | Respons for Action | Comments | Last Reviewed |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | This being the most appropriate and sensible approach to setting the Appeals provision. | |
| (ADC) CR032b-b | NHS Trusts successfully lobby for charitable status and pay significantly reduced business rates | New 2016/17 | New 2016/17 |  |  | Reduced to medium | Negative impact a MTFS ; further savings required | | The Council is supporting the LGA's action against the hospitals. | C Scott | The claim by the NHS to be recognised for charitable status appears to have failed. However, we await definitive confirmation therefore the risk will remain, albeit at a lower rating. | 23 Aug-2017 |
| (ADC) CR032b-c | Ashfield loses resources under the Governments ' 100% retention / fair funding ' regime | New 2016/17 | New 2016/17 |  |  | No change | Negative impact a MTFS ; further savings required | | The Council will contribute to any consultation when proposals are announced, emphasising the need for resources to be allocated to deprived areas. | S Lynch | There is still some uncertainty as to the financial impact of 100% Business Rates Retention. On 1/9/2017 the Government requested applications for 100% Business Rate Pilots. Nottinghamshire Finance Officers are working together to consider possible options.<br>The re-setting of the business rates baseline from 2019 (possibly 2020) will be crucial to all Local Authorities particularly the methodology used and the degree to which any previous growth will be retained. The risk score is based on the data available at this time. | 1 Sept-2017 |

## NEW RISKS

| Code | Title | Year End 2014/15 | Year End 2015/16 | Year End 16/17 | Qu1 17/18 | Change | Consequences of the Risk Occurring | Ability to Inf. | Mitigating Actions | Respons for Action | Comments | Last Reviewed |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| New | Failure to deliver commercialism agenda | New 2016/17 | New 2016/17 |  |  | same | • In alignment with Savings Strategy - expected reduced trading service costs/ increase income not realised<br>• Reputational impact of trading services performing inconsistently with Council values<br>• Alienation of customer base | | Commercial programme aligned to savings strategy and progress monitored through Commercial Enterprise Board<br><br>Commercial feasibility work informs future savings strategy | Justin Henry | Priorities within the commercialism programme are focussed on commercial investments, land investment and determining the feasibility of establishing a lettings agency. Improvements are being made to internal processes and joint working in order to be able to respond more expediently to investment opportunity. Unfortunately the council is yet to be successful in their bidding. | August 2017 |
| New | Failure to Support and Safeguard Vulnerable people | New 2016/17 | New 2016/17 |  |  | | • Significant adverse outcomes for vulnerable people suffering with mental health issues<br>• Reputation of the council and its partners<br>• Financial impact through lack of working in joined up manner | | Working with NCC and other districts to review opportunity to improve closer working with mental health services | Mike Manley | The positive relations with partners continues to grow with agencies increasing their collaboration and cooperation. There remain concerns around mental health provision however this is a national problem and were available local relations are positive and deliver benefit for service users. Due to the nature of community safety any new critical incident may reveal failing within cooperation however at this time we are | Sept 2017 |

| Code | Title | Year End 2014/15 | Year End 2015/16 | Year End 16/17 | Qu1 17/18 | Change | Consequences of the Risk Occurring | Ability to Inf. | Mitigating Actions | Respons for Action | Comments | Last Reviewed |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | operating above and beyond the work in other similar authorities, | |

central midlands audit partnership

# Ashfield District Council – Audit Progress Report

Audit Committee: 25th September 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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CMAP central midlands audit partnership

*Providing Excellent Audit Services in the Public Sector*

# 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 Committee in Audit's progress reports.

# Audit Coverage

## Progress on Audit Assignments

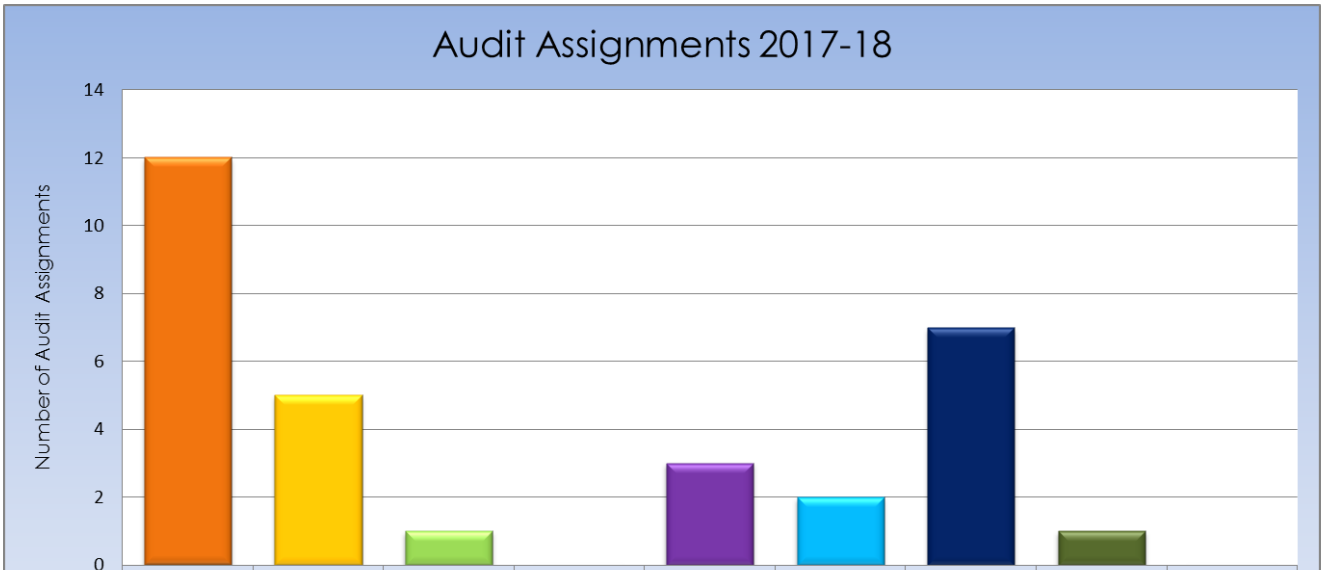
The following table provides the Committee with information on how audit assignments were progressing as at 31st August 2017.

| 2017-18 Audit Plan Assignments | Type of Audit | Current Status | % Complete |
|---|---|---|---|
| Corporate Governance | Governance & Ethics Review | In Progress | 45% |
| Anti-Fraud & Corruption | Anti-Fraud/Probity/Investigation | Allocated | 10% |
| Capital Accounting | Key Financial System | Not Allocated | |
| Taxation | Key Financial System | Fieldwork Complete | 90% |
| Fixed Assets | Key Financial System | Not Allocated | |
| Rent Accounting | Key Financial System | Not Allocated | |
| Housing Benefit & Council Tax Support | Key Financial System | Not Allocated | |
| **Right to Buy** | **Systems/Risk Audit** | **Final Report** | **100%** |
| Depot Income | Systems/Risk Audit | Fieldwork Complete | 90% |
| Development Control | Systems/Risk Audit | Fieldwork Complete | 90% |
| Markets | Systems/Risk Audit | Allocated | 10% |
| Homelessness | Systems/Risk Audit | Not Allocated | |
| Housing Lettings/Allocations | Systems/Risk Audit | Not Allocated | |
| Contract Management | Procurement/Contract Audit | Not Allocated | |
| Rent Arrears | Systems/Risk Audit | Not Allocated | |
| **Responsive Maintenance/Voids (Agile Audit)** | **Systems/Risk Audit** | **Final Report** | **100%** |
| Health & Safety - Gas Safety | Systems/Risk Audit | Allocated | |
| **External Wall Insulation Project – Grant Funding** | **Grant Certification** | **Complete** | **100%** |
| Health & Safety | Governance & Ethics Review | Not Allocated | |
| ECINS Security Assessment | IT Audit | Allocated | 25% |
| ICT Infrastructure | IT Audit | Not Allocated | |
| People Management | Systems/Risk Audit | Allocated | 5% |
| Payroll | Key Financial System | Not Allocated | |
| Corporate Improvement/Transformation | Governance & Ethics Review | Not Allocated | |
| **Audit Plan Assignments B/fwd from 2016-17** | | | |
| **Data Quality & Performance Management** | **Governance & Ethics Review** | **Final Report** | **100%** |
| Main Accounting Systems 2016-17 | Key Financial System | Draft Report | 95% |
| **Creditors** | **Key Financial System** | **Final Report** | **100%** |
| xPress Security Assessment | IT Audit | Draft Report | 95% |

3 more audit assignments finalised by June 2017 have already been reported to the Committee.

# Audit Coverage

## Progress on Audit Assignments Chart




| | Not Allocated | Allocated but not yet started | Started - Fieldwork commenced | Awaiting Review - Fieldwork complete | Reviewed but draft report not yet issued | Draft Report issued | Final Report issued | Job Complete but no formal report | Removed from Plan |
|---|---|---|---|---|---|---|---|---|---|
| Series1 | 12 | 5 | 1 | 0 | 3 | 2 | 7 | 1 | 0 |

# Audit Coverage

## Completed Audit Assignments

Between 1st July 2017 and 31st August 2017, the following audit assignments reached their conclusion:

1. Data Quality & Performance Management. (**Comprehensive**)
2. Creditors 2016-17. (**Reasonable**)
3. Right to Buy. (**Reasonable**)
4. External Wall Insulation Project - Grant Funding.
5. Responsive Maintenance/Voids (Agile Audit). (**Comprehensive**)

### Data Quality & Performance Management

**Overall Assurance Rating: Comprehensive**

This audit focused on data quality arrangements at the Council as a whole, rather than specific indicators. In particular the review looked at governance, performance management processes and quality checks which form the basis of the function.

From the 14 key controls evaluated in this audit review, 12 were considered to provide adequate control and 2 contained weaknesses. This report contained 1 recommendation which was considered to present a low risk. The following issue was considered to be the key control weakness:

1. Data quality related risks were not covered in the Corporate Risk Register. (Low Risk)

The issue raised within this report was accepted. Management agreed to take action to address it by the end of December 2017.

### Creditors 2016-17

**Overall Assurance Rating: Reasonable**

This audit focused on the controls in place to manage the purchase order process around the Fleetwave (vehicle maintenance) and ELF (public building maintenance) feeder systems prior to the interface with the Civica creditors system. It also tested the authorised signatory's procedure and the availability of purchase order and invoicing procedures.

From the 26 key controls evaluated in this audit review, 20 were considered to provide adequate control and 6 contained weaknesses. This report contained 4 recommendations, 3 of which were considered to present a low risk and 1 presenting a moderate risk. Another 2 minor risk issues were highlighted for management's consideration. The following issues were considered to be the key control weaknesses:

1. Specimen signatures had not been obtained for two officers on the Authorised Signatory list as they were absent at the time the forms were circulated. Specimen signatures were not requested on their return. Also, three of thirteen leavers tested had not been removed from the Authorised Signatory List. (Low Risk)
2. The Civica Purchasing module did not accurately reflect the officers approved to authorise purchases for the Council in all of the cases sampled. (Low Risk)
3. There were no procedure notes in place for the Fleetwave Purchase Order module. (Low Risk)
4. There was no evidence that the budget for parts, lubricants, tyres and consumables was being actively managed to avoid overspends. (Moderate Risk)

All issues raised within this report were accepted and action had been taken to address one of the issues at the time of issuing the final report. Actions were to be taken to address the remaining 3 issues by March 2018.

# Ashfield District Council – Audit Progress Report

## Right to Buy

**Overall Assurance Rating: Reasonable**

This audit focused on assessing the procedures in place for the administration of the Right to Buy scheme for Council Houses, to ensure that the processes were properly documented and properties were accurately valued.

From the 29 key controls evaluated in this audit review, 23 were considered to provide adequate control and 6 contained weaknesses. This report contained 5 recommendations, 4 of which were considered to present a low risk and 1 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:

1. There was no formally documented Right to Buy policy and Right to Buy Charter in place that had been officially approved by the Council. (Low Risk)
2. The procedure for processing Right to Buys was documented in the format of a flowchart but did not include the requirement for obtaining and evidencing approvals. (Low Risk)
3. An assumption was made that a non-response to an email enquiry indicated the tenant did not have a Ground 2 Criminal Nuisance Order or the Property have a Demolition Order. (Moderate Risk)
4. The Guidance from Department for Communities and Local Government required Section125 to include the number of bedrooms; this was not included in the Council's standard Section125 offer notices. (Low Risk)
5. The 'Cost Floor' figure for Right to Buy properties were not being obtained to show that the costs of improvements done in the past decade was lower than the proposed sale price of the properties. (Low Risk)

The 5 issues raised within this report were accepted. Management had already taken action to address 4 of the issues at the time of issuing the final report and had agreed to take action to address the remaining issue by 31 December 2017.

## External Wall Insulation Project - Grant Funding

**Overall Assurance Rating: Not Applicable**

This audit focused on the review of the External Wall Insulation (EWI) grant, specifically considering the finances associated with the project and the records maintained.

There were no issues raised in respect of this review.

## Responsive Maintenance/Voids (Agile Audit)

**Overall Assurance Rating: Comprehensive**

This audit was delivered as an agile audit. It focused on the appointments and jobs allocation process; the compliments, comments and complaints system; the process for maintaining and applying the Schedule of Rates; monitoring of professional certification for employees and contractors and; the process for bringing voids back into use.

From the 37 key controls evaluated in this audit review, 30 were considered to provide adequate control and 7 contained weaknesses. This report contained 4 recommendations, which were all considered to present a low risk. Another 2 minor risk issues were highlighted for management's consideration. The following issues were considered to be the key control weaknesses:

1. Inspections of completed works had not been undertaken since February 2017 and the target 10% for repair post inspection was not met in 2016/17. (Low Risk)
2. Management had not put in place a plan to ensure that the Schedule of Rates was regularly monitored and updated, following the full review. (Low Risk)
3. Evidence of the calculation of the materials costs had not been retained during the review of the painting Schedule of Rates. (Low Risk)

4. A succession plan was currently not in place for key roles within the repairs team. (Low Risk)

All 4 issues were accepted. Management had already taken action to address 2 of the issues at the time of issuing the final report and had agreed to take action to address the remaining 2 issues by 31 March 2018.

## Audit Plan Changes

With the agreement of the Council's Director of Legal and Governance (& Monitoring Officer) in July 2017, changes were made to the Internal Audit Plan to address emerging risks identified by management.

- Arising from the Council's Anti-Fraud & Corruption Strategy Group it was determined that Internal Audit should undertake a review of the current arrangements before management developed a revised strategy document.

Accordingly, the Procurement audit has been withdrawn from the 2017-18 Plan and the time originally assigned to this audit will be utilised for a Anti-Fraud & Corruption audit.

# Audit Performance

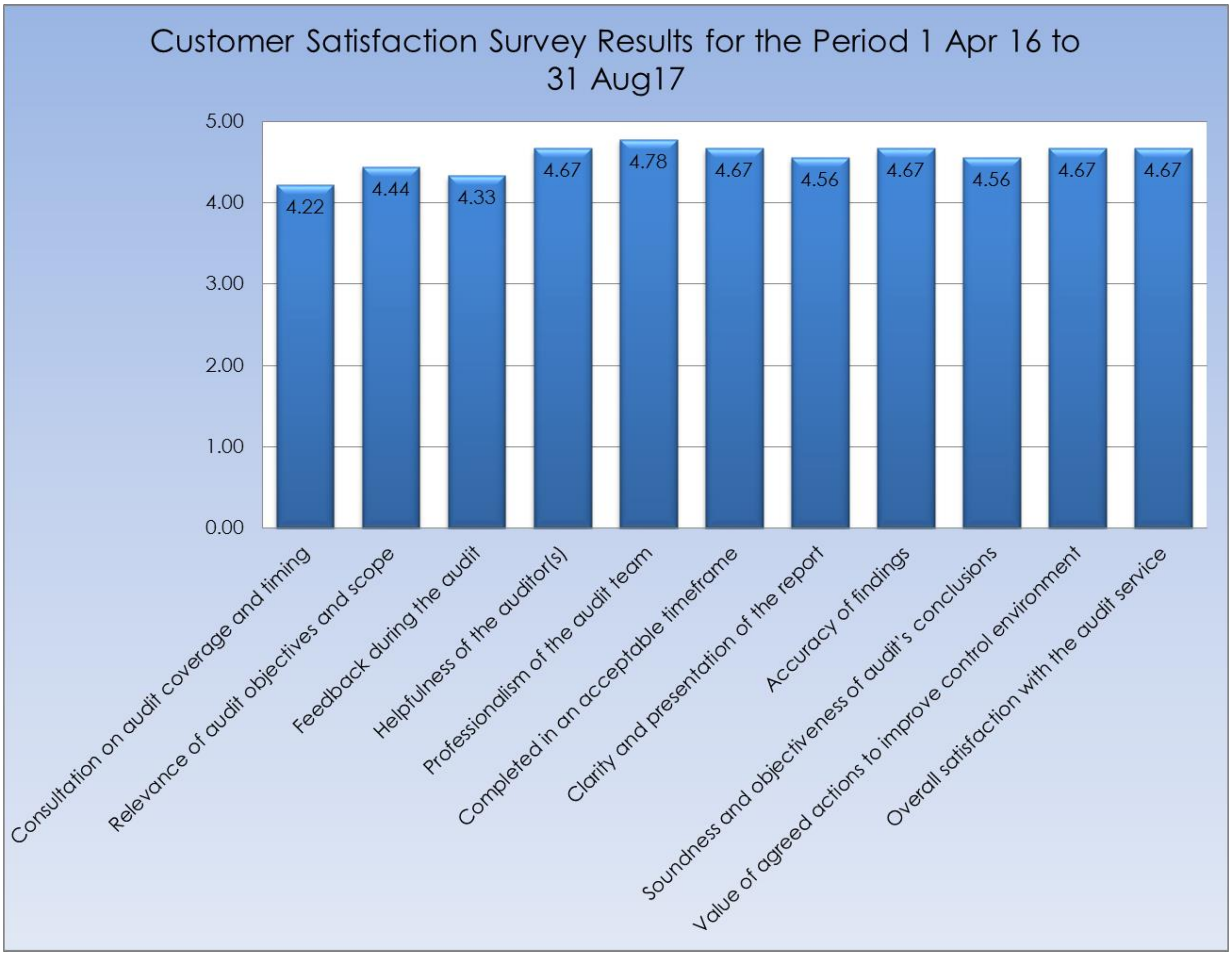
## Customer Satisfaction

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 9 responses received between 1st April 2016 and 31st August 2017. The overall average score from the surveys was 50.2 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 9 responses received to date, 8 categorised the audit service they received as excellent and the other 1 as good.



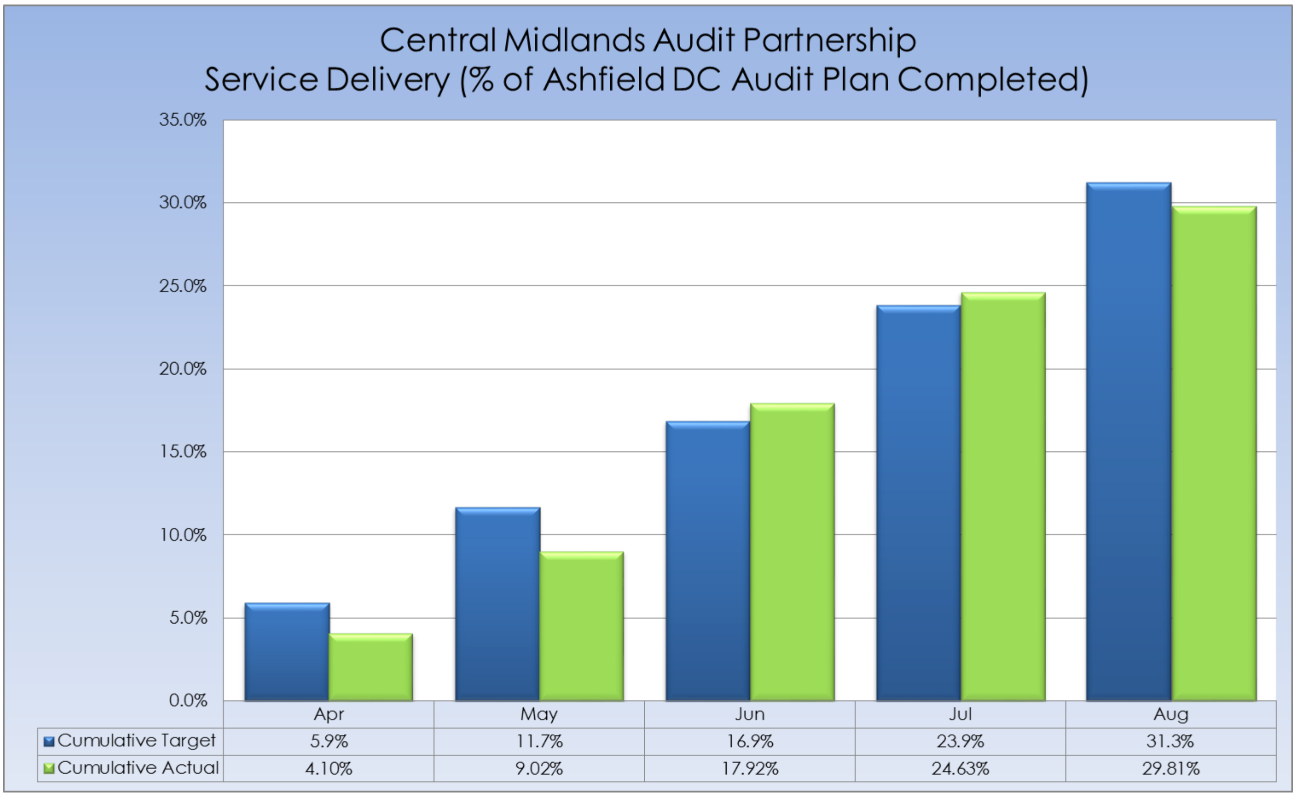
# Audit Performance

## 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 below is the estimated percentage complete for Ashfield DC 2017-18 Audit Plan (including incomplete jobs brought forward) after approximately 5 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.




| | Apr | May | Jun | Jul | Aug |
|---|---|---|---|---|---|
| Cumulative Target | 5.9% | 11.7% | 16.9% | 23.9% | 31.3% |
| Cumulative Actual | 4.10% | 9.02% | 17.92% | 24.63% | 29.81% |

# 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:

- **Action Due** = Action is due and Audit has been unable to ascertain any progress information from the responsible officer.
- **Future Action** = 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 Committee 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 12th September 2017:

| | Implemented | Being Implemented | Risk Accepted | Superseded | Action Due | Future Action | Total |
|---|---|---|---|---|---|---|---|
| Low Risk | 62 | 15 | 2 | 0 | 3 | 8 | **90** |
| Moderate Risk | 14 | 4 | 0 | 0 | 1 | 1 | **20** |
| Significant Risk | 0 | 0 | 0 | 0 | 0 | 0 | **0** |
| Critical Risk | 0 | 0 | 0 | 0 | 0 | 0 | **0** |
| **Totals** | **76** | **19** | **2** | **0** | **4** | **9** | **110** |

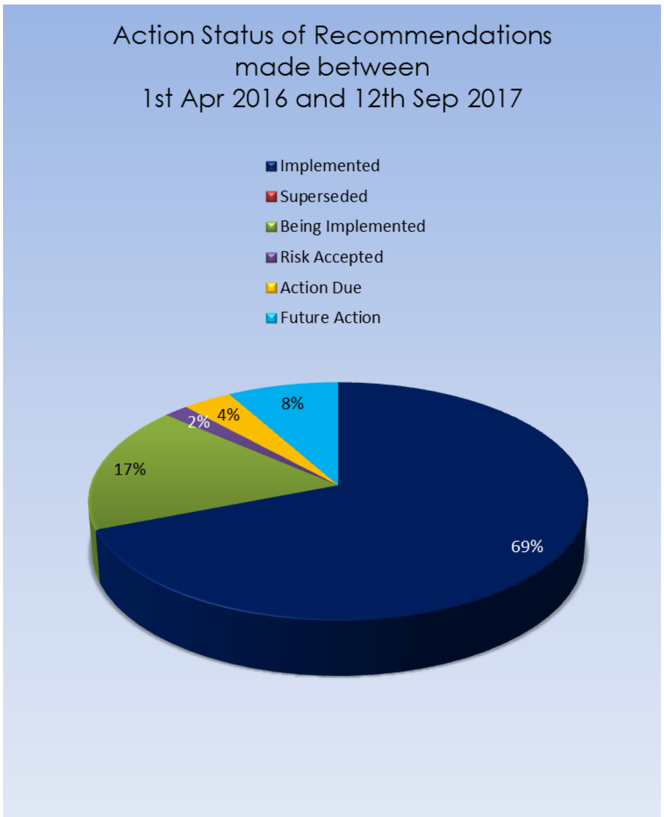
The table below shows those recommendations not yet implemented by dept.

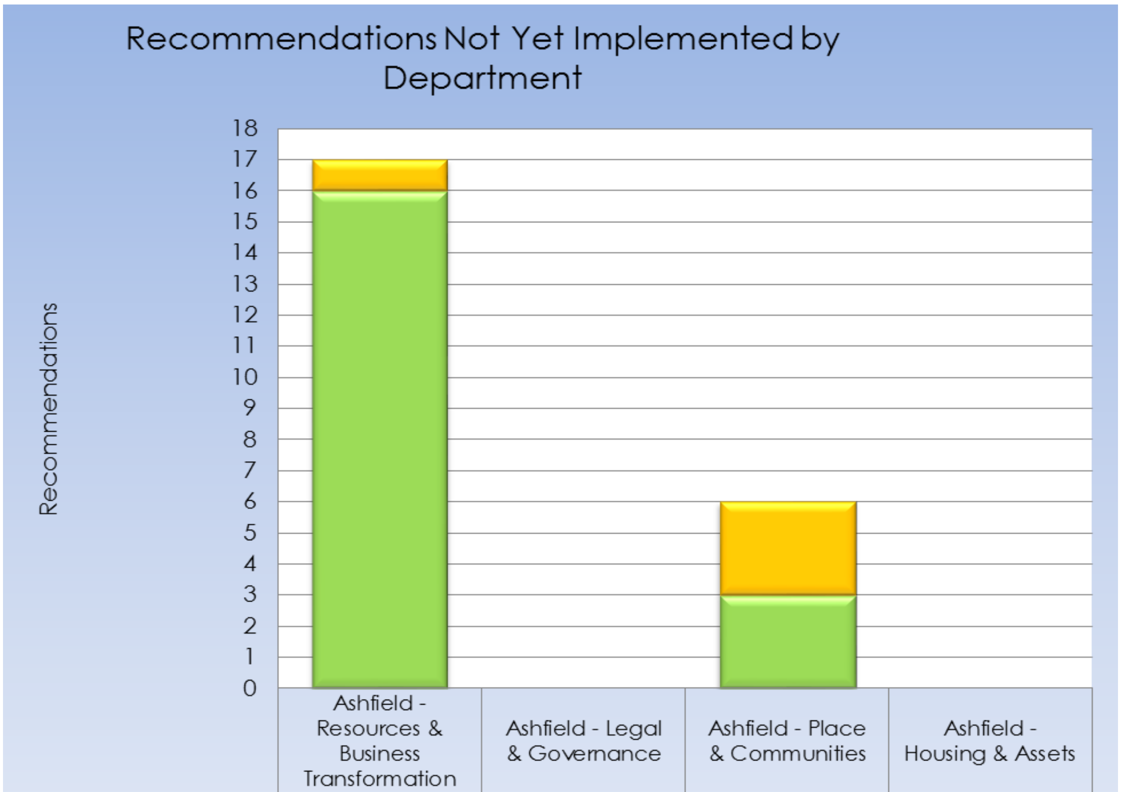
| Recommendations Not Yet Implemented | Resources & Business Transformation | Legal & Governance | Place & Communities | Housing & Assets | Totals |
|---|---|---|---|---|---|
| Being Implemented | 16 | 0 | 3 | 0 | **19** |
| No progress information | 1 | 0 | 3 | 0 | **4** |
| | **17** | **0** | **6** | **0** | **23** |

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.

# Recommendation Tracking

## Implementation Status Charts




| | Ashfield - Resources & Business Transformation | Ashfield - Legal & Governance | Ashfield - Place & Communities | Ashfield - Housing & Assets |
|---|---|---|---|---|
| Action Due | 1 | 0 | 3 | 0 |
| Being Implemented | 16 | 0 | 3 | 0 |

# Ashfield District Council – Audit Progress Report

## 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

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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

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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

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# Ashfield District Council – Audit Progress Report

## Place & Communities

### Private Sector Housing

Control Issue 5 - There was not a central record for monitoring the status of enforcement cases to ensure key actions had been completed.

Risk Rating – Moderate Risk

Status Update - No Response Received

Original Action Date 31 Aug 17 Revised Action Date n/a

### 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 – Review of the recruitment strategy has been completed and the process for completing DBS checks has been changed. HR Advisers are currently progressing any checks that need renewing.

Original Action Date 31 Mar 17 Revised Action Date 30 Sept 17

# 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. Two legacy recommendations remain outstanding relating to Ashfield Homes Ltd. These continue to be monitored and details are provided on the following page.

# 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 | 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).<br>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.<br>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.<br>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 5 October 2017 following the production of this and liaison with the Director of Housing and Assets (Paul Parkinson) |
| **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 | 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<br>Update 16/11/2016 Potentially looking at buy off the shelf paperless system and therefore changing the system altogether.<br>Update 01/02/2017 – No further updates. Any action has been put on hold as there is a service review underway.<br>Update 10/07/2017 – The full review of in-house Schedule of Rates is now in progress. |