

ASHFIELD DISTRICT COUNCIL



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

Agenda

Audit Committee

Date: **Monday, 19th March, 2018**

Time: **6.30 pm**

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

For any further information please contact:

Lynn Cain

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01623 457317

AUDIT COMMITTEE

Membership

Chairman: Councillor Kevin Rostance

Councillors:

Chris Baron

David Griffiths

Robert Sears-Piccavey

Rachel Bissett

Paul Roberts

John Wilmott

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SUMMONS

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



R. Mitchell
Chief Executive

AGENDA

Page

1. To receive apologies for absence, if any.
2. **Declarations of Disclosable Pecuniary or Personal Interests and Non Disclosable Pecuniary/Other Interests.**
3. To receive and approve as a correct record the minutes of the meeting of the Committee held on 27th November, 2017. 5 - 8
4. **KPMG: Annual Report on Grants and Returns 2016/17.** 9 - 16
5. **KPMG: External Audit Plan 2017/18.** 17 - 42
6. **Pension Assumptions for 2017/18 Statement of Accounts.** 43 - 70
7. **Accounting Policies 2017/18 and other Statement of Account Matters.** 71 - 94
8. **Internal Audit Plan 2018/19 and Audit Charter.** 95 - 108
9. **Audit Progress Report.** 109 - 124
10. **Whistleblowing Policy Update.** 125 - 138
11. **Anti-Fraud and Corruption Update.** 139 - 190

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AUDIT COMMITTEE

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

on Monday, 27th November, 2017 at 6.30 pm

Present: Councillor Kevin Rostance in the Chair;

Councillors Chris Baron, Tom Hollis and Helen-Ann Smith (as substitute for Robert Sears-Piccavey).

Apologies for Absence: Councillors Jackie James and Robert Sears-Piccavey.

Officers Present: Lynn Cain and Ruth Dennis.

In Attendance: Rachit Babbar and Debbie Stokes (KPMG).
Mandy Marples and Hannah McDonald (CMAP).

AC.15 Declarations of Disclosable Pecuniary or Personal Interests and Non Disclosable Pecuniary/Other Interests

There were no declarations of interest made.

AC.16 Minutes

RESOLVED

that the minutes of the meeting of the Audit Committee held on 25th September, 2017, be received and approved as a correct record.

AC.17 KPMG: Annual Audit Letter 2016/17

KPMG Manager, Debbie Stokes, presented the Annual Audit Letter for 2016/17. The Letter provided a summary of the key findings from the 2016/17 audit of the Council's financial statements and the Value for Money (VFM) conclusion and confirmed the issuing of an unqualified opinion and conclusion in respect of both issues.

The two key issues and recommendations, as outlined in the report, have been accepted by management and responded to without delay. Committee were asked to note that there had been a slight increase in the audit fees due to additional costs being incurred for undertaking extra work regarding the CIES restatement, data migration following the transfer of Ashfield Homes Limited and some delays with the audit process.

RESOLVED

that the Annual Audit Letter for 2016/17, as presented to the Committee by KPMG, be received and noted.

AC.18 Anti-Fraud and Corruption - Updated Policies and Procedures

The Director of Legal and Governance (and Monitoring Officer) requested Committee to consider and approve the updated anti-fraud and corruption policies and procedures and recommend them to Cabinet for approval.

Having taken over the management of the audit function following the departure of the former Deputy Chief Executive, the Director of Legal and Governance (and Monitoring Officer) requested Central Midlands Audit Partnership (CMAP) to undertake a baseline audit in relation to the function. The report was now in draft but early indications had revealed that some of the Council's anti-fraud and corruption policies were due for review and Council still needed to fully adopt the CIPFA code and its requirements.

As a result of this a full evaluation and review had been undertaken by the Director of Legal and Governance (and Monitoring Officer) to update and refresh all the relevant policies for presentation at this Committee and then to Cabinet.

The Anti-Fraud and Corruption Officer Strategy Group had also been invigorated to ensure progress was made to fully embed the key messages and requirements into the organisation, especially following the transfer of the housing function (Ashfield Homes Limited) back into the Council. The Group would also be overseeing the Fraud Risk Assessment for the Authority that was due to be carried out in the next couple of months.

The Committee briefly debated the processes for handling fraud, corruption and bribery within the Authority (should it take place) and it was requested that Members be furnished with some statistical information in relation to prosecutions carried out by the Authority and information relating to whistleblowing complaints or discovery of fraudulent activities affecting the Council.

RESOLVED that

- a) the following suite of policies and procedures be agreed and recommended to Cabinet for approval:
 - Anti-Fraud and Corruption Strategy
 - Anti-Bribery Policy
 - Anti-Money Laundering Policy Statement and Procedures
 - Fraud Response Plan
 - Prosecution Policy
 - Local Code of Corporate Governance;
- b) the proposed approach be endorsed to embed the Council's corporate approach to fraud and corruption across the organisation which will be overseen by the Committee and the Anti-Fraud and Corruption Strategy Group made up of relevant officers;
- c) the requirement to carry out an assessment of fraud risks the Council may experience be noted and the consequential Fraud Risk Register be reported to the next meeting of the Committee;

- d) the Director of Legal and Governance (and Monitoring Officer) be requested to compile a list of prosecutions carried out by the Authority, over the last twelve months and information relating to whistleblowing complaints or discovery of fraudulent activities affecting the Council for presentation to the next meeting of the Committee.

Reasons:

1. Fraud and Corruption are serious issues which can affect the services the Council provides, undermine the achievement of corporate objectives and impact upon the public's confidence in the integrity of Council Officers and Elected Members. The Council is therefore committed to the prevention, detection and investigation of all forms of fraud and corruption whether these are attempted from within or external to the organisation.
2. The Council is committed to creating an environment that is based on the prevention of fraud and corruption. This is achieved by promoting openness and honesty in all Council activities.
3. The suite of policies recommended to Committee set out the Council's proposed approach in relation to fraud and how the Council goes about preventing, detecting and enforcing identified fraudulent activity.
4. The periodic review of policies and procedures ensures the Council's approach is up to date and accords with current thinking and best practice.

(During consideration of this item, Councillor Helen-Ann Smith entered the room at 6.47 p.m. as substitute for Councillor Robert-Sears Piccavey.)

AC.19 Audit Progress Report

Mandy Marples, CMAP's Audit Manager, presented the report and summarised the audit progress from 1st September, 2017 until 31st October, 2017 with 2 assignments having reached their conclusion during this period. Since publication of the report, a further report had been finalised and 2 more reports had been issued in draft.

In relation to the 2 finalised assignments, Main Accounting Systems 2016/17 and xPress Security Assessment, all the recommendations had been accepted by management and were being addressed without delay.

Committee were asked to note that a change had been made to the Internal Audit Plan with the agreement of the Director of Legal and Governance (and Monitoring Officer) to address emerging risks identified by management. Therefore additional resources were to be provided to investigate a whistleblowing allegation with the time assigned to the Homelessness audit being utilised for this purpose. As a result of the change, the Homelessness audit had been withdrawn from the 2017/18 Internal Audit Plan.

CMAP's Audit Performance graph, as outlined in the report, had indicated that they were on target for achieving completion of the 2017/18 Audit Plan in the allotted time frame. In relation to recommendation tracking, Committee were advised of the following:-

Business Continuity and Emergency Planning

Delays had been experienced due to an officer leaving but progress was now getting back on track;

Safeguarding

There had been a delay in officer training but this had now been rectified.

New Cross Initiative

Risk alleviated and review completed.

RESOLVED

that audit assignment progress as at 31st October, 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 6.57 pm

Chairman.



Annual Report on grants and returns 2016/17



Ashfield District Council

January 2018

Contents

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	Page
Headlines	3
Summary of reporting outcomes	4
Summary of certification work outcomes	5
Fees	6
Recommendations	7
Prior Year Recommendations	7

Page 10

This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. Public Sector Audit Appointments issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies summarising where the responsibilities of auditors begin and end and what is expected from audited bodies. We draw your attention to this document which is available on Public Sector Audit Appointment's website (www.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 Sophie Jenkins, the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers (andrew.sayers@kpmg.co.uk). After this, in relation to the certification of the Housing Benefit Subsidy grant claim, 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 3HZ.

Headlines

Introduction and background

This report summarises the results of work we have carried out on the Authority's 2016/17 grant claims and returns.

This includes the work we have completed under the Public Sector Audit Appointment certification arrangements, as well as the work we have completed on other grants/returns under separate engagement terms. The work completed in 2016/17 are:

- Under the Public Sector Audit Appointments arrangements, we certified the Authority's 2016/17 Housing Benefit Subsidy claim. This had a value of £33.3 million.
- Under separate assurance engagements, we certified the Authority's 2016/17 Pooling of Housing Capital Receipts return. This had a value of £2.6 million.

Certification and assurance results (Pages 4-5)

Page 11

Housing Subsidy Benefit Claim

Our certification work on Housing Subsidy Benefit claim included:

- agreeing standard rates, such as for allowances and benefit incomes, to the DWP Circular communicating the value of each rate for the year;
- sample testing of benefit claims to confirm that the entitlement had been correctly calculated and was supported by appropriate evidence;
- undertaking an analytical review of the claim form considering year-on-year variances and key ratios;
- confirming that the subsidy claim had been prepared using the correct benefits system version; and
- completing testing in relation to modified schemes payments, uncashed cheques and verifying the accurate completion of the claim form.

Following the completion of our work, the claim was qualified. The claim was also adjusted to correct minor errors identified by management after the original claim had been submitted. There was no impact on the amount of subsidy due to the Authority as a result of these adjustments.

Pooling of Housing Capital Receipts Return

Our work was carried out in accordance with the instructions agreed with DCLG and required us to confirm whether specified entries on the Return were consistent with the applicable criteria. We gave an unqualified Accountant's Report on the return. No amendments were made to the return.

Recommendations

There are no recommendations to the Authority arising from our work this year.

Fees

The indicative fee for our work on the Authority's 2016/17 Housing Benefit Subsidy was set by Public Sector Audit Appointments at £15,146.

Our fee of £3,500 for the Pooling of Housing Capital Receipts return engagement was agreed directly with the Authority.

Summary of reporting outcomes

Page 12

Overall, we carried out work on 2 grants and returns:

- One was qualified; and
- One was unqualified.

The fee charged for our Housing Benefit Subsidy work was the same as the indicative fee set by the PSAA.

The fee charged for the Pooling of Housing Capital Receipts Return was consistent with the fee agreed directly with you.

We have made no recommendations as a result of the work carried out this year.

Detailed below is a summary of the reporting outcomes from our work on the Authority’s 2016/17 grants and returns, showing where either audit amendments were made as a result of our work or where we had to qualify our audit certificate or assurance report.

A qualification means that issues were identified concerning the Authority’s compliance with a scheme’s requirements that could not be resolved through adjustment. In these circumstances, it is likely that the relevant grant paying body will require further information from the Authority to satisfy itself that the full amounts of grant claimed are appropriate.

	Comments overleaf	Qualified	Significant adjustment	Minor adjustment	Unqualified
Public Sector Audit Appointments regime					
— Housing Benefit Subsidy	1	●		●	
Other assurance engagements					
— Pooling of Housing Capital Receipts	2				●

Summary of certification work outcomes

This table summarises the key issues behind each of the adjustments or qualifications that were identified on the previous page.

Page 13

Ref	Summary observations	Amendment
1	<p>Housing Benefit Subsidy</p> <ul style="list-style-type: none"> ■ We found a number of errors in our Rent Allowances sample testing which we needed to report as the populations were too large for 100% testing. They related to the following: <ul style="list-style-type: none"> ■ Incorrect processing of earnings ■ We found a number of errors in our Rent Rebates sample testing which we needed to report as the populations were too large for 100% testing. They related to the following: <ul style="list-style-type: none"> ■ Ineligible Overpayments included in the subsidy claim ■ The errors we identified were not significant. However, as recommended in our Annual Report on Grants and Returns last year the Authority should review the errors noted in our Qualification Letter and consider additional quality control arrangements to address these issues. ■ We reported our findings to the Department of Work and Pensions (DWP) in the Qualification Letter which we submitted with the certified claim. DWP will consider the findings of the certification work, and may contact officers to request additional work on the issues identified. 	<p>Not applicable</p>

Fees

Our fees for the Housing Benefit Subsidy claim are set by Public Sector Audit Appointments.

Our fees for other assurance engagements on grants/returns are agreed directly with the Authority.

The overall fees we charged for carrying out all our work on grants/returns in 2016/17 was £18,646.

Public Sector Audit Appointments certification arrangements

Public Sector Audit Appointments set an indicative fee for our work on the Authority's Housing Benefit Subsidy claim in 2016/17 of £15,146. Our actual fee was the same as the indicative fee, and this compares to the 2015/16 fee for this claim of £19,990.

Grants subject to other engagements

The fees for our work on other grants/returns are agreed directly with the Authority. Our fees for 2016/17 were less than those in 2015/16.

Breakdown of fees for grants and returns work

Breakdown of fee by grant/return		
	2016/17 (£)	2015/16 (£)
Housing Benefit Subsidy claim	£15,146	£19,990
Pooling of Housing Capital Receipts	£3,500	£3,000
Total fee	£18,646	£22,990

Recommendations

There were no recommendations raised in 2016-17.

Prior year recommendations

We made one recommendation in our 2015/16 Certification of Grants and Returns Annual Report. Where recommendations have not yet been implemented fully we have detailed their current status below.

Prior year recommendation	Priority	Status as at January 2018	Management comments
Theme heading			
<p>1 Staff Training</p> <p>We recommended that the Authority organises training for the inexperienced staff and involve the members with prior experience of completing the workbooks to improve the audit process and meet the submission deadlines.</p>	<p>1</p>	<p>In Progress</p> <p>We acknowledge that the Authority organised staff trainings which resulted in the improvements of the quality of the workbooks provided.</p> <p>However, as agreed with the Authority there is still some improvement required in the processing of the benefits correctly on a timely basis to minimise the errors, for which further trainings will be organised going forward.</p>	<p>The audit once again identified an issue with a number of claims where the calculation of earnings was incorrect. Some improvement has been made over the last year, however it is acknowledged that further training of benefit assessors is necessary in order to continue this improvement. We have already scheduled 3 full days of Earned Income training on 24th, 26th and 31st January 2018 for all benefit assessors. Ongoing monitoring of output will continue in order to track performance and identify any individual officers who continue to make errors.</p>

Page 15



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The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

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External Audit Plan 2017/2018

**Ashfield District
Council**

March 2018

Summary for Audit and Accounts Committee

Financial statements

There are no significant changes to the Code of Practice on Local Authority Accounting ("the Code") in 2017/18, which provides stability in terms of the accounting standards the Authority need to comply with. Despite this, the deadline for the production and signing of the financial statements has been significantly advanced in comparison to year ended 31 March 2017. This represents a significant change for Ashfield District Council and will need to be carefully managed in order to ensure the new deadlines are met. As a result we have recognised a significant risk in relation to this matter.

In order to meet the revised deadlines it will be essential that the draft financial statements and all 'prepared by client' documentation is available in line with agreed timetables. Where this is not achieved, there is a significant likelihood that the audit report will not be issued by 31 July 2018.

Materiality

Materiality for planning purposes has been set at £1,200,000.

We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance and this has been set at £60,000.

Significant risks

Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error have been identified as:

- **Valuation of PPE** – At 31 March 2017 the Council had land and buildings with a total net book value of £289,182k (including council dwellings). Whilst the Authority operates a cyclical revaluation approach, the Code requires that all land and buildings be held at fair value. We will consider the way in which the Authority ensures that assets not subject to in-year revaluation are not materially misstated.
- **Pension Liabilities** – The valuation of the Authority's pension liability (£104m as at 31 March 2017), as calculated by the Actuary, is dependent upon both the accuracy and completeness of the data provided and the assumptions adopted. We will review the processes in place to ensure the accuracy of data provided to the Actuary and consider the assumptions used in determining the valuation.
- **Faster Close** – As set out above, the timetable for the production of the financial statements has been significantly advanced with draft accounts having to be prepared by 31 May (2017: 30 June) and the final accounts signed by 31 July (2017: 30 September). We will work with the Authority in advance of our audit to understand the steps being taken to meet these deadlines and the impact on our work.

See pages 5 to 11 for more details

Summary for Audit and Accounts Committee (cont.)

Value for Money Arrangements work

Our risk assessment regarding your arrangements to secure value for money have identified the following VFM significant risk to date:

- **Financial resilience** – As a result of reductions in central government funding, and other pressures, the Authority continues to face similar financial pressures and uncertainties to those experienced by others in the local government sector. The Authority identified the need to make savings of £820k for the General Fund and £324k for the HRA in 2017/18. The current forecast shows that the Authority will deliver an underspend of approximately £36k and £164k for General Fund and HRA respectively. This is the net service expenditure excluding capital financing and recharges.
- The updated MTFS presented to the Cabinet in February 2018 outlined the uncertainty in future funding post 2019/20. The projected savings required were estimated to be £2.65m between 2019/20 and 2023/24 which could increase to as much as £4.5m depending on the government decisions regarding the future funding. 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.
- We will review the arrangements for assuring delivery of the Authority's savings programme and review the delivery of the saving plans to date including any actions taken by the Authority where savings are not achieved in line with the plan. In addition, we will evaluate the arrangements the Authority have in place in identifying further savings for future years.
- We will update our assessment throughout the year should any issues present themselves and report against these in our ISA260. We will report on the results of the VFM audit through our ISA 260 Report. This will summarise any specific matters arising, and the basis for our overall conclusion. The key output from the work will be the VFM conclusion (i.e. our opinion on the Authority's arrangements for securing VFM), which forms part of our audit report.
- **Investment Properties**– The Authority has already spent £12.22m of the target and is at an advanced stage to purchase another property for £2.78m. If this property purchase completes then the total Investment Property expenditure will increase to £15m. Of the 7 investment properties, 5 are outside of the District and all have utilised borrowing to fund the acquisitions.
- At present the Authority are applying Option 4 – depreciation method for determining MRP, under the existing guidance which means that MRP will only be set aside should there be a reduction in valuation or when the asset is sold. There is a reserve of £400k for commercial investments but this is being reviewed in light of recent and potential acquisitions.
- However there are changes proposed to the Prudential Framework, which could mean the Authority will not be able to apply Option 4, which would result in a decreased return from the investment as the MRP charges will be much higher. The savings will be reduced by approximately £225k.
- We will review the commercial properties the Authority has invested in and the associated costs, risks and rewards and if these investments were made following appropriate legal and financial advice.
- We will also review the Medium Term Financial Plan to ensure it has duly taken into consideration factors such as potential changes in the MRP calculation.

See pages 12 to 17 for more details

Summary for Audit and Accounts Committee (cont.)

Logistics Our team is:

- John Cornett – Director
- Debbie Stokes – Manager
- Rachit Babbar – Assistant Manager

More details are in **Appendix 2**.

Our work will be completed in four phases from November 2017 to July 2018 and our key deliverables are this Audit Plan, an Interim Letter (if applicable) and a Report to Those Charged With Governance as outlined on **page 20**

Our fee for the 2017/18 audit is £56,036 (£56,036 2016/2017, an additional fee of £3,805 was charged to the Authority for completed work on the Group accounts and Ashfield Homes). see **page 19**.

Introduction

Background and Statutory responsibilities

This document supplements our Audit Fee Letter 2017/18 presented to you in April 2017, which also sets out details of our appointment by Public Sector Audit Appointments Ltd (PSAA).

Our statutory responsibilities and powers are set out in the Local Audit and Accountability Act 2014, the National Audit Office's Code of Audit Practice and the PSAA Statement of Responsibilities.

Our audit has two key objectives, requiring us to audit/review and report on your:

01 | Financial statements :
Providing an opinion on your accounts. We also review the Annual Governance Statement and Narrative Report and report by exception on these; and

02 | Use of resources:
Concluding on the arrangements in place for securing economy, efficiency and effectiveness in your use of resources (the value for money conclusion).

The audit planning process and risk assessment is an on-going process and the assessment and fees in this plan will be kept under review and updated if necessary. Any change to our identified risks will be reported to the Audit Committee.

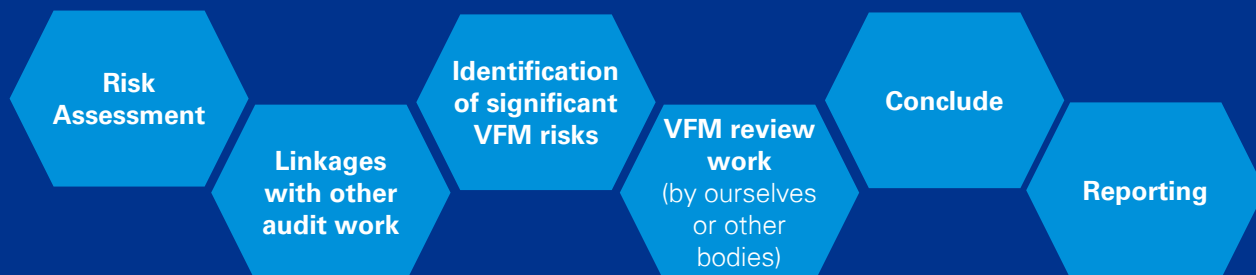
Financial Statements Audit

Our financial statements audit work follows a four stage audit process which is identified below. Appendix 1 provides more detail on the activities that this includes. This report concentrates on the Financial Statements Audit Planning stage of the Financial Statements Audit.



Value for Money Arrangements Work

Our Value for Money (VFM) Arrangements Work follows a six stage process which is identified below. Page 12 provides more detail on the activities that this includes. This report concentrates on explaining the VFM approach for the 2017/18 and the findings of our VFM risk assessment.



Financial statements audit planning

Financial Statements Audit Planning

Our planning work takes place during November 2017 to January 2018. This involves the following key aspects:

- Determining our materiality level;
- Risk assessment;
- Identification of significant risks;
- Consideration of potential fraud risks;
- Identification of key account balances in the financial statements and related assertions, estimates and disclosures;
- Consideration of management's use of experts; and
- Issuing this audit plan to communicate our audit strategy.

Risk assessment

Auditing standards require us to consider two standard risks for all organisations. We are not elaborating on these standard risks in this plan but consider them as a matter of course in our audit and will include any findings arising from our work in our ISA 260 Report.

01

Management override of controls

Management is typically in a powerful position to perpetrate fraud owing to 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. In line with our methodology, we carry 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.

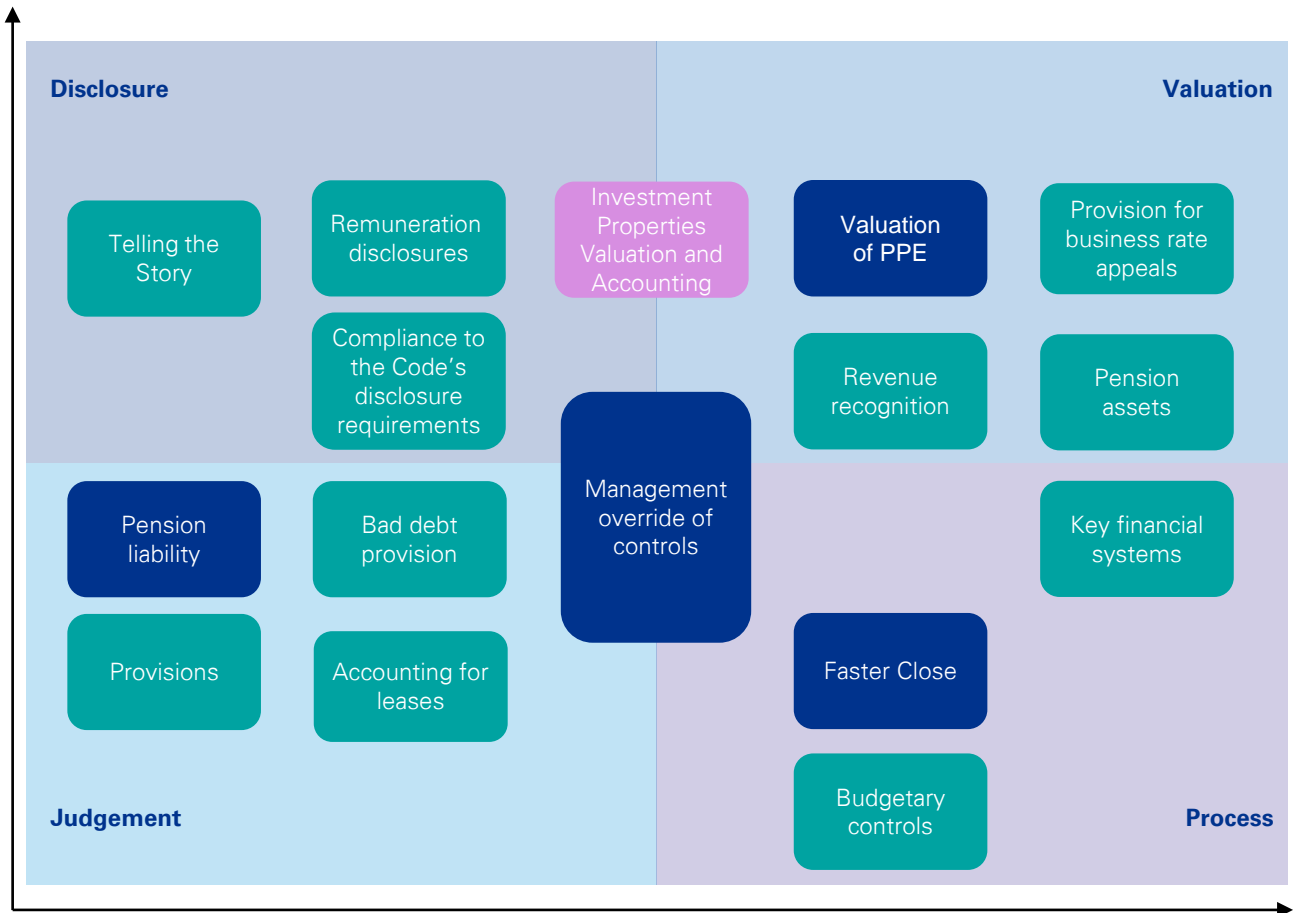
02

Fraudulent revenue recognition

We do not consider this to be a significant risk for local authorities as there are limited incentives and opportunities to manipulate the way income is recognised. We therefore rebut this risk and do not incorporate specific work into our audit plan in this area over and above our standard fraud procedures.

Financial statements audit planning (cont.)

The diagram below identifies significant risks and other areas of audit focus, which we expand on overleaf. The diagram also identifies a range of other areas considered by our audit approach.



Keys: ■ Significant risk ■ Other areas of audit focus ■ Example other areas considered by our approach

Financial statements audit planning (cont.)

Significant Audit Risks

Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error in relation to the Authority.

Risk: Valuation of PPE

At 31 March 2017 the Council had land and buildings with a total net book value of £289,182k (including council dwellings). The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate fair value at that date. The Authority has adopted a rolling revaluation model which sees all land and buildings revalued over a five year cycle. As a result of this, however, individual assets may not be revalued for four years.

This creates a risk that the carrying value of those assets not revalued in year differs materially from the year end fair value. In addition, as the valuation is undertaken as at 31 January, there is a risk that the fair value is different at the year end.

Approach: We will review the approach that the Authority has adopted to assess the risk that assets not subject to valuation are materially misstated and consider the robustness of that approach. We will also assess the risk of the valuation changing materially during the year since the valuation date.

In addition, we will consider movement in market indices between revaluation dates and the year end in order to determine whether these indicate that fair values have moved materially over that time.

Financial statements audit planning (cont.)

Significant Audit Risks (cont.)

Risk: Pension Liabilities

The net pension liability represents a material element of the Authority's balance sheet. The Authority is an admitted body of Nottinghamshire Pension Fund which had its last triennial valuation completed as at 31 March 2016. This forms an integral basis of the valuation as at 31 March 2018.

The valuation of the Local Government Pension Scheme relies on a number of assumptions, most notably around the actuarial assumptions, and actuarial methodology which results in the Authority's overall valuation.

There are financial assumptions and demographic assumptions used in the calculation of the Authority's valuation, such as the discount rate, inflation rates, mortality rates etc. The assumptions should also reflect the profile of the Authority's employees, and should be based on appropriate data. The basis of the assumptions is derived on a consistent basis year to year, or updated to reflect any changes.

There is a risk that the assumptions and methodology used in the valuation of the Authority's pension obligation are not reasonable. This could have a material impact on the net pension liability accounted for in the financial statements.

Approach:

As part of our work we will review the controls that the Authority has in place over the information sent directly to the Scheme Actuary. We will also liaise with the auditors of the Pension Fund in order to gain an understanding of the effectiveness of those controls operated by the Pension Fund. This will include consideration of the process and controls with respect to the assumptions used in the valuation. We will also evaluate the competency, objectivity and independence of Barnett Waddingham.

We will review the appropriateness of the key assumptions included within the valuation with the use of a KPMG Actuary. Our Actuary will also review the methodology applied in the valuation by Barnett Waddingham.

In addition, we will review the overall Actuarial valuation and consider the disclosure implications in the financial statements.

Financial statements audit planning (cont.)

Significant Audit Risks (cont.)

Risk: Faster Close

In prior years, the Authority has been required to prepare draft financial statements by 30 June and then final signed accounts by 30 September. For years ending on and after 31 March 2018 however, revised deadlines apply which require draft accounts by 31 May and final signed accounts by 31 July.

These changes represent a significant change to the timetable that the Authority has previously worked to. The time available to produce draft accounts has been reduced by one month and the overall time available for completion of both accounts production and audit is two months shorter than in prior years.

In order to meet the revised deadlines, the Authority may need to make greater use of accounting estimates. In doing so, consideration will need to be given to ensuring that these estimates remain valid at the point of finalising the financial statements. In addition, there are a number of logistical challenges that will need to be managed. These include:

- Ensuring that any third parties involved in the production of the accounts (including valuers, actuaries) are aware of the revised deadlines and have made arrangements to provide the output of their work in accordance with this;
- Revising the closedown and accounts production timetable in order to ensure that all working papers and other supporting documentation are available at the start of the audit process;
- Ensuring that the Audit Committee meeting schedules have been updated to permit signing in July; and
- Applying a shorter paper deadline to the July meeting of the Audit Committee in order to accommodate the production of the final version of the accounts and our ISA 260 report.

In the event that the above areas are not effectively managed there is a significant risk that the audit will not be completed by the 31 July deadline.

There is also an increased likelihood that the Audit Certificate (which confirms that all audit work for the year has been completed) may be issued separately at a later date whilst work is on-going in relation to the Authority's Whole of Government Accounts return. This is not a matter of concern and is not seen as a breach of deadlines.

Approach: We will continue to liaise with officers in preparation for our audit in order to understand the steps that the Authority is taking to ensure it meets the revised deadlines. We will also look to advance audit work into the interim visit in order to streamline the year end audit work.

Where there is greater reliance upon accounting estimates we will consider the assumptions used and challenge the robustness of those estimates.

Financial statements audit planning (cont.)

Materiality

We are required to plan our audit to determine with reasonable confidence whether or not the financial statements are free from material misstatement. An omission or misstatement is regarded as material if it would reasonably influence the user of financial statements. This therefore involves an assessment of the qualitative and quantitative nature of omissions and misstatements.

Generally, we would not consider differences in opinion in respect of areas of judgement to represent 'misstatements' unless the application of that judgement results in a financial amount falling outside of a range which we consider to be acceptable.

For the Authority, materiality for planning purposes has been set at £1,200,000 which equates to 1.5 percent of gross expenditure.

We design our procedures to detect errors in specific accounts at a lower level of precision.

Authority Prior Year Gross Expenditure: £78.230 million

Materiality

£1,200,000

1.5% of Expenditure

(2016/17: £1,200,000, 1.5%)



Financial statements audit planning (cont.)

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 unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work.

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

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.

If management has 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.

We will report:



Non-Trivial corrected audit misstatements



Non-trivial uncorrected audit misstatements



Errors and omissions in disclosure
(Corrected and uncorrected)

Value for money arrangements work

VFM audit approach

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.'

Overall criterion

In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

The VFM approach is fundamentally unchanged from that adopted in 2016/17 and the process is shown in the diagram below. The diagram overleaf shows the details of the sub-criteria for our VFM work.



Value for money arrangements work (cont.)

Value for Money sub-criterion

Informed decision making

Proper arrangements:

- Acting in the public interest, through demonstrating and applying the principles and values of sound governance.
- Understanding and using appropriate and reliable financial and performance information to support informed decision making and performance management.
- Reliable and timely financial reporting that supports the delivery of strategic priorities.
- Managing risks effectively and maintaining a sound system of internal control.

Sustainable resource deployment

Proper arrangements:

- Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions.
- Managing and utilising assets to support the delivery of strategic priorities.
- Planning, organising and developing the workforce effectively to deliver strategic priorities.

Working with partners and third parties

Proper arrangements:

- Working with third parties effectively to deliver strategic priorities.
- Commissioning services effectively to support the delivery of strategic priorities.
- Procuring supplies and services effectively to support the delivery of strategic priorities.

Value for money arrangements work (cont.)

VFM audit stage



VFM audit risk assessment

Audit approach

We consider the relevance and significance of the potential business risks faced by all local authorities, and other risks that apply specifically to the Authority. These are the significant operational and financial risks in achieving statutory functions and objectives, which are relevant to auditors' responsibilities under the *Code of Audit Practice*.

In doing so we consider:

- The Authority's own assessment of the risks it faces, and its arrangements to manage and address its risks;
- Information from the Public Sector Auditor Appointments Limited VFM profile tool;
- Evidence gained from previous audit work, including the response to that work; and
- The work of other inspectorates and review agencies.



Linkages with financial statements and other audit work

Audit approach

There is a degree of overlap between the work we do as part of the VFM audit and our financial statements audit. For example, our financial statements audit includes an assessment and testing of the Authority's organisational control environment, including the Authority's financial management and governance arrangements, many aspects of which are relevant to our VFM audit responsibilities.

We have always sought to avoid duplication of audit effort by integrating our financial statements and VFM work, and this will continue. We will therefore draw upon relevant aspects of our financial statements audit work to inform the VFM audit.



Identification of significant risks

Audit approach

The Code identifies a matter as significant '*if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public. Significance has both qualitative and quantitative aspects.*'

If we identify significant VFM risks, then we will highlight the risk to the Authority and consider the most appropriate audit response in each case, including:

- Considering the results of work by the Authority, inspectorates and other review agencies; and
- Carrying out local risk-based work to form a view on the adequacy of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources.

Value for money arrangements work (cont.)

VFM audit stage



Assessment of work by other review agencies, and Delivery of local risk based work

Audit approach

Depending on the nature of the significant VFM risk identified, we may be able to draw on the work of other inspectorates, review agencies and other relevant bodies to provide us with the necessary evidence to reach our conclusion on the risk.

We will also consider the evidence obtained by way of our financial statements audit work and other work already undertaken.

If evidence from other inspectorates, agencies and bodies is not available and our other audit work is not sufficient, we will need to consider what additional work we will be required to undertake to satisfy ourselves that we have reasonable evidence to support the conclusion that we will draw. Such work may include:

- Additional meetings with senior managers across the Authority;
- Review of specific related minutes and internal reports; and
- Examination of financial models for reasonableness, using our own experience and benchmarking data from within and outside the sector.



Concluding on VFM arrangements

Audit approach

At the conclusion of the VFM audit we will consider the results of the work undertaken and assess the assurance obtained against each of the VFM themes regarding the adequacy of the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources.

If any issues are identified that may be significant to this assessment, and in particular if there are issues that indicate we may need to consider qualifying our VFM conclusion, we will discuss these with management as soon as possible. Such issues will also be considered more widely as part of KPMG's quality control processes, to help ensure the consistency of auditors' decisions.



Reporting

Audit approach

On the following page, we report the results of our initial risk assessment.

We will report on the results of the VFM audit through our ISA 260 Report. This will summarise any specific matters arising, and the basis for our overall conclusion.

The key output from the work will be the VFM conclusion (i.e. our opinion on the Authority's arrangements for securing VFM), which forms part of our audit report.

Value for money arrangements work (cont.)

Significant VFM Risks

Those risks requiring specific audit attention and procedures to address the likelihood that proper arrangements are not in place to deliver value for money.

Risk: **Financial Resilience**

The Authority identified the need to make savings of £820k for the General Fund and £324k for the HRA in 2017/18. The current forecast shows that the Authority will deliver an underspend of approximately £36k and £164k for General Fund and HRA respectively. This is the net service expenditure excluding capital financing and recharges.

The MTFS identifies the need to save a further £2.65million from its net revenue budget over the five year period 2019/20 – 2023/24 as Revenue Support Grant is phased out by 2020 and New Homes Bonus is estimated to reduce to £1.6m in 2021/22. The savings required could be as much as £4.5m depending on the government decisions regarding the future funding. It is envisaged that the savings will be identified through a number of initiatives.

As a result, the need for savings will continue to have a significant impact on the Authority's financial resilience.

Approach: As part of our additional risk based work, we will review the controls the Authority has in place to ensure financial resilience, specifically that the Medium Term Financial Plan has duly taken into consideration factors such as funding reductions, salary and general inflation, demand pressures, restructuring costs and sensitivity analysis given the degree of variability in the above factors.

VFM Sub-criterion: This risk is related to the following Value For Money sub-criterion

- Informed decision making;
- Sustainable resource deployment; and
- Working with partners and third parties.

Value for money arrangements work (cont.)

Significant VFM Risks

Those risks requiring specific audit attention and procedures to address the likelihood that proper arrangements are not in place to deliver value for money.

Risk: **Investment Properties**

The Authority established in its Capital Programme an initial investment target of £10m, with a further £15m approved in January 2018. The Authority has already spent £12.22m of the target and is at an advanced stage to purchase another property for £2.78m. If this property purchase completes then the total Investment Property expenditure will increase to £15m. Of the 7 investment properties, 5 are outside of the District and all have utilised borrowing to fund the acquisitions.

Ministry of Housing, Communities and Local Government recently issued the Consultation document on the Prudential Framework of Capital Finance and a further document called 'Clarification on proposed changes' which detailed the proposed changes in the Minimum Revenue Provision (MRP) calculations for the Investment Properties, which come into effect from 1 April 2019.

At present the Authority are applying Option 4 –depreciation method for determining MRP, under the existing guidance which means that MRP will only be set aside should there be a reduction in valuation or when the asset is sold. There is a reserve of £400k for commercial investments but this is being reviewed in light of recent and potential acquisitions.

However due to the potential changes to the Prudential Framework, the Authority may not be able to apply Option 4, which would result in a decreased return from the investment as the MRP charges will be much higher. The savings will be reduced by approximately £225k.

Approach: As part of our work, we will review the commercial properties the Authority has invested in and the associated costs, risks and rewards and if these investments were made following appropriate legal and financial advice.

We will also review the Medium Term Financial Plan to ensure it has duly taken into consideration factors such as potential changes in the MRP calculation.

VFM Sub-criterion: This risk is related to the following Value For Money sub-criterion

- Informed decision making; and
- Sustainable resource deployment.

Other matters

Whole of government accounts (WGA)

We are required to issue an assurance statement to the National Audit Office confirming the income, expenditure, asset and liabilities of the Authority. Deadlines for completion of this for 2017/18 have not yet been confirmed.

Elector challenge

The Local Audit and Accountability Act 2014 gives electors certain rights. These are:

- The right to inspect the accounts;
- The right to ask the auditor questions about the accounts; and
- The right to object to the accounts.

As a result of these rights, in particular the right to object to the accounts, we may need to undertake additional work to form our decision on the elector's objection. The additional work could range from a small piece of work where we interview an officer and review evidence to form our decision, to a more detailed piece of work, where we have to interview a range of officers, review significant amounts of evidence and seek legal representations on the issues raised.

The costs incurred in responding to specific questions or objections raised by electors is not part of the fee. This work will be charged in accordance with the PSAA's fee scales.



Other matters

Reporting and communication

Reporting is a key part of the audit process, not only in communicating the audit findings for the year, but also in ensuring the audit team are accountable to you in addressing the issues identified as part of the audit strategy. Throughout the year we will communicate with you through meetings with the Finance team and the Audit Committee. Our communication outputs are included in Appendix 1.

Independence and Objectivity

Auditors are also required to be independent and objective. Appendix 3 provides more details of our confirmation of independence and objectivity.

Audit fee

Our Audit Fee Letter 2017/2018 presented to you in June 2017 first set out our fees for the 2017/18 audit. This letter also sets out our assumptions. We have not considered it necessary to seek approval for any changes to the agreed fees at this stage.

Should there be a need to charge additional audit fees then this will be agreed with the S151 Officer and PSAA. If such a variation is agreed, we will report that to you in due course.

The planned audit fee for 2017/18 is £56,036, (£56,036 2016/17, an additional fee of £3,805 was charged to the Authority for completed work on the Group accounts and Ashfield Homes).

Appendix 1:

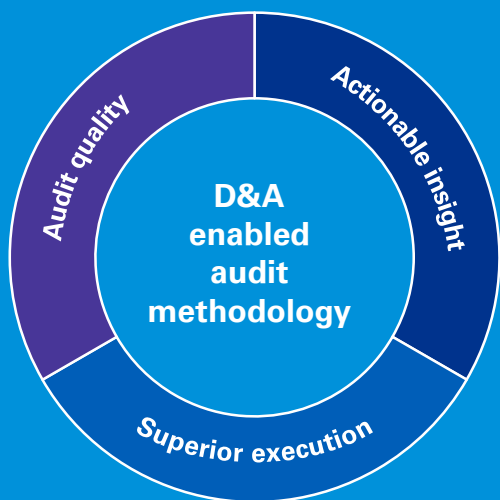
Key elements of our financial statements audit approach

Driving more value from the audit through data and analytics

Technology is embedded throughout our audit approach to deliver a high quality audit opinion. Use of Data and Analytics (D&A) to analyse large populations of transactions in order to identify key areas for our audit focus is just one element. Data and Analytics allows us to:

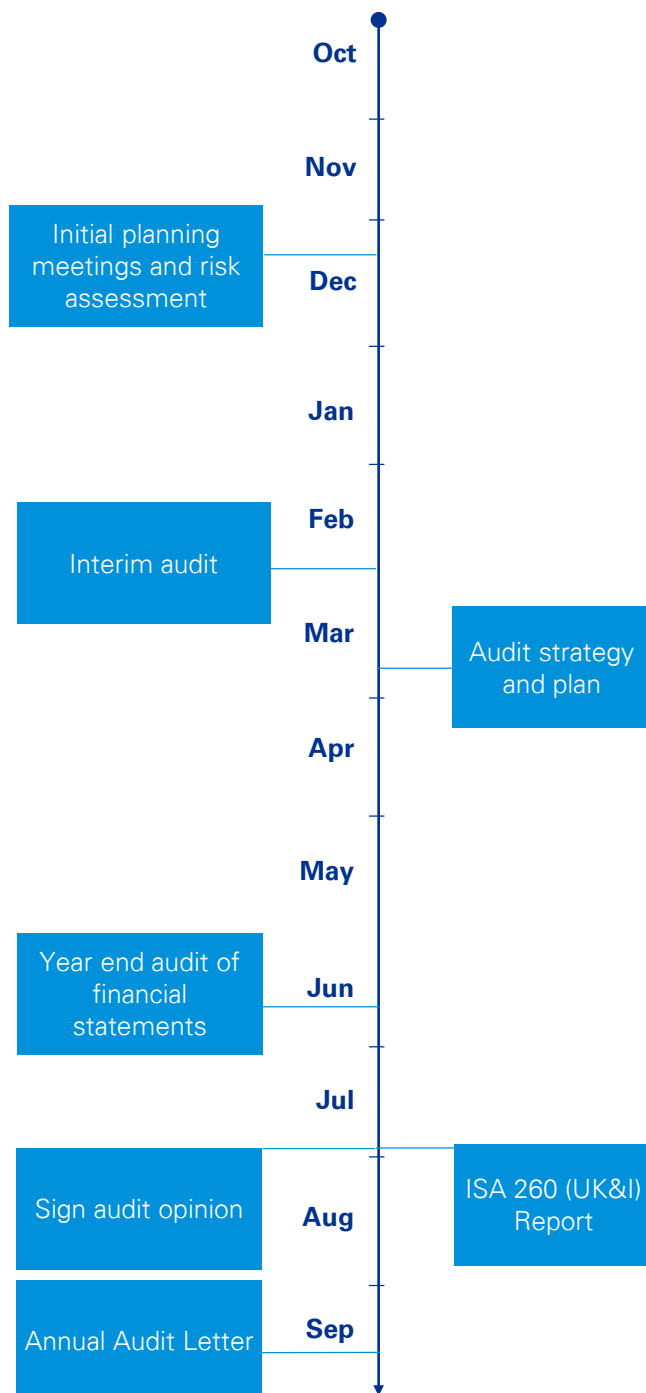
- Obtain greater understanding of your processes, to automatically extract control configurations and to obtain higher levels assurance.
- Focus manual procedures on key areas of risk and on transactional exceptions.
- Identify data patterns and the root cause of issues to increase forward-looking insight.

We anticipate using data and analytics in our work around journals.



Communication

Continuous communication involving regular meetings between Audit Committee, Senior Management and audit team.



Appendix 1:

Key elements of our financial statements audit approach (cont.)

Audit workflow

Planning

- Determining our materiality level;
- Risk assessment;
- Identification of significant risks;
- Consideration of potential fraud risks;
- Identification of key account balances in the financial statements and related assertions, estimates and disclosures;
- Consideration of managements use of experts; and
- Issuing this audit plan to communicate our audit strategy.

Control evaluation

- Understand accounting and reporting activities;
- Evaluate design and implementation of selected controls;
- Test operating effectiveness of selected controls; and
- Assess control risk and risk of the accounts being misstated.

Substantive testing

- Plan substantive procedures;
- Perform substantive procedures; and
- Consider if audit evidence is sufficient and appropriate.

Completion

- Perform completion procedures;
- Perform overall evaluation;
- Form an audit opinion; and
- Audit Committee reporting.

Appendix 2:

Audit team

Your audit team has been drawn from our specialist public sector assurance department.



John Cornett
Director

T: 0116 256 6064
E: John.Cornett@kpmg.co.uk

'My role is to lead our team and ensure the delivery of a high quality, valued added external audit opinion. I will be the main point of contact for the Audit Committee and Chief Executive.'



Debbie Stokes
Manager

T: 0121 609 5914
E: Debbie.Stokes@kpmg.co.uk

'I provide quality assurance for the audit work and specifically any technical accounting and risk areas. I will work closely with the Director to ensure we add value. I will liaise with the Head of Resources and other Heads of Service.'



Rachit Babbar
Assistant Manager

T: 0121 232 3118
E: Rachit.Babbar2@kpmg.co.uk

'I will be responsible for the on-site delivery of our work and will supervise the work of our audit assistants.'

Appendix 3:

Independence and objectivity requirements

ASSESSMENT OF OUR OBJECTIVITY AND INDEPENDENCE AS AUDITOR OF ASHFIELD DISTRICT COUNCIL

Professional ethical standards require us to provide to you at the planning stage of the audit a written disclosure of relationships (including the provision of non-audit services) that bear on KPMG LLP's objectivity and independence, the threats to KPMG LLP's independence that these create, any safeguards that have been put in place and why they address such threats, together with any other information necessary to enable KPMG LLP's objectivity and independence to be assessed.

In considering issues of independence and objectivity we consider relevant professional, regulatory and legal requirements and guidance, including the provisions of the Code of Audit Practice, the provisions of Public Sector Audit Appointments Ltd's ('PSAA's') Terms of Appointment relating to independence and the requirements of the FRC Ethical Standard and General Guidance Supporting Local Audit (Auditor General Guidance 1 – AGN01) issued by the National Audit Office ('NAO').

This Appendix is intended to comply with this requirement and facilitate a subsequent discussion with you on audit independence and addresses:

- General procedures to safeguard independence and objectivity;
- Independence and objectivity considerations relating to the provision of non-audit services; and
- Independence and objectivity considerations relating to other matters.

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 partners, Audit Directors and staff annually confirm their compliance with our ethics and independence policies and procedures. Our ethics and independence policies and procedures are fully consistent with the requirements of the FRC Ethical Standard. As a result we have underlying safeguards in place to maintain independence through:

- Instilling professional values
- Communications
- Internal accountability
- Risk management
- Independent reviews.

We are satisfied that our general procedures support our independence and objectivity.

Confirmation of audit independence

We confirm that as of the date of this report, in our professional judgment, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the Audit Director and audit staff is not impaired.

This report is intended solely for the information of the Audit Committee of the authority and should not be used for any other purposes.

We would be very happy to discuss the matters identified above (or any other matters relating to our objectivity and independence) should you wish to do so.



KPMG LLP



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This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. We draw your attention to the Statement of Responsibilities of auditors and audited bodies, which is available on Public Sector Audit Appointment's website (www.psa.co.uk).

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

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact John Cornett, 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, 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 3HZ.

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Agenda Item 6



Report To:	AUDIT COMMITTEE	Date:	19 MARCH 2018
Heading:	PENSION ASSUMPTIONS FOR 2017/18 STATEMENT OF ACCOUNTS		
Portfolio Holder:	N/A		
Ward/s:	N/A		
Key Decision:	NO		
Subject to Call-In:	NO		

Purpose of Report

The report is to allow members to consider the proposed assumptions to be used by the Pension Fund Actuary in preparing the International Accounting Standard (IAS) 19 figures reported in the Council's Annual Statement of Accounts for 2017/18.

Recommendation(s)

Member are asked to consider the actuary's briefing note attached as appendix A and the proposed IAS 19 assumptions, and agree them as the basis for the calculation of the figures required for the 2017/18 Statement of Accounts.

Reasons for Recommendation(s)

It is best practice that the actuarial assumptions intended to be used in preparing the IAS 19 figures within the Accounts are considered prior to their application and use in the compilation of the actuary's report. As such this report delivers the Council's obligations as part of the closure of the 2017/18 Statement of Accounts.

Alternative Options Considered

Members could recommend that a bespoke report is used for the calculation of the Council's figures; this would incur an additional cost and require reasoning for the departure from the proposed assumptions.

Detailed Information

- a. IAS 19 - Employee Benefits, is one of the financial reporting standards that the Council must comply with when producing its annual Accounts. IAS 19's basic requirement is that an organisation should account for retirement benefits when it is committed to give them, irrespective of when they are paid out.

- b. To calculate the cost of earned benefits for inclusion in the Accounts, the Nottinghamshire County Council Pension Fund schemes Actuary, Barnett Waddingham, use certain assumptions to reflect expected future events which may affect those costs. The assumptions used are designed to lead to the best estimate of the future cash flows that will arise under the scheme liabilities. Any assumptions that are affected by economic conditions should reflect market expectations at the balance sheet date.
- c. The results of the overall valuation can be volatile from year to year as the fund's investments are in a range of asset types whose performance will vary from year to year while liabilities are assessed on the basis of corporate bond yields. The results to some degree reflect the relative movements in these financial instruments.
- d. Ashfield District Council's net pension liability (the difference between the assets held and projected liabilities) as at 31 March 2017 was calculated at £104.262m. This is a material component of the Council's balance sheet, and therefore its net worth. As such it is important that the Council is supportive of the assumptions being made by the actuary in their calculations. This year's net position within the Balance Sheet will be affected by the assumptions used. There will be no impact on the Revenue position in the short-term as charges have been agreed until 2019/20 as part of the triennial review undertaken by the Actuary in 2016/17.
- e. The calculated costs and the underlying assumptions, based upon the advice of the actuary and the administering authority, Nottinghamshire County Council will be used in preparing the Council's 2017/18 Accounts.
- f. The responsibility for setting the assumptions rests with the employer and alternative assumptions can be used by the actuary however the Actuary would impose additional fees for this work. The accounting requirements of IAS 19 do not require that every individual estimate is a "best estimate". Directors (or equivalent) of the organisation should be satisfied that the combined effect of the assumptions as a whole is reasonable.
- g. The proposed financial assumptions for 2017/18 are detailed below:

The value of the Pension Fund's assets and liabilities are heavily dependent on the underpinning assumptions. The Employer is ultimately responsible for the assumptions used, and this year's proposed assumptions are listed below and detailed in the Actuary's briefing note at Appendix A:-

- **Corporate bond yields.** This is used to derive the discount rate which is applied to the employer's liabilities to calculate their future values. The rates used are those that match the duration of the employer's liability. The actuary has revised their methodology for 2017/18 which is detailed in Appendix A.
- **Expected Return on Assets.** The actuaries anticipate that a typical local Government Pension Fund might achieve a negative return of around 8% in the year to 31 March 2018 although this may vary depending on the individual funds investment strategy.
- **Inflation Expectations.** The levels of future Retail Prices Inflation (RPI) are assessed on the basis of the yields on fixed interest and index linked government securities over the period of the duration of the liabilities. The increases in pensions in the Local Government Pension are based on the Consumer Prices Index (CPI) which historically is lower than the Retail Prices Index. The Actuary has assessed the gap between RPI and CPI going forward to be a reduction of 1.0%.
- **Salary Increases** – The actuaries have proposed that salary increases are in line with CPI to 2020, then they increase in line with CPI plus 1.5%. Due to expected changes in pay award proposals Ashfield District Council has asked that these standard assumptions be used in place of the 1% to 2020 assumptions that had been adopted in the previous 2 financial years.

The overall impact of the assumptions for an average employer is set out below but it should be noted that individual employer's circumstances vary, in particular the average age of their overall liabilities and therefore the results for Ashfield may be different from the assessment below.

Changes in Actuary's Assumptions from 2016/17

Assumption	Duration of Individual Employee Liability (Years)			
	Less than 12.5	12.5 to 17.5	17.5 to 22.5	Greater than 22.5
Effect of change in discount rate on employer's liability	Decrease of up to 5%	Between a decrease of 1% and an increase of 6%	Increase between 4% and 8%	Increase between 7% and 8%
Change in inflation on employer's liabilities	Between a decrease of 1% and an increase of 1%	Decrease between 1% and 4%	Decrease between 5% and 8%	Decrease of 10%
Overall Impact	Decrease between 1% and 4%	Between a decrease of 1% and an increase of 2%	Decrease of 1%	Decrease between 3% and 4%

Implications

Corporate Plan:

There is no impact to the Long Term Outcomes and Corporate Priorities.

Legal:

There are no legal implications.

Finance:

Budget Area	Implication
General Fund – Revenue Budget	<p>There are no direct financial implications as a result of this report, as it sets out assumptions that the actuary uses to calculate the pension position for the Council under IAS 19.</p> <p>Changes in assumptions will affect the net position, but this has a nil overall change in the resources available to the Council on the balance sheet as any changes to the income and expenditure statement are reversed through statutory accounting entries.</p> <p>The actual employer contributions payable by the Council into the Fund were agreed as part of the Actuary's Triennial Review which covered the period 2017/18 to 2019/20.</p>
General Fund – Capital Programme	None

Housing Revenue Account – Revenue Budget	As above in General Fund
Housing Revenue Account – Capital Programme	None

Risk:

Risk	Mitigation
None	

Human Resources:

There are no human resources impacts

Equalities:

There are no equalities impacts

Other Implications:

None

Reason(s) for Urgency

N/A

Background Papers

Appendix – Barnet Waddington Briefing Note including Glossary and FAQ's.

Report Author and Contact Officer

Sharon Lynch
CORPORATE FINANCE MANAGER
s.lynch@ashfield.gov.uk
01623 457202

Accounting reporting as at 31 March 2018

Employer briefing note pre-accounting date

Contents

Accounting reporting as at 31 March 2018	3
How has the accounting position changed?	3
Asset returns	4
Changes to accounting assumptions	5
Discount rate	5
Spot rate approach	5
SEDR approach	6
Inflation expectations	7
Retail Price Index (RPI) assumption	8
Difference between RPI and CPI	8
Consumer Price Index (CPI) assumption.....	9
Salary increases	11
Overall expected results	12
What does this all mean when we bring it all together?	12
Final comments	12
Appendix 1.....	13
Adjustments to fees.....	13

Accounting reporting as at 31 March 2018

Many LGPS employers, in particular local authorities and other public sector employers, prepare accounting disclosures as at 31 March each year and these may be in accordance with the IAS19 or FRS102 standard, depending on the employer.

This note is intended for use by LGPS England & Wales and LGPS Scotland employers who require a report under either standard at 31 March 2018.

This note outlines some of the changes to the key financial assumptions that are used in preparing the IAS19 and FRS102 accounting numbers since the last reporting date as well as information on asset performance over the period.

This note complies with Technical Actuarial Standard 100: Principles for Technical Actuarial Work (TAS 100).

As 2017 was a valuation year for Scottish Funds, employers' results will be updated to incorporate the results of the valuation. If the experience over the last three years (e.g. mortality or salary increases) has been better/worse than the assumptions used at the last valuation, there will be a gain/loss on the balance sheet.

How has the accounting position changed?

As we will not know the assumptions that will be adopted for accounting disclosures until after 31 March 2018, we have utilised the latest market statistics available. The following analysis uses market statistics as at 16 January 2018. **It is very likely that market conditions at 31 March 2018 will be different.**

As LGPS Funds are usually invested in a range of asset classes, the performance of the assets may be quite different from that of the accounting liabilities (which are linked to corporate bonds, as set out below) and so the results can be very volatile from year to year.

This note discusses our recommended assumptions for the exercise, however the responsibility for setting assumptions ultimately belongs to the employer and therefore if an employer was to request alternative assumptions then we would be happy to use these in producing our report. The assumptions in this report are therefore the standards that we intend to use unless instructed otherwise. We believe that these assumptions are likely to be appropriate for most employers but we have not consulted with each employer in setting these.

The change in the balance sheet position over the year is mainly dependent on the answers to three key questions and this report is split into these three sections:

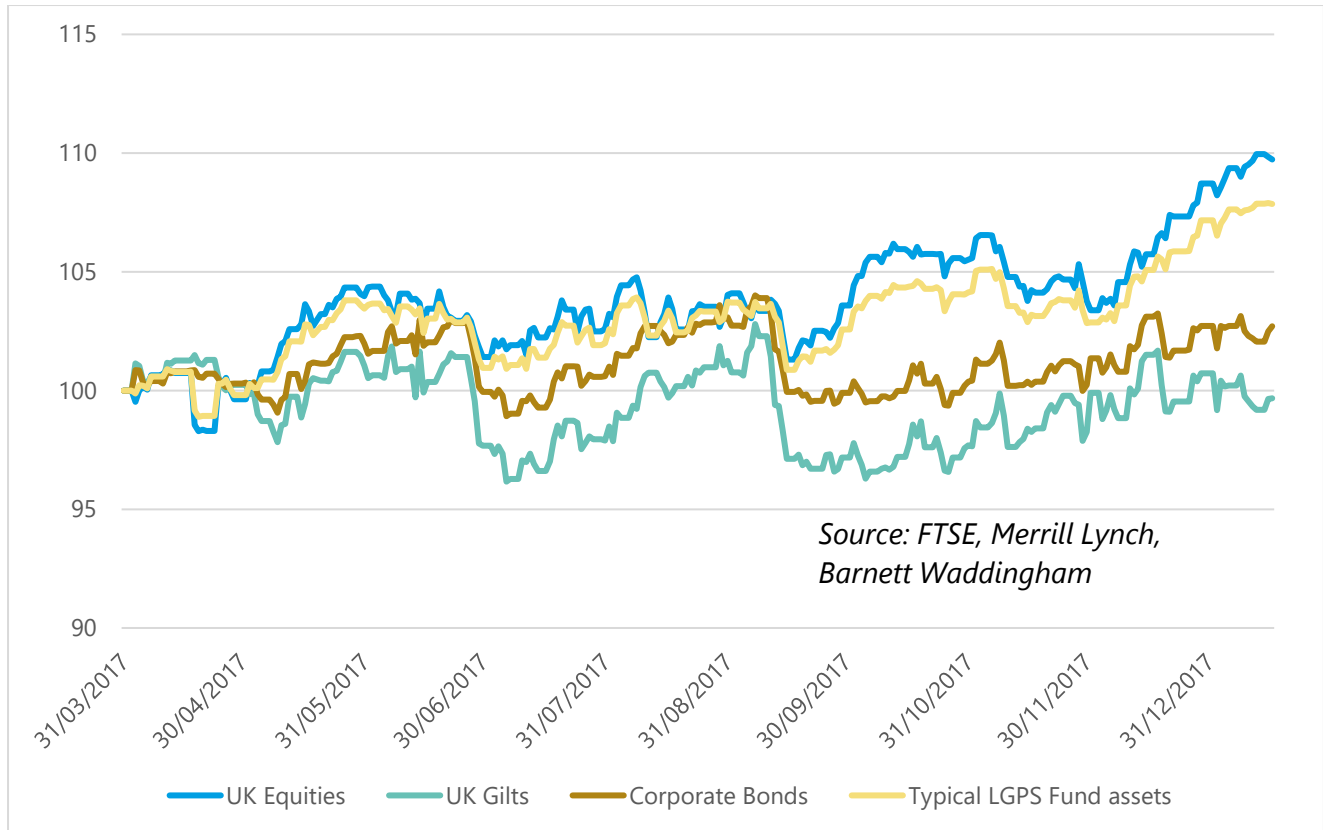
- What were asset returns for the twelve months to 31 March 2018?
- What were corporate bond yields as at 31 March 2018?
- What were market expectations of inflation as at 31 March 2018?

We appreciate that some of the terminology in this report may not be familiar and therefore we would recommend also reading our Glossary and FAQs document for a more detailed explanation on some of the jargon used here. This document has been circulated with this briefing note but please get in touch with the Fund if you would like a copy.

Please let your usual contact know if you have any queries.

Asset returns

The following chart plots returns from the major asset classes since 31 March 2017 alongside the return that would have been achieved by a Fund invested 75% in equities, 20% in corporate bonds and 5% in gilts.



Equities have returned well over the period with bond values being higher and gilts valued slightly lower at 16 January 2018 than they were at 31 March 2017.

Based on the performance to 16 January 2017 and the allocation outlined above, a typical LGPS Fund might have achieved a positive return of around 8% for the period but this could vary considerably depending on each Fund's investment strategy.

If Fund returns have been around this level, the assets will have outperformed the discount rate used last year and this will have led to an actuarial gain on the assets, improving the accounting position.

However, the overall position is also affected by the effect of market movements on the assumptions used to place a value on the defined benefit obligation. This is discussed in the next section.

Changes to accounting assumptions

The key financial assumptions required for determining the defined benefit obligation under either accounting standard are the discount rate, linked to corporate bond yields, and the rate of future inflation. These assumptions are discussed below.

Discount rate

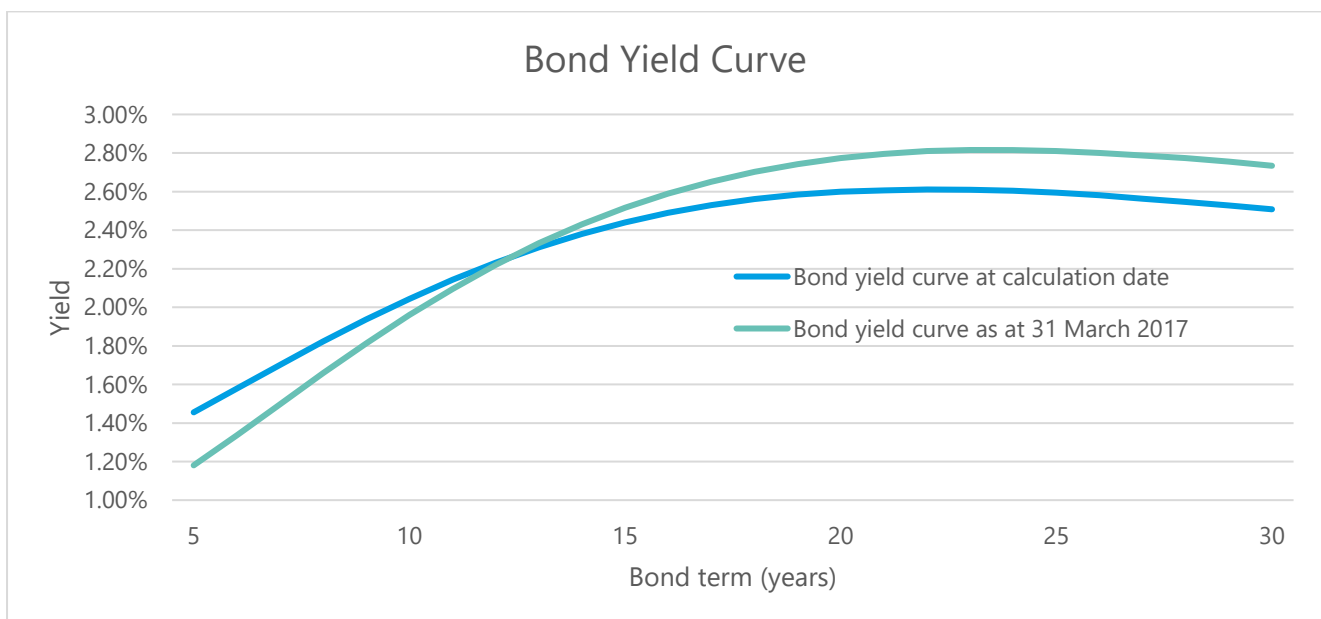
Under both the FRS102 and IAS19 standards the discount rate should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. There are several different approaches to setting an appropriate discount rate to use and we outline two of these methods below.

The spot rate approach is the method used for the previous accounting report and the SEDR (Single Equivalent Discount Rate) approach is our proposed method to be used this year. This change has taken place following an internal review of our methodology. We continue to believe that either approach satisfies the requirements of the relevant accounting standard but are aware that a number of the larger audit firms favour the SEDR approach. Whilst the different approaches may produce ever so slightly different assumptions, they do tend to produce very similar liability valuations. Accordingly we do not believe the change in methodology will produce materially different valuations.

Spot rate approach

In previous years our standard approach to deriving the assumed discount rate was to adopt a spot rate methodology, where the assumptions would be based on a point on the relevant yield curve which corresponded to the particular employer's liability duration.

The below graph shows the bond yield curve at the last accounting date along with the yield curve at 16 January 2018:



You will see that the bond yield at the calculation date is slightly higher at earlier durations and lower at later durations than the curve at the last accounting date. As a result, for employers with higher durations, under the spot rate approach the discount rate assumed would be lower at the calculation date than at 31 March 2017. All else equal this would result in a higher value being placed on the defined benefit obligation.

SEDR approach

Following consultation with a number of auditors as well as an internal review, we intend to adopt an alternative approach known as the Single Equivalent Discount Rate (SEDR) methodology in setting assumptions at 31 March 2018. In doing so we expect to reduce the number of auditor queries employers receive in relation to the assumptions adopted.

We will use sample cashflows for employers who have past service liability durations of 10, 15, 20 and 25 years and derive the single discount rate which results in the same liability value as that which would be determined using a full yield curve valuation (essentially each year's cashflows has a different discount rate). This discount rate is known as the SEDR. In carrying out this derivation we use the annualised Merrill Lynch AA rated corporate bond yield curve and assume the curve is flat beyond the 30 year point.

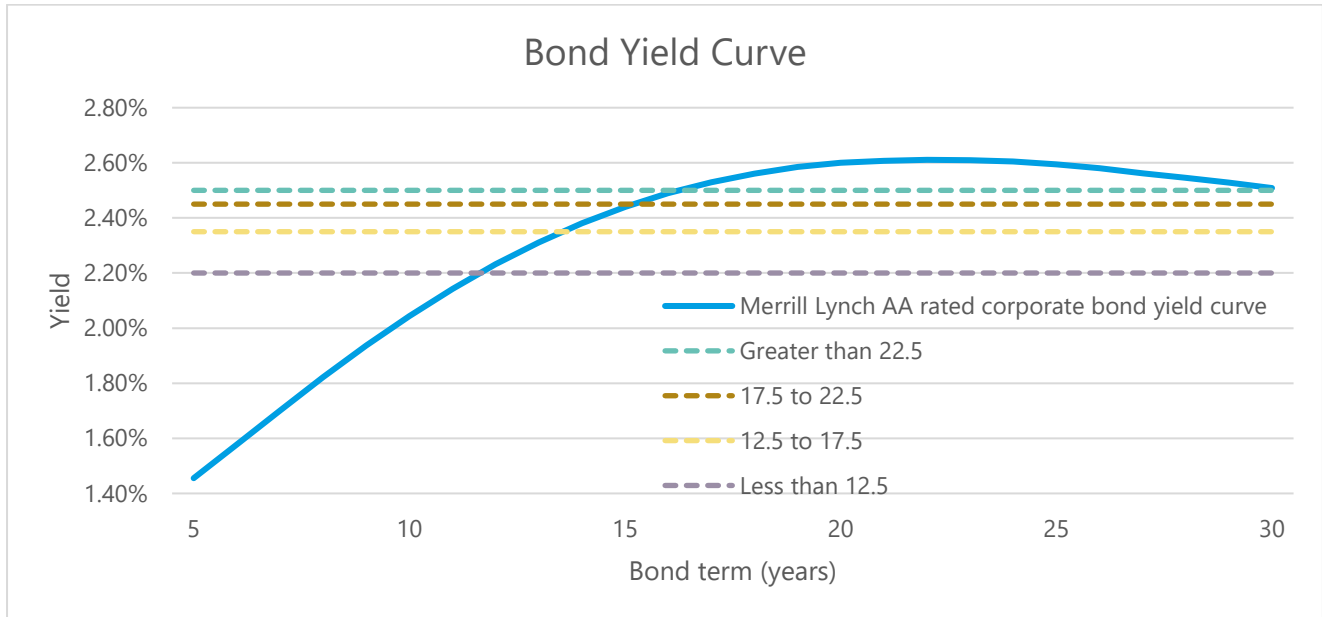
Employers will be grouped into four bandings based on their past service liability duration, calculated as part of the most recent triennial valuation or when they entered the Scheme if later. The bands are set such that the set of sample cashflows which best represent each employer's membership profile, based on their individual duration, is used to derive the assumptions for the employer. For example, an employer with an estimated liability duration of 13 years will adopt assumptions consistent with those derived using the 15 year cashflows as they fall into the 12.5 to 17.5 year range.

The SEDR derived for each of these four bandings is set out in the table below based on market conditions at 16 January 2018:

Duration (years)	16 January 2018
Less than 12.5	2.20%
12.5 to 17.5	2.35%
17.5 to 22.5	2.45%
Greater than 22.5	2.50%

Note that employers whose liability durations fall within the above bandings will share common assumptions and that assumptions are rounded to the nearest 0.05%. This differs from the approach adopted in previous years where employers' assumptions were based on the liability duration of each particular employer to the nearest year.

The discount rate assumed for each group is illustrated in the below graph:



The effect of adopting this alternative approach will vary for employers of different maturity. Due to the shape of the above bond yield curve, the discount rate derived will be lower for employers with higher liability durations than under the spot rate approach and vice versa.

The effect of the change in assumptions will also depend on the discount rate assumed in the previous year which was based on the yield on bonds at 31 March 2017. As discussed in the section above, the yield curve at later terms is lower than at the previous accounting date, further compounding the decrease in discount rate derived from the SEDR approach – resulting in a higher value being placed on liabilities. The converse is also true.

The below table sets out the range in effect of the change in discount rate assumed:

Duration (years)	Estimated effect of change in discount rate on employer's liabilities
Less than 12.5	Decrease of up to 5%
12.5 to 17.5	Between a decrease of 1% and an increase of 6%
17.5 to 22.5	Increase between 4% and 8%
Greater than 22.5	Increase between 7% and 8%

Inflation expectations

Whilst the change in corporate bond yields is an important factor affecting the valuation of the liabilities, so too is the assumed level of future inflation as this determines the rate at which benefits increase in deferral and in payment.

IAS19 suggests that in assessing future levels of long-term inflation we should use assumptions that would result in a best estimate of the ultimate cost of providing benefits whilst also giving consideration to the gilt market (in line with general price levels) to give us an indication of market expectation. FRS102 simply refers to a best estimate of the financial variables used in the liability calculation.

Retail Price Index (RPI) assumption

Our approach to deriving the assumed level of future inflation has also been reviewed. At the previous accounting date we used the market implied inflation curve published by the Bank of England (BoE) to derive our RPI assumption. For each employer we based our assumption on the point of the curve which corresponded to the duration of their liabilities.

It is appropriate to derive assumptions in a consistent manner, as such we intend to adopt a Single Equivalent Inflation Rate (SEIR) approach in deriving an appropriate RPI assumption.

Similar to the SEDR approach, the SEIR adopted is such that the single assumed rate of inflation results in the same liability value (when discounted using the yield curve valuation described above) as that resulting from applying the BoE implied inflation curve. As above, the Merrill Lynch AA rated corporate bond yield curve is assumed to be flat beyond the 30 year point and the BoE implied inflation curve is assumed to be flat beyond the 40 year point.

Consistent with the SEDR approach, assumptions are rounded to the nearest 0.05% and we intend to use sample cashflows for employers who have past service liability durations of around 10, 15, 20 and 25 years in deriving the assumptions for employers.

As with the assumed discount rate, employers will be grouped into four bandings based on their past service liability duration, calculated as part of the most recent triennial valuation or when they entered the Scheme if later. The RPI assumption derived for each of these four bandings is set out in the table below based on market conditions at 16 January 2018:

Duration (years)	16 January 2018
Less than 12.5	3.40%
12.5 to 17.5	3.45%
17.5 to 22.5	3.40%
Greater than 22.5	3.35%

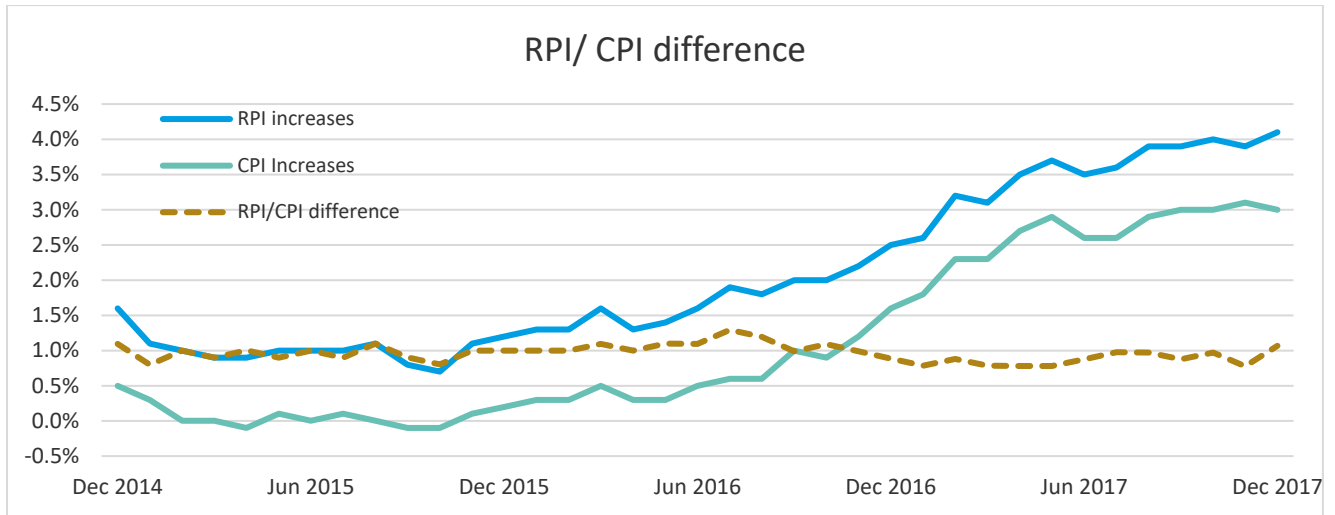
Difference between RPI and CPI

Pension increases in the LGPS are expected to be based on the Consumer Prices Index (CPI) rather than RPI. As there is limited market information on CPI-linked assets, we take the implied RPI assumption outlined above and make an adjustment.

The difference between RPI and CPI can be split between the 'formula effect' and differences between the compositions of the two indices. The formula effect results from technical differences in the way the two indices are calculated so it is reasonable to assume it will be persistent, although the calculation methods will occasionally be updated. The formula effect means that RPI increases are usually expected to be higher than CPI.

The differences in composition of the two indices will mean that RPI and CPI are different for any given period but this is not necessarily biased one way or the other. For these reasons, we base our assumption for the difference between RPI and CPI on the formula effect only.

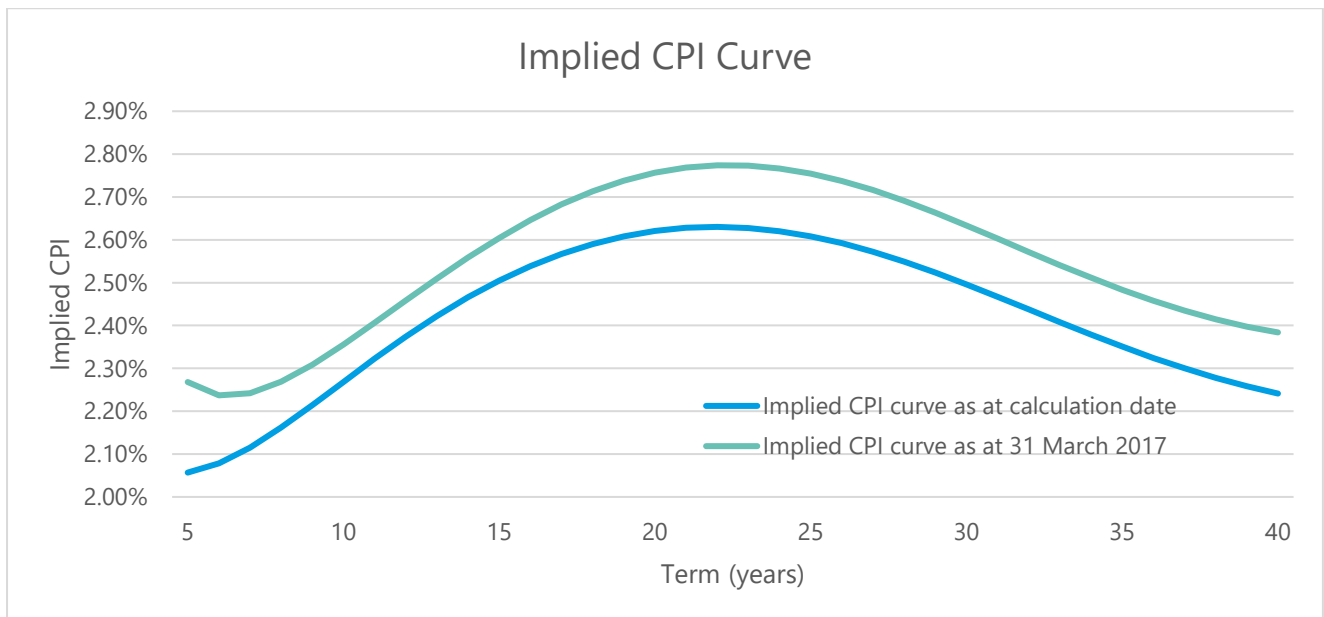
We have assumed that CPI inflation will, on average, be 1.0% lower than RPI. This is slightly higher than that assumed in the previous year where we assumed a difference of 0.9% which was the assumption used at the previous actuarial valuation. We have revised this as a result of recent trends. The below graph shows the difference in the published annual RPI and CPI increases at each month over the last three years:



The average difference between the two inflation measures over this period was 1.0% and we have therefore updated our assumptions to reflect this difference.

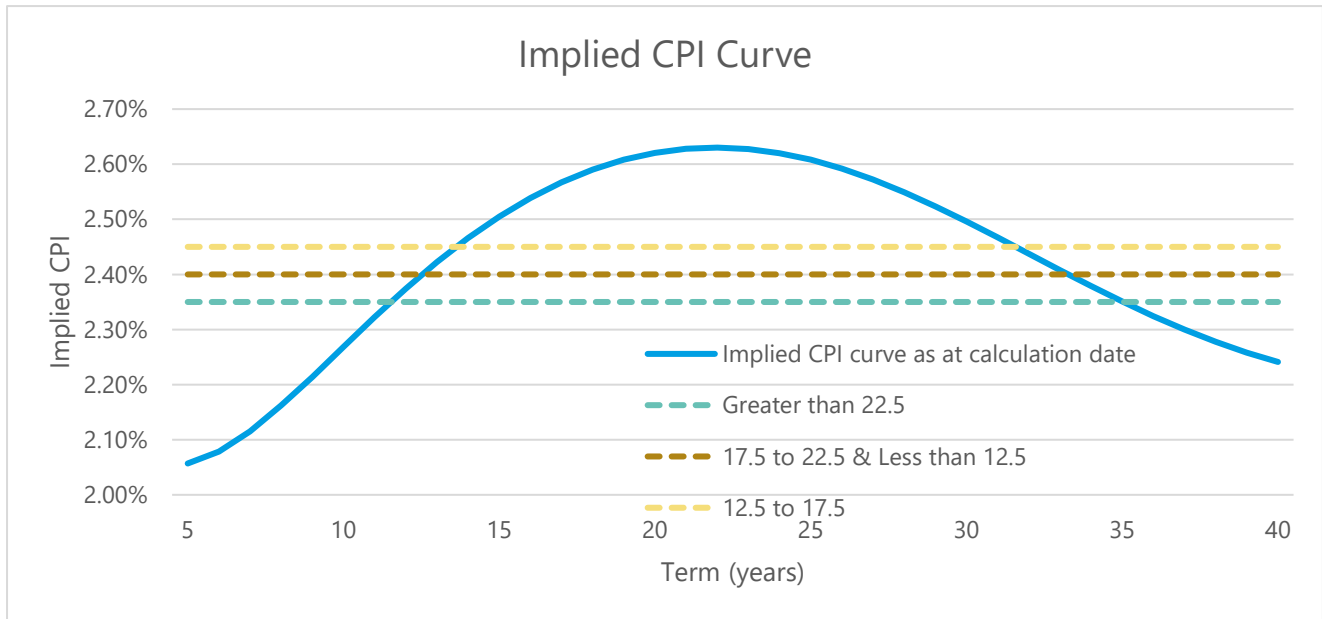
Consumer Price Index (CPI) assumption

The resulting implied CPI curve is shown below along with the implied curve at 31 March 2017 using the lower assumed RPI/CPI gap:



As shown above, the implied CPI curve at 16 January 2018 is lower than that at 31 March 2017 at all terms. As a result, if we were to adopt a spot rate approach, the assumed level of future CPI increase (pension increases) would be lower than the previous year, resulting in a decrease in the value of employers' liabilities.

As with the SEDR approach, the derived inflation assumption under the SEIR approach will be dependent on the shape of the curves. This results in those with a shorter duration having a higher assumed inflation assumption than under the spot rate method, offsetting the decreases in these employers' defined benefit obligation to an extent. Other employers will typically be assumed to have lower CPI assumptions than under the spot rate approach as greater allowance is made for the tail ends of the curves which is lower than their duration point. This is illustrated in the below graph:



The below tables set out the assumed pension increase assumptions, based on market conditions at 16 January 2018, for each of the four groupings as well as table range in effects due to the change in the inflation assumed as a result of the change over the year and the change in methodology:

Duration (years)	16 January 2018
Less than 12.5	2.40%
12.5 to 17.5	2.45%
17.5 to 22.5	2.40%
Greater than 22.5	2.35%

Duration (years)	Estimated effect of change in inflation on employer's liabilities
Less than 12.5	Between a decrease of 1% and an increase of 1%
12.5 to 17.5	Decrease between 1% and 4%
17.5 to 22.5	Decrease between 5% and 8%
Greater than 22.5	Decrease of 10%

Salary increases

Although future benefits are not linked to final salary, benefits accrued up to 31 March 2014 in England and to 31 March 2015 in Scotland will continue to be linked to the final salary of each individual member. Therefore we still need to set an appropriate long-term salary increase assumption.

For English Funds, we intend to use the salary increase assumption from the 2016 actuarial valuation. For all English Funds, this means assuming that salary increases are in line with CPI to 2020 then increases in line with CPI plus 1.5%. This is consistent with the approach adopted last year.

For Scottish Funds, we intend to use the salary increase assumption from the 2017 actuarial valuation. For all Scottish Funds, we expect to assume a single long-term salary increase assumption of CPI plus 1.0% with no short term adjustment. As the 2017 valuations have not yet been formalised, this could potentially change before the valuation reports are released. However, we do not anticipate any changes at this point.

This is the assumption that employers are most likely to request a specific assumption in line with their own expectations and we are happy to discuss this as required.

Overall expected results

What does this all mean when we bring it all together?

The first caveat is that no employer is average and so any prediction of what might apply to an average employer will not apply to every, or possibly any employer.

The effect of the changes in the financial assumptions on an employer's liabilities are dependent on the assumptions adopted as well as the specific duration of the employer's liabilities. Typically employers with greater liability durations are more sensitive to changes in financial assumptions as benefits will be paid over a longer term. The table below describes the likely range of effects for employers based on assumptions derived as at 16 January 2018:

Duration (years)	Estimated effect of change in financial assumptions rate on employer's liabilities
Less than 12.5	Decrease between 1% and 4%
12.5 to 17.5	Between a decrease of 1% and an increase of 2%
17.5 to 22.5	Decrease of 1%
Greater than 22.5	Decrease between 3% and 4%

As you can see, there is a range of estimated effects due to the change in financial assumptions. Based on market conditions at 16 January 2018, employers who receive reports at March would typically expect to see little change in the value of liabilities as a result of changes in assumptions, with some seeing small reductions.

Of course the impact on deficits will also depend on asset performance and overall funding position. Well funded employers with longer durations and reasonable returns should see their deficit reduce. Less well funded employers with average durations and where Fund returns have not been so good could see an increase in deficits.

Final comments

Please be aware that as noted earlier in this note, analysis uses market statistics as at 16 January 2018 and it is very likely that market conditions at 31 March 2018 will be different.

Additionally, due to the nature of SEDR and SEIR methodology, the assumptions derived are dependent on the sample cashflows used and as result different cashflows of similar liability durations may result in alternative assumptions. Therefore another actuary replicating the same approach set out above may derive different assumptions from those set out above. Reasonableness checks have been carried out on the cashflows used.

Finally, the results for each employer in Scottish Funds will incorporate the results of the 2017 valuation, which could have a positive or negative effect. This will vary by employer.

Appendix 1

Adjustments to fees

The Fund will communicate fees to employers however we would like to make you aware that there may be additional fees if there are particular features or events for an employer which need to be taken into account.

As examples of this:

- where an employer chooses their own assumptions;
- if there are additional calculations to be done if a surplus is revealed;
- when there are any staff transfers/movements to allow for;
- if additional disclosures are required;
- an employer asks to receive their report by a particular deadline; or
- if auditors ask a significant number of queries following receipt of the report.

Please get in touch with the Fund for further information on fees.

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FRS102/IAS19 Glossary and FAQs

The purpose of this note is to provide LGPS Fund employers and their advisers with some further explanatory details about the reports we produce in accordance with Financial Reporting Standard 102 (FRS102) and International Accounting Standard 19 (IAS19).

It is divided into a glossary of terms followed by some frequently asked questions (FAQs). Where certain terms are explained in more detail in the glossary these are highlighted in **bold**.

A topical briefing note discussing assumptions and an indication of the likely trend in results is also issued after each of the main accounting dates. In contrast, this briefing note describes the fundamentals of the accounting standards and is only expected to be updated occasionally (e.g. when the standards change). Please get in touch if you would like a copy of any of these notes.

If you have any questions please get in touch with the Fund in the first instance.

Background

Sponsors of defined benefit pension schemes are required to account for the cost of providing retirement benefits and reserve for any outstanding liabilities associated with the schemes they sponsor. They are also required to make certain disclosures about these schemes in the notes to their accounts.

FRS102 and IAS19 are accounting standards that set out the accounting treatment for retirement benefits. For UK listed companies and local authorities IAS19 applies; for other UK entities FRS102 applies. Companies with overseas parents may need to make disclosures under other standards.

A key feature of both standards is the requirement for liabilities to be valued using a discount rate assumption set with reference to yields on "high quality" corporate bonds.

It should be noted that the actual contribution rates required by employers for each Fund are calculated every three years following a triennial actuarial valuation and these are calculated using assumptions set by the Fund Actuary. The discount rate assumption in particular is generally set with reference to expected future investment returns of the Fund unlike the accounting standards which value the liabilities using solely the yields on corporate bonds.

Therefore, the contribution rates paid by employers are not affected by the accounting results.

Glossary of terms

Included in this section:

- [Actuarial gains & losses](#)
- [Administration expenses](#)
- [Contributions by employer including unfunded](#)
- [Current service cost](#)
- [Curtailment](#)
- [Defined benefit obligation](#)
- [Discount rate](#)
- [Duration](#)
- [Demographic assumptions](#)
- [Interest cost](#)
- [Interest on assets](#)
- [Net interest on defined liability](#)
- [Past service cost](#)
- [Present value of defined benefit obligations](#)
- [Re-measurements](#)
- [Service cost](#)
- [Settlement](#)
- [Term](#)
- [Unfunded benefits](#)

Actuarial gains & losses

This item reflects the extent to which the movements of the assets and liabilities over the accounting year have not been as assumed at the previous accounting date, and also the effect on the liabilities of changes to the assumptions used to value them.

The components of the actuarial gain or loss on assets are:

- the difference between the actual investment return on the assets over the year, and the interest on assets, plus
- an experience item, if applicable.

The components of the actuarial loss on liabilities are:

- the effect of the change in assumptions used to value the liabilities compared to the previous year, plus
- an experience item, if applicable.

There is a requirement to split the change of assumptions into those of a financial nature (discount rate, assumed future inflation growth etc.) and those of a demographic nature (future mortality rates etc.).

For more details on experience items, please see the ["Gains and Losses"](#) section of the FAQs.

Administration expenses

Both accounting standards require the administration expenses to be recognised when the administration services are provided and to be reported as a separate item in the Profit and Loss (P&L) statement.

Contributions by employer including unfunded

This is the total value of the contributions paid by the employer to the Fund including the normal contributions in respect of benefit accrual by active members, contributions towards any deficit and any early retirement strain contributions. If **unfunded benefits** (usually pensions in payment) are paid through the Fund and are to be included in the accounting report, then payments in respect of unfunded benefits are included here as well.

For more information on the inclusion of **unfunded benefits**, please see the [“Do I need to include unfunded benefits on my balance sheet?”](#) section of the FAQs.

Current service cost

The **current service cost** represents the cost to the employer of the benefits earned by active members during the accounting year calculated on an FRS102/IAS19 basis. This is added to the liabilities and is not the same figure as the employer contributions paid to meet these ‘new’ benefits. It is calculated using assumptions at the start of the accounting year which means that it is not a fixed percentage of payroll and it is expected to vary from year to year as assumptions change.

Under both standards this is a component of the **Service cost** in the P&L.

Curtailment

These will typically be the FRS102/IAS19 equivalent of early retirement costs. The actual strain payments to the Fund are calculated by the administering authority using a different set of assumptions and so the calculation of this amount under FRS102/IAS19 is unlikely to be the same as the strain payment cash amounts.

Under both standards the loss on these is a component of the **Service cost** in the P&L.

Discount rate

Pensions and lump sums will be paid at some point in the future and so a rate known as the **discount rate** is used in order to express these expected future payments as a single current value.

It is analogous to a rate of interest; to illustrate this, if we put £100 into a savings account today, it is expected to grow with interest every year to become a higher amount in the future. Similarly, if we are aiming to have £100 at a future date then we only need deposit a smaller amount now which will accumulate with interest to give £100 later.

A higher **discount rate** means that the future payments have a smaller value now i.e. a lower pension liability.

The accounting standards prescribe that the **discount rate** should be based on market yields at the reporting date of a ‘high-quality corporate bond’ of equivalent currency and **term** to the scheme liabilities.

The discount rate can be derived using a number of different approaches. The current Barnett Waddingham approach is to use the Single Equivalent Discount Rate (SEDR) method which replaced the spot rate approach. For more information please see the [“What is the difference between the Single Equivalent Discount Rate \(SEDR\) and Spot rate approach for deriving the discount rate?”](#) section of the FAQs.

Duration

When we talk about the **duration** of the liabilities we mean the average time to payment of benefits. This is used interchangeably with the **term** of the liabilities.

Demographic assumptions

These are the assumptions used to generally provide estimates of the likelihood of benefits and contributions being paid and for how long. This consists of all the non-financial assumptions used to value the liabilities including the mortality assumptions (i.e. how long members are likely to live for), the rates of members retiring early and the rate at which members exchange pension for cash at retirement.

Demographic assumptions are generally consistent with those adopted for the most recent triennial valuation.

Interest cost

Over the accounting year the existing pension benefits come closer to payment than they were at the start, and so the value of the liabilities increases as a year's worth of interest is added on. This forms part of the **net interest on defined liability** (in the P&L).

Interest on assets

The expected return on assets has been replaced with an interest on assets item which is calculated with reference to the **discount rate**. It is therefore based solely on the expected returns on corporate bonds. This forms part of the **net interest on defined liability** (in the P&L).

Liabilities

These are also referred to as the **defined benefit obligation**.

Net interest on defined liability

The accounting standards assume that assets increase in line with the **discount rate**. This is combined with the **interest cost** on liabilities to form the net interest on the defined liability which is a component of the P&L.

Past service cost

Additional benefits granted during the accounting year give rise to a **past service cost**, for example, an employer decision to award additional service to a retiring employee.

Under both standards this is a component of the **Service cost** in the P&L.

Present value of defined benefit obligations

This is also referred to as the past service liabilities. This is the value of the benefits accrued by all members to date, calculated using service to the accounting date and allows for several assumptions such as future increases to salaries, future mortality rates, future inflation rates etc. The key assumption used to calculate the value of these liabilities is the **discount rate**.

Re-measurements

Re-measurements are recognised in Other Comprehensive Income and is effectively the total of the **actuarial gains and losses** from the changes in the assets and liabilities over the accounting period. This will include the investment return on the assets in excess of interest, change in assumptions (financial and demographic) as well as any experience adjustments. More detail about this is in the "[Gains and Losses](#)" section of the FAQs.

Service cost

Service cost is a component of the P&L and includes **current service cost**, **past service cost** and any **actuarial gains or losses** on **settlements** and **curtailments**.

Settlement

A **settlement** will generally occur where there is a bulk transfer of members in to or out of the Fund or an employer's share of the Fund. The **settlement** loss or gain reflects the difference between transferred asset share, and the value of the transferred liabilities when calculated on an FRS102/IAS19 basis. This value may be different when compared to figures calculated for non-accounting purposes due to different assumptions being used.

Under both standards this is a component of the **Service cost** in the P&L.

Term

Please see definition of **duration** above.

Unfunded benefits

Unfunded benefits are pensions arising from additional service awarded on a discretionary basis e.g. Compensatory Added Years (CAY) pensions. Such benefits are usually charged to the employer as they are paid. Other **unfunded benefits** include gratuities and enhanced teacher's pensions which are recharged to the employer, and pensions in respect of some other public sector pension schemes.

This is in contrast to funded pensions, which are paid for out of the assets of the Fund, and which the employer has responsibility for funding by paying contributions to the Fund.

Frequently asked questions (FAQs)

Included in this section:

- [How are my assets calculated?](#)
- [What is the Defined Benefit Obligation and how is this calculated?](#)
- [Do I need to include unfunded benefits on my balance sheet?](#)
- [What is the difference between assumptions for an ongoing funding valuation and an accounting valuation?](#)
- [What is the difference between the Single Equivalent Discount Rate \(SEDR\) and Spot rate approach for deriving the discount rate?](#)
- [Why is the inflation assumption different to current inflation levels?](#)
- [How much scope is there for 'tweaking' the assumptions?](#)
- [Why is the current service cost different from the contributions paid?](#)
- [What if the reported contributions paid are different to the actual contributions paid?](#)
- [What is an experience gain or loss?](#)
- [What does actual less expected return on Fund assets mean?](#)
- [Why is there an experience gain or loss on the assets?](#)
- [Why is there an experience gain or loss on the liabilities?](#)
- [What is the change in assumptions?](#)

Balance sheet

How are my assets calculated?

The assets shown are an estimate of the employer's notional share of the total Fund assets at the accounting date. A full assessment of each employer's asset share is made at each triennial valuation. For interim FRS102/IAS19 reporting the approach is to take the asset share at the start of the accounting year and roll this forward to allow for the employer's own cashflows to and from the Fund during the year and actual (or estimated) Fund returns.

Thus, the employer's asset share is not a fixed percentage of the Fund and is expected to vary over time.

The assets will change from year to year: increasing with contributions paid into the Fund and investment returns earned; and decreasing as benefits (such as lump sums and pensions) are paid out of the Fund.

What is the Defined Benefit Obligation and how is this calculated?

The Defined Benefit Obligation is the accounting label for what is usually known as the value of the pension liabilities of the employer. The pension liabilities are the promised benefit payments (e.g. pensions, lump sums) due in the future from the Fund to its members. The Defined Benefit Obligation is the value of these liabilities calculated using a set of assumptions on an FRS102/IAS19 basis, which includes how these payments will increase over time both before and after retirement, how long they will be paid out for (i.e. how long each member is likely to live for) and the **discount rate** to apply to them to give a current value.

The Defined Benefit Obligation depends on the amount of the benefits so will increase as benefits are accrued and reduce as benefits are paid out. The value will also increase or decrease as the assumptions used to calculate their value change. For example, if the **discount rate** assumption decreases, the Defined Benefit Obligation will increase. Therefore, even if your assets have performed well, if the Defined Benefit Obligation increases at a rate faster than the assets increase, then the deficit on the balance sheet will increase.

Do I need to include unfunded benefits on my balance sheet?

Unfunded benefits may be paid through the Fund and recharged to the employer.

FRS102 and IAS19 both state that all retirement benefits should be accounted for when the member earns the benefit and not when it is paid by an employer. Therefore when a member retired and was awarded **unfunded benefits** the value of all future payments should have been taken into account at the point of retirement. This value would generally be expected to reduce over time as the benefits are paid out.

We can only value unfunded benefits that we are aware of and usually these will be those that are paid via the Fund.

Assumptions

What is the difference between assumptions for an ongoing funding valuation and an accounting valuation?

Contributions payable by employers are derived using the assumptions from the ongoing funding valuation and this is essentially the purpose of the ongoing valuation. An accounting valuation is prepared to meet statutory disclosure requirements and is included in the employer's annual accounts. Therefore, the purposes are different.

The results from the two valuation types can be significantly different due to the different assumptions used.

The assumptions adopted for an ongoing funding valuation are set by the Fund Actuary following discussion with the administering authority and in line with the LGPS Regulations. Broadly, they are set with reference to the long-term expected cost of providing LGPS benefits and take into account the investment strategy of the Fund and the expected return on each asset class that the Fund invests in.

In contrast, FRS102 and IAS19 are fairly prescriptive accounting standards which aim to allow employers' pension obligations to be compared with each other.

Generally, the demographic assumptions used for both valuations are the same and determined every three years as part of the ongoing triennial valuation. The main area where funding valuations for our Funds and accounting valuations differ is in the derivation of the **discount rate**.

For ongoing valuations, the **discount rate** adopted is based on the expected investment return of the assets actually held by the Fund. For FRS102/IAS19, the **discount rate** is required to be determined with reference to the market yield on 'high quality' corporate bonds and with consideration of the **duration** of the employer's liabilities. Generally, corporate bond yields will be lower than the return assumed for an ongoing valuation as the Fund is likely to invest in a mixture of assets include higher return seeking assets such as equities and property. Therefore we would expect that employers' costs and liabilities under FRS102/IAS19 to be higher than those calculated in an ongoing funding valuation if the **discount rate** used is lower.

However, it is important to note that the accounting position has no bearing on the amounts that the employers actually pay into the Fund, this being determined with reference to the ongoing funding position with contributions being reviewed every three years as part of the triennial valuation.

What is the difference between the single equivalent discount rate (SEDR) and spot rate approach for deriving the discount rate?

The spot rate is derived by looking at each employer's projected cashflows and determining the **duration** of these cashflows – broadly speaking the number of years until the average benefit payment is made. The duration is typically 15-20 years. We then take the annualised Merrill Lynch AA rated corporate bond yield curve and look up the yield at that **duration** on the curve.

The single equivalent discount rate or SEDR approach has been developed over the last few years. Under this approach, rather than discount future cashflows with a single **discount rate** equal to the spot rate on the yield curve, this approach estimates the single equivalent rate that would produce the same liability as discounting each individual projected cashflow using a yield curve for AA rated bonds. So we use the 1 year yield to discount cashflows in year 1, the 2 year yield for cashflows in year 2 and so on and then see what liability value is then generated and then work out what single equivalent discount rate gives you the same answer.

Depending on the shape of the yield curve, what curve you use in the first place, the bonds underlying that curve and how you fit the curve to the data points, you are unlikely to get the same discount rate under each approach although the difference should not usually be that significant.

In our view either of these approaches satisfy the requirement of paragraph 85 of IAS19 as indeed would some other alternatives. Given the nature of the wording in IAS19, and as with most assumption setting processes, there is no singularly "correct" approach.

We have taken a similar approach to the derivation of the inflation assumption which we refer to as the single equivalent inflation rate (SEIR). For more information please see ["Why is the inflation assumption different to current inflation levels?"](#)

Why is the inflation assumption different to current inflation levels?

The current level of inflation that is widely reported each month is a measure of how prices have increased in the recent past, usually over the last year. However, in order to project cashflows to and from the Fund over the future lifetime of the Fund, we are interested in what inflation will do in the future and therefore we have to make an assumption about expected future levels of inflation over the long term. We do this by using information published by the Bank of England.

Similar to the SEDR approach, the SEIR adopted is such that the single assumed rate of inflation results in the same liability value (when discounted using the yield curve valuation described above) as that resulting from applying the BoE implied inflation curve.

How much scope is there for 'tweaking' the assumptions?

One of the objectives of FRS102 and IAS19 is to ensure that organisations all account for pension costs on a consistent market-related basis so there is not intended to be a huge amount of scope to deviate away from

typical market assumptions. We do provide a recommended set of assumptions but the employer is ultimately responsible for the assumptions that are adopted.

One key area in which the employer can exercise more control is the assumption about future levels of pay increases and they will have more knowledge of likely future pay awards for their staff.

Pension costs

Why is the current service cost different from the contributions paid?

Contributions are required from the employer to meet the cost of the benefits being earned by current employees, and to pay off any past service deficit. Minimum contributions are certified when a new employer joins the Fund and then again at each triennial valuation. These certified contributions are calculated using assumptions made at each valuation and reflect, amongst other things, the return assumed to be earned by the assets actually held by the Fund.

The **current service cost** in FRS102/IAS19 only includes the employer cost of benefits being earned by current employees and does not include the cost of paying off any past service deficit. The assumptions used for FRS102/IAS19 are usually different to those used for the triennial valuation. In particular, the **discount rate** is prescribed by FRS102/IAS19 and is unlikely to reflect the Fund's actual asset allocation. This means the **current service cost** calculated for FRS102/IAS19 is likely to be different to the cost covered by the certified minimum contributions.

What if the reported contributions paid are different to the actual contributions paid?

The discrepancy may be because cashflows for less than the full twelve months were provided in order to enable us to produce figures in the timescales required. We can revise the disclosure to take account of the actual contributions paid but we recommend that you agree with your auditor that this is necessary on the grounds of materiality.

Gains and losses

What is an experience gain or loss?

The first accounting report prepared following a triennial valuation includes an experience item. Accounting reports are prepared each year using a number of estimates and approximations in the roll-forward process on both the assets and the liabilities. This experience adjustment is essentially a correction of the estimates made in the previous accounting reports leading up to the triennial valuation.

What does actual less expected return on Fund assets mean?

The "expected" return on the Fund assets for a year is simply based on the **discount rate** assumption at the start of the year. If actual Fund returns have been higher than the **discount rate** assumption this figure will be positive but if they were lower this will be negative.

Why is there an experience gain or loss on the assets?

To determine the employer asset share for an accounting report we are provided with various pieces of financial information, including contributions received, benefits paid and a recent total Fund value. These cashflows may only be for part of the accounting year, and the total Fund value may be at a date earlier than the accounting date. This total Fund value will not be a fully audited number and is unlikely to be exactly accurate. We pro rata the cashflows if necessary to get full year numbers, and roll forward the assets with market returns to get an estimate of the asset value as at the accounting date.

However, at a triennial valuation we do get full cashflow data for each year and actual audited Fund asset values. We then determine each employer's asset share accurately at the triennial valuation date and the experience item emerges as the difference between the three years' worth of estimated rolled-forward assets and the accurate figure. At the triennial valuation we may also adjust employer assets if necessary to take into account any transfers or outsourcings that may not have been resolved in time to be included in the relevant accounting years.

Why is there an experience gain or loss on the liabilities?

To determine the value of the employer liabilities for an accounting report we roll forward the results from the most recent funding valuation, using the financial and demographic assumptions set for accounting purposes.

Therefore, after each triennial valuation we recalculate the accounting liabilities using up to date membership data and results. An experience item emerges as the difference between the actual experience of the members of the Fund, and the experience that had been assumed for them in the previous accounting reports. For example, if members died earlier than assumed this will result in an **actuarial gain** as the liabilities will be lower than estimated in the roll forward, or if members received higher than assumed salary increases then there will be an **actuarial loss** as the liabilities will be higher than estimated.

What is the change in assumptions?

This shows the impact on the value of the liabilities of any changes in the financial and **demographic assumptions** since the previous accounting date. The financial assumptions are updated every year to allow for changes in market conditions. **Demographic assumptions** are generally updated once every three years following the triennial actuarial valuations of the Fund although some changes may be allowed for annually if it is considered material or if requested.

Agenda Item 7



Report To:	AUDIT COMMITTEE	Date:	19th MARCH, 2018
Heading:	ACCOUNTING POLICIES 2017-18 AND OTHER STATEMENT OF ACCOUNTS MATTERS		
Portfolio Holder:	N/A		
Ward/s:	N/A		
Key Decision:	No		
Subject to Call-In:	No		

Purpose of Report

This report requests approval by the Audit Committee of the accounting policies that the Council proposes to adopt for the current financial year in the preparation of the Statement of Accounts 2017/18.

The report also outlines the impact of changes to the Code of Practice on Local Government Accounting on the production of the 2017/18 Statement of Accounts process.

Recommendation(s)

- 1) Audit Committee approve the Accounting Policies detailed at Appendix A to this report.
- 2) Members are requested to note that any proposed amendments or changes to these policies and associated relevant financial implications will be reported back to this Committee.

Reasons for Recommendation(s)

To comply with statutory and constitutional requirements.

Alternative Options Considered

(with reasons why not adopted)

The Council is required to have appropriate Accounting Policies within its Statement of Accounts. Officers have developed what they consider to be an appropriate set of policies based upon those

adopted in previous financial years. The preparation and consideration of this report is part of a process intended to ensure that alternative options are given appropriate consideration

Detailed Information

Introduction

- 1.1 The Accounting Policies adopted by the Council determine the accounting treatment that is applied to transactions during the financial year and in the preparation of the Statement of Accounts at the year end. They determine the specific principles, bases, conventions, rules and practices that will be applied by the Council in preparing and presenting its financial statements. The accounting policies are published within the Statement of Accounts in accordance with the Code of Practice on Local Government Accounting and incorporate the requirements of International Financial Reporting Standards (IFRS).
- 1.2 The approval of the Accounting Policies to be applied by the Council demonstrates that due consideration has been given to the policies to adopt and apply and that those charged with corporate governance are fully informed prior to the commencement of the Statement of Accounts preparation.

Accounting Policies

- 1.3 Officers have assessed the Accounting Policies that are considered necessary to explain clearly and underpin the accounting treatment of transactions within the Council's Statement of Accounts for 2017/18.

In undertaking this assessment a review of all accounting policies previously agreed has been undertaken to check their relevance, clarity, legislative compliance and that they are in accordance with the latest version of the code of practice and IFRS requirements. Only minor changes are being proposed for 2017/18 except for the note regarding Investment Properties (Note 14). Previously the Council had no investment properties however the position has changed due to acquisitions during 2017/18.

All changes have been highlighted in ***bold italics***.

- 1.4 The Chartered Institute of Public Finance and Accountancy (CIPFA) recently issued Financial Statement Bulletin 01 relating to 2017/18. At this stage, no material changes in accounting practice are considered necessary but this will continually kept under review during the production of the statements.

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:

The agreement of appropriate Accounting Policies is part of the process of ensuring that the Council satisfies its legal obligation to prepare a Statement of Accounts. The report also demonstrates how compliance with the Accounts and Audit Regulations is to be achieved

Finance:

This report is effective for the Statement of Accounts 2017-18:

Budget Area	Implication
General Fund – Revenue Budget	There are no direct financial implications. The report outlines the policies to be adopted for production of timely and accurate accounts and demonstrates consideration of other legal and accounting issues attributable to their production.
General Fund – Capital Programme	None
Housing Revenue Account – Revenue Budget	None
Housing Revenue Account – Capital Programme	None

Risk:

Risk	Mitigation
New guidance is issued or upon application a further change in accounting policy is needed.	This has been minimised based on the work undertaken but if any changes are required these will be reflected within the statements and reported to the next Audit Committee.

Human Resources:

There are no HR issues relevant to this report.

Equalities:

There are no Equality or Diversity issues relevant to this report.

Other Implications:

None

Reason(s) for Urgency

None

Reason(s) for Exemption

None

Background Papers

Appendix A attached. Statement of Accounting Policies

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APPENDIX A

Statement of Accounting Policies

1. General Principles

The Statement of Accounts summarises the Council's transactions for the financial year 2017/18 and its position at the year-end 31st March 2018. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015. These Regulations require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise of the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 and the Service Reporting Code of Practice 2017/18 supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

2. Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council;
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council;
- Supplies are recorded as expenditure when they are consumed; where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet;
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made;
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

3. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than one working day.

Cash Equivalents are short term investments that are of a highly liquid nature. The Council has deemed that deposits held within call accounts are categorised as Cash Equivalents unless they are held as part of the Council's investment strategy in which case they are treated as short term investments.

In the cash flow statement, cash and cash equivalents are shown net of any bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

4. Exceptional Items

When items of income and expenditure are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

5. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e., in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

6. Charges to Revenue for Non-Current Assets

Service revenue accounts, support services and trading accounts are charged with the following amounts to record the real cost of holding non-current assets during the year:

- Depreciation attributable to the assets used by the relevant service.
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserves against which the losses can be written off.
- Amortisation of intangible assets attributable to the service.

The Council is not required to raise Council Tax to cover depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. Depreciation, revaluation, impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

7. Employee Benefits

a. Benefits payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and accumulated flexi time for current employees and are recognised as an expense for the services in the year in which the employees render service to the Council. An accrual is made for the cost of holiday entitlements etc. earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

b. Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service segment or, where applicable, to a corporate service segment at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

c. Post-Employment Benefits

Most employees of the Council contribute to the Nottinghamshire Pension Fund, the Local Government Pension Scheme administered by Nottinghamshire County Council. The scheme provides defined benefits (retirement lump sums and pensions) earned as employees work for the Council.

The Nottinghamshire Pension Fund is accounted for as a defined benefit scheme:

- The liabilities of the Scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method, i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions including mortality rates, employee turnover rates and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices using a discount rate based on an appropriate rate of return on high quality corporate bonds.
- The assets of the Fund attributable to the Council are included in the Balance Sheet at their fair value.
 - a) Quoted securities – current bid price
 - b) Unquoted securities – professional estimate
 - c) Unitised securities – current bid price
 - d) Property – market value

The change in the net pension liability is analysed into the following components:

- Service Cost comprising
 - a) Current Service Cost - the increase in liabilities as result of years of service earned this year - allocated in the Comprehensive Income and Expenditure Account to the services for which the employees worked
 - b) Past Service cost - the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service

earned in earlier years - debited to the Surplus or Deficit on Provision of Services in the Comprehensive Income and Expenditure Statement.

- c) Net interest on the net defined liability (asset), i.e. the net interest expense for the Council - the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
- d) Remeasurement comprising:
 - the return on plan assets – excluding amounts included in net interest on the defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
 - actuarial gains and losses - changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure .
- e) Contributions paid to the Fund - Cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards.

In the Movement in Reserves Statement this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable to the fund but unpaid at the year-end.

The negative balance that arises on the Pensions reserve thereby measures the beneficial impact on the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

- **Discretionary Benefits**

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the

year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

8. Events after the Reporting Period

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified;

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events,
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts. For the purposes of consideration, Post Balance Sheet events can occur up to approval of the Statements by the Audit Committee.

9. Financial Instruments

a. Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective interest rate of interest for each instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally borrowed

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Borrowing

Borrowing is classed as either a long-term liability, if it is repayable after 12 months or longer, or a current liability, if it is repayable within 12 months.

Borrowing is shown in the Balance Sheet at amortised cost, using the effective interest rate that applies to the individual loans that comprise the total borrowing held by the Council, plus where appropriate, the amount of external interest accrued on loans where an effective interest calculation has not been made. This applies generally to outstanding PWLB loans, where the rate of interest on the loan does not vary over the life of the loan. Generally, the interest that is charged to the Comprehensive Income and Expenditure Statement financing section is the amount due in the year under the loan agreement, except where this is adjusted under effective interest rate calculations to meet the requirements of the 2015/16 Code.

Gains and Losses on Debt Re-structuring

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Authority has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

b. Financial Assets

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost.

Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the

Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Investments are classed as either long-term assets, if repayable after 12 months or longer, or current assets, if repayable within 12 months. Investments are shown in the Balance Sheet at amortised cost, using the effective interest rate that applies to the individual loans that comprise the total borrowing held by the Council. The amount shown in the Balance Sheet represents the outstanding principal due to be repaid to the Council and the interest that is credited to the Comprehensive Income and Expenditure Statement is the amount receivable in the year under the loan agreement.

10. Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- the Council will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Non-specific Grants

These are general grants allocated by central government directly to local authorities as additional revenue funding. They are non-ring fenced and are credited to Taxation and Non-Specific Grant Income in the Comprehensive

Income and Expenditure Statement. Examples include New Homes Bonus and Council Tax Freeze Grant.

11. Intangible Assets

Expenditure on assets that do not have a physical substance but are identifiable and controlled by the Council are capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

During 2017/18 no assets met the 'Intangible Assets' definition.

12. Interests in Companies and Other Entities

The Council has material interests in companies and other entities that have the nature of subsidiaries, associates and jointly controlled entities and require it to prepare group accounts. In the Council's own single-entity accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses.

(a) Joint Crematorium Committee

The Council is a constituent member of a joint crematorium committee with neighbouring authorities of Mansfield and Newark and Sherwood District Councils. Current activities are split between all the councils based on the number of residents of each district area cremated. The balance sheet is apportioned based on an average of the last 5 years' cremations from each area. The Council's share of running costs and income has been included in the Comprehensive Income and Expenditure Statement and the share of assets included within the Balance Sheet using these apportionments. Due to the nature of the relationship of the Council within the committee Group Accounts are not required for this entity. Information on the Council's share of the income and expenditure and associated assets and liabilities is shown in note 38 to the Core Financial Statements.

(b) Ashfield Homes Limited

- The Council had a 100% interest in Ashfield Homes Limited through the issues of a single £1 share. The Company was formed on 26th September 2001 to carry out the housing management function on behalf of the Council with effect from 1st April 2002. On the 1st October 2016, the Council brought the housing function back in-house.

The approvals to wind up the company using the voluntary liquidation route are all in place. The winding up cannot proceed until all

outstanding claims against AHL have been dealt with. A single claim against AHL remains outstanding. The claim is being defended by AHL's insurer's solicitors. The Council continues to contact the insurer's to be kept up to date in relation to the claim. The company is currently in a dormant status with no financial transactions taken place in 2017/18.

13. Inventories and Long Term Contracts

Inventories are included on the balance sheet at the lower of cost and net realisable value. In determining the cost of raw materials, consumables and goods purchased for resale, the weighted average purchase price is used. For work in progress and finished goods, cost is taken as production cost, which includes an appropriate proportion of attributable overheads.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

14. Investment Properties

The Council does hold properties for investment purposes.

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

15. Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant and equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and building elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

a. Operating Leases

The Council as Lessee

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from the use of the leased property plant or equipment. Charges are made on a straight line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease)

The Council as Lessor

The Council does act in the capacity as lessor for the leases of land and properties it owns. Rents due under operating leases are accounted for on a straight line basis as they become due. Land and property leased under operating leases are held as non-current assets within the Balance Sheet and valued in accordance with appropriate valuation practices.

b. Finance Leases

The Council as Lessee

Plant and Equipment held under finance leases are recognised on the Balance Sheet at the lower of the fair value of the asset at the lease inception and the present value of the minimum lease payments. The value of the asset is matched by a liability to pay the finance lessor.

Lease payments are apportioned between a capital repayment to write down the finance lease liability, and a financing charge.

Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to the depreciation charge

being applied over the lease term.

The Council is not required to raise Council tax to cover depreciation on leased assets. Rather, a prudent annual contribution is made from the revenue fund toward the cost of the capital investment. Adjusting transfers are made to the Capital Adjustment Account within the Movement in Reserves statement to reflect the difference between the two charges.

The Council as Lessor

The Council does not have any finance leases where it acts as lessor.

16. Overheads and Support Services

The costs of overheads and support services are charged to service segments in accordance with the authority's arrangements for accountability and financial performance.

17. Property, Plant and Equipment

Assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis are classed as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not extend the previously assessed standard of performance of an asset (e.g. repairs and maintenance) is charged to revenue as it is incurred.

Property, Plant and Equipment may also include assets held under finance leases, which have been capitalised and included in the Balance Sheet at a value reflecting the fair value of the asset.

A de-minimis asset value of £10,000 has been set and expenditure on new assets of less than this amount is charged to the service revenue account as a proxy for depreciation, unless the expenditure forms part of a larger scheme.

Measurement

Assets are initially measured at cost, which comprises all expenditure that is directly attributable to bringing an asset into working condition for its intended

use. The Council does not capitalise borrowing costs incurred whilst assets are under construction

Assets are then carried in the Balance Sheet using the following measurement bases:

Asset Category	Basis of Valuation
Property, Plant and Equipment	Fair value determined in the existing use of the asset
Dwellings	Fair value in the existing use value for social housing
Infrastructure, community assets and assets under construction	Depreciated historic cost once the asset becomes operational

Where there is no market based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost is used as an estimate for fair value. Where assets have a short useful life then depreciated historical cost is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are re-valued where there have been material changes in their value, but as a minimum every 5 years. The Council's housing stock is re-valued annually by applying an appropriate housing price index to a series of beacon values at the start of the financial year.

Increases in valuations are matched by a credit to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Income and Expenditure Statement where they arise from the reversal of an impairment loss previously charged to a service revenue account.

Where decreases in value are identified they are accounted for by a debit to the Revaluation Reserve to the extent that an accumulated gain has been recorded against that asset; where there is no balance or an insufficient balance on the revaluation reserve for that asset the write down of the asset value is charged against the relevant service within the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1st April 2007 only, the date of its formal implementation. Revaluations are recorded by individual asset. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed at each year end as to whether there is any indication that an asset may be impaired. Where there is an indication that there is a material impairment in the value of an asset when compared to the carrying value an impairment loss is recognised. The impairment loss is written down to the revaluation reserve to the extent that any balance for that asset is held within the

revaluation reserve. Where there is no balance or an insufficient balance then the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

Disposals and Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than continued service use then it is reclassified as an asset held for sale. The asset is re-valued immediately before classification and then carried at the lower of this amount or fair value less costs of disposal. Where there is a subsequent decrease in the valuation determined on classification to Asset held for sale then a loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in the fair value of assets held for sale are only recognised to the extent that they reverse a previous loss recognised within the Comprehensive Income and Expenditure Statement. Depreciation is not charged on Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying value of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals are credited to the same line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains relating to the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Capital Receipt Reserve within the Movement in Reserves Statement.

The written-off value of disposals is not a charge against Council Tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance within the Movement in Reserves Statement.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment over a period of their estimated useful lives; freehold land is determined to have an infinite economic life and is not depreciated, assets under construction are not depreciated until they become operational in providing services. Depreciation is calculated using the straight line method. Assets are depreciated over the estimated economic life of the asset which has been assessed as being the following periods:

Council dwellings	40 years
Other HRA assets	10 - 80 years
Other Buildings	10 - 80 years
Vehicles, plant and equipment	3 - 10 years
Infrastructure	10 - 40 years
Community Assets	20 years

Revaluation gains are also depreciated. The difference between the depreciation on the current value and that which would have been charged on the historic value is transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Componentisation

The Council allocates the costs of an individual asset to its various components to calculate depreciation charges where the value of the asset exceeds £500K and more than one individual component exceeds 20% of the asset value. The impact on depreciation charges for assets below the threshold is not considered material. The componentisation is based on the following elements of the asset:-

- Boilers, heating and plant systems
- Lifts
- Roofs
- Windows and doors

In terms of Council Dwellings, these assets are collectively valued in excess of £500K. However, when comparing the value of depreciation charged on a component basis compared to the current 40 year life straight-line methodology, the difference is not considered material. Council Dwellings are therefore not currently subject to componentisation but the policy is to be reviewed on an annual basis.

18. Heritage Assets

The Council's Heritage Assets held are Historical Monuments, Statues and Artwork. Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment. However no depreciation is charged on Heritage Assets as they are deemed to have an indeterminate life and have a high residual value.

Historical Monuments

The Council has seven Cenotaphs that are located at various outside locations throughout the Council. These monuments are reported in the Balance Sheet on an average replacement cost basis which has been agreed following discussions with our internal valuer.

Statues and Artwork Collection

The collection includes Statues, Sculptures and Mosaics situated within the local town and village streets throughout the Council. The collection depicts the Council's mining and engineering history to ensure the knowledge, culture and understanding of our heritage is preserved for future generations. An artwork example would be The Flight of Fancy sculpture that represents the Rolls Royce Flying Bedstead thrust measuring machine that was developed to research the use of direct lift. These items are reported in the Balance Sheet on an historic cost basis or on an insurance valuation basis and were mainly purchased from grant funding.

Non Balance Sheet Items

The Council also holds a collection of items which are not recognised on the Balance Sheet as cost information is not readily available and the Council believes that the benefits of obtaining the valuation for these items would not justify the cost. These items are believed to have a value of £10k or less. The majority of the collection is street mosaics, murals and sculptures purchased through grant funding or produced by the public art events. The Council has also received a number of donations including a Knitting machine and a Stocking machine dating back to the 18th and 19th century, both of which are believed to be fore runners to the Spinning Jenny. It is difficult to obtain a valuation on these two items as there is no comparable item that provides a market value. Most assets are located on public streets, in parks or on display within public council buildings. A few items are stored securely in the Council's Council Offices and not currently available for public viewing however ways of making these items more accessible are being developed.

Heritage Assets – General

Heritage Assets are reviewed by the Council for impairments such as where an item has suffered physical deterioration or breakage. Any impairment is measured and recognised within the Revaluation Reserve. The Council works closely with the Ashfield War Memorial Committee to preserve and maintain the local historical monuments. All other Heritage Assets are reviewed and maintained as required. Disposal proceeds are disclosed separately in the notes to the financial statements and accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts.

19. Provisions, Contingent Liabilities and Contingent Assets

a. Provisions

Provisions are made where an event has taken place that gives the Council an obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain. For instance, the Council may

be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year; where it becomes more likely than not that a transfer of economic benefits will not be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service revenue account.

Where some or all of the payment required to settle a provision is expected to be met by another party (e.g. from an insurance claim), this is only recognised as income in the relevant service revenue account if it is virtually certain that reimbursement will be received if the obligation is settled.

b. Contingent Liabilities

A Contingent Liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent Liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent Liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

c. Contingent Assets

A Contingent Asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent Assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

20. Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate revenue account in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve

is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against Council Tax for the expenditure.

The level of reserves and balances is reviewed annually to ensure they are appropriate. The General Fund Balance, Earmarked Reserve and Reserves arising from Capital Receipts together with Capital Grants Unapplied are deemed to be usable reserves in that they may be used to fund future expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments retirement benefits and employee benefits, these are termed unusable reserves and are not available to be used to fund future expenditure.

21. Revenue Expenditure Funded from Capital under Statute (REFCUS)

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of non-current assets has been charged as expenditure to the relevant service in the Comprehensive Statement of Income and Expenditure in the year. Where the Council has decided to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account reverses out the amounts so that there is no impact on the level of council tax.

22. Value Added Tax

Value Added Tax (VAT) is excluded from all income and expenditure received and paid by the Council except where it is classed as irrecoverable by HM Revenue and Customs.

23. The Collection Fund

i) Council Tax

The Council includes its share of the accrued Council Tax due for the year within its Comprehensive Income and Expenditure Statement. The difference between this sum and the local precept for Council and parish activities is reversed through the General Fund Balance to ensure only the level of Council Tax required to pay for Council activities is credited to the General Fund in the year. The balance is taken to the Collection Fund Adjustment Account, within the Balance Sheet.

Amounts collected on behalf of the other preceptors of Nottinghamshire County Council, Nottinghamshire Police Authority and Nottinghamshire Fire Authority are treated as either debtors or creditors depending upon the respective share of the Collection Fund attributable to these bodies at 31st March.

ii) Business Rates

The Council includes its share of accrued Business Rates due for the year within its Comprehensive Income and Expenditure Statement. The difference between this sum and the forecast amount due to the Council is reversed through the General Fund Balance to ensure only the level of Business Rates required to pay for Council activities is credited to the General Fund in the year. The balance is taken to the Collection Fund Adjustment Account, within the Balance Sheet.

Amounts collected on behalf of the other partners of the pool (Central Government, Nottinghamshire County Council and Nottinghamshire Fire Authority) are treated as either debtors or creditors depending upon the respective share of the Collection Fund attributable to these bodies at 31st March.

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Ashfield District Council – Internal Audit Plan 2018 -19 & Audit Charter

Audit Committee: 19th March 2018



Contents

Page

Introduction	3
Approach to Audit Planning	5
Types of Audit Work	6
Appendix A - Audit Plan Detail	8
Appendix B - Audit Charter	10

Our Vision

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

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Introduction

Purpose of Report

The purpose of this report is for the Audit Committee to approve the Internal Audit Charter and Annual Internal Audit Plan for 2018-19.

Role of Internal Audit

All local authorities must make proper provision for internal audit in line with the 1972 Local Government Act (S151) and the Accounts and Audit Regulations 2015.

The Council's Internal Audit service is provided by Central Midlands Audit Partnership (CMAP). The Partnership was formed as a Joint Board under section 101 of the Local Government Act 1972. It currently serves 6 public sector organisations and Derby City Council is the host authority. The legal agreement between the Partners runs for 5 years from 2016 until January 2021.

Internal Audit provides the Audit Committee and senior management with objective assurance on the organisation's overall control environment, comprising the systems of governance, risk management, and internal control and highlights control weaknesses together with recommendations for improvement. This helps senior management demonstrate that they are managing the Council effectively. Internal Audit's work significantly contributes to the Council's statutory Annual Governance Statement (AGS).

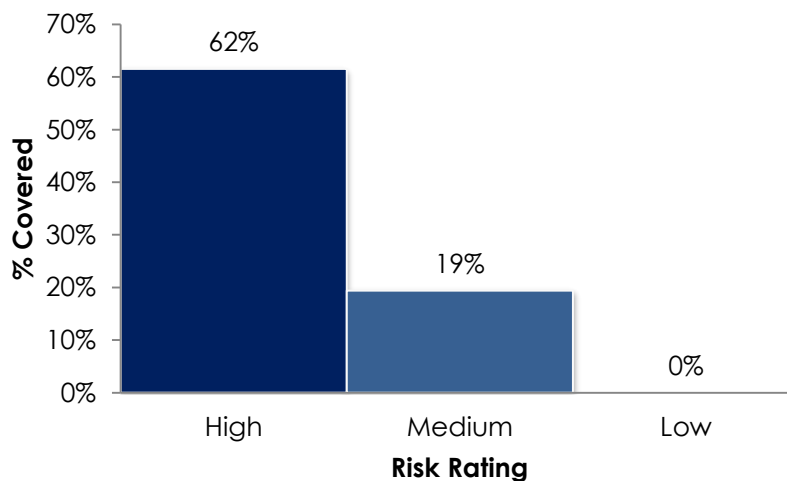
Internal Audit Plan

The Public Sector Internal Audit Standards (PSIAS) state that annually the Chief Audit Executive is responsible for developing a risk-based plan. In this instance, the Chief Audit Executive is the Audit Manager.

The annual Audit Plan sets out proposals on how this will be achieved in the year ahead. It is a flexible Plan that allows Internal Audit to respond to emerging and changing risks during the year.

The Audit Plan must incorporate sufficient work to enable the Audit Manager to give an opinion on the adequacy of the organisation's overall control environment. Equally Internal Audit must be adequately resourced with the necessary level of skilled and experienced staff to deliver the Audit Plan.

2018-19 Coverage of each Risk Category (%)



Progress in completing the audit plan, will be submitted to the Audit Committee as part of regular Internal Audit Progress reports.

Internal Audit Charter

An Internal Audit Charter is a formal document that defines internal audit's purpose, authority, responsibility and position within an organisation. The Internal Audit Charter describes how internal audit will provide value to the organisation, the nature of the services it will provide and the specific focus or emphasis required of internal audit to help the organisation achieve its objectives.

Having an Internal Audit Charter also establishes the internal audit activity's position within the organisation, including reporting lines, authorising access to records, personnel, and physical properties relevant to the performance of engagements; also defining the scope of internal audit activities. A copy of the current Internal Audit Charter is attached at [Appendix B](#). It is the role of the Audit Committee to review and approve the 'Internal Audit Charter' on an Annual basis.

Approach to Audit Planning

Internal Audit takes into account the organisation's risk management framework, including using risk appetite levels set by management for the different activities or parts of the organisation. If a framework does not exist, Internal Audit must determine its own judgment of risks following a thorough consultation process. We endeavour to consult with relevant managers to further understand the risk areas where internal audit assurance will be appropriate.

A risk based audit plan has been compiled in consultation with the organisation's Management, using the organisations risk registers and CMAP's bespoke risk assessment model which considers the following 8 measures of risk

Impact	Materiality	Potentially, how much money could the organisation lose if this area is not properly controlled?
	Criticality	How critical is this function to the effective running of the organisation's core activities?
	Sensitivity	How important is this area in the opinion of senior management and the Board?
	Strategic Effect	How does this function affect the organisation's long term aims and objectives?
Likelihood	Changes	What changes (staffing, procedural, IT, legislative) has this area been subject to?
	Complexity	How complex is the area under review?
	Review Process	How often is this area reviewed by audit and other agencies?
	Inherent Risks	How susceptible is this area to fraud and irregularity?

Once the scores for each of the 81 auditable areas identified have been input to the risk model, along with the date when the area was last audited, the risk model will automatically generate a plan of suggested audit coverage. Senior management are consulted on the proposed plan and their views are taken account of before producing the final, ranked list of areas to audit. This year's risk assessment identified 13 High risk areas, 67 Medium risk areas and 1 Low risk area.

Discussions are also undertaken with the organisation's External Auditors to ensure that the proposed coverage, where possible, complements their work.

Types of Audit Work

Key Financial Systems Audit - Much of internal audit's assurance work comes from the review of the risks and controls associated with the organisation's financial systems. External Audit will also review the work on the key financial systems to assist them when determining their opinion on organisation's annual accounts.

Systems / Risk Based Audits - The auditor's prime role is to review the internal control systems developed by management to mitigate operational risks and report upon the adequacy of those controls (see below for control examples). An organisation's overall internal control system is the product of all of those systems and processes that the organisation has created to deliver its business objectives, both financial and non-financial.

Control categories with examples



Source: Chartered Institute of Internal Auditors – Resources – Control

IT Audit – Typically our IT auditing coverage focuses on the following:

- **Infrastructure** - Infrastructure audits cover perimeter defences, authentication, management and monitoring, and devices. Infrastructure audits help provide assurance that the organisation's private network is protected from internet attacks, unauthorised or inappropriate access via local or remote attacks, and also ensure the organisation has the necessary monitoring and incident analysis to maintain and analyse the Network.
- **Applications** - Application audits cover thin and fat client applications, and both internal (Intranet) or external (Web) applications. Applications audits typically focus on CIAA (**C**onfidentiality, **I**ntegrity, **A**vailability and **A**ccountability risks) to ensure attackers cannot exploit vulnerabilities to gain unauthorised access to sensitive corporate data.

Governance & Ethics Reviews - The governance framework comprises the systems and processes, and culture and values, by which the organisation is directed and controlled. Internal Audit reviews corporate systems such as Risk Management, Health & Safety, Data Quality, Anti –Fraud and should consider organisational ethics, values and culture.

Ashfield District Council – Audit Plan 2018 -19

Procurement/Contract Audit - Procurement involves the process of acquisition from third parties, and spans the whole life cycle from the initial concept (determining the need), through buying and delivery, to the end of a service contract. The audit approach to procurement should primarily concern the organisation's corporate procurement strategy and associated management structures and processes, including contract procedure rules and detailed procurement guidance.

Client Support Work

To support the organisation, a number of days have also been set aside for the following:

Audit Management – There are certain management tasks that are specific to each Partner organisation, such as, reporting to Audit Committee, Audit Risk Assessment & Planning etc. These require a contingency of days to be planned.

Advice & Emerging Issues - On an ad-hoc basis, Audit is called upon to provide risk and control advice on issues throughout the organisation. This consultancy work is a very important service and requests for Audit input are considered to be a good measure of the quality of the Audit service and of the satisfaction of our clients.

Anti-Fraud/Probity/Investigations - Internal audit has an important role to play in ensuring that management has effective systems in place to detect and prevent corrupt practices within the Council. Internal audit's role includes promoting anti-fraud best practice, testing and monitoring systems through probity work and advising on change where it is needed. Internal Audit also may be involved in the investigation of suspected internal fraud, theft or major irregularity (where there is some form of alleged financial irregularity, which may have resulted in financial loss to the organisation).

Follow-up Audits - Internal Audit is committed towards ensuring that control improvements are achieved and all agreed actions are acted upon. We have developed a recommendation tracking database, which allows us to monitor, follow-up and report upon the status of all management's actions in respect of agreed audit recommendations.

Brought Forward Jobs - A number of incomplete audits from the 2017-18 Audit Plan will need to be concluded in 2018-19.



Appendix A - Audit Plan Detail

Ashfield District Council – Audit Plan 2018-19		Risk Score	Risk Rating	Plan Days	Type of Audit
Legal & Governance					
Legal Services					
Anti-Fraud & Corruption	53	Medium	10	Anti-Fraud/Probity/Investigation	
Information Governance	51	Medium	10	Governance/Ethics Review	
Electoral Services					
Electoral Services	50	Medium	10	Systems/Risk Audit	
Legal & Governance Total Days			30		
Resources & Business Transformation					
Finance					
Treasury Management/Banking Services	60	High	10	Key Financial System	
ICT					
IT Applications	67	High	15	IT Audit	
ICT Infrastructure	72	High	15	IT Audit	
Corporate Performance & Improvement					
Corporate Improvement/Transformation	65	High	15	Governance/Ethics Review	
Risk Registers	51	Medium	10	Governance/Ethics Review	
Commercial & Property					
Commercial Property Portfolio	64	High	15	Systems/Risk Audit	
Revenues & Customer Services					
Housing Benefit & Council Tax Support	63	High	15	Key Financial System	
Council Tax	53	Medium	10	Key Financial System	
NDR	60	High	10	Key Financial System	
Customer Services/E-Payments	51	Medium	10	Systems/Risk Audit	
Resources & Business Transformation Total Days			125		
Place & Communities					
Waste & Environment					
Refuse Collection / Recycling / Trade Waste etc	52	Medium	10	Systems/Risk Audit	
Outdoor Recreation	46	Medium	10	Systems/Risk Audit	
Community Protection Hub					
Safeguarding	53	Medium	10	Systems/Risk Audit	
Partnership Governance	50	Medium	10	Governance/Ethics Review	
Locality & Community Empowerment					
Leisure Centres	52	Medium	15	Systems/Risk Audit	
Place & Communities Total Days			55		
Housing & Assets					
Lettings & Strategic Housing					
Strategic Housing	51	Medium	10	Systems/Risk Audit	
Housing Operations					
Stocks & Stores	46	Medium	15	Systems/Risk Audit	
Procurement (Shared Service with Bassetlaw DC)					
Procurement	59	High	15	Procurement/Contract Audit	
Housing & Assets Total Days			40		

Ashfield District Council – Audit Plan 2018 -19

Contingencies

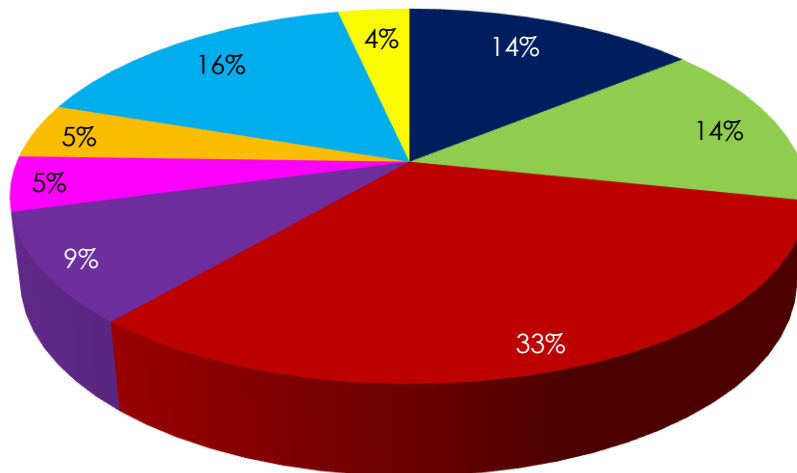
Other Audit Work

Partnership Re-allocation	7	Management/Advice/Emerging Issues
Investigations	5	Anti-Fraud/Probity/Investigation
Audit Committee	10	Management/Advice/Emerging Issues
Audit Management etc.	25	Management/Advice/Emerging Issues
Advice & Emerging Issues	10	Management/Advice/Emerging Issues
Follow-ups	11	Follow-up
Contingencies Total Days		68
Ashfield District Council Total Days		318

The detailed scopes of each audit assignment will be agreed with the relevant managers nearer the commencement of the audit.

Audit Plan 2018-19 Time Allocation per Type of Audit

- Key Financial System
- Governance/Ethics Review
- Systems/Risk Audit
- IT Audit
- Procurement/Contract Audit
- Anti-Fraud/Probity/Investigation
- Management/Advice/Emerging Issues
- Follow-up



Appendix B - Audit Charter

Purpose & Mission

The purpose of the Council's internal audit service is to provide independent, objective assurance and consulting services designed to add value and improve the Council's operations. The mission of internal audit is to enhance and protect organisational value by providing risk-based and objective assurance, advice, and insight. The internal audit service helps the Council accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

Standards for the Professional Practice of Internal Auditing

The internal audit service will govern itself by adherence to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the International Standards for the Professional Practice of Internal Auditing, and the Definition of Internal Auditing. The Audit Manager will report periodically to **senior management**¹ and the **Board**² regarding the internal audit service's conformance to the Code of Ethics and the Standards.

Authority

The Audit Manager will report functionally to the Audit Committee and administratively (i.e., day-to-day operations) to the Director of Legal & Governance (Monitoring Officer). To establish, maintain, and assure that the Council's internal audit service has sufficient authority to fulfil its duties, the Audit Committee will:

- Approve the internal audit service's charter.
- Approve the risk-based internal audit plan.
- Approve the internal audit service's budget and resource plan.
- Receive communications from the Audit Manager on the internal audit service's performance relative to its plan and other matters.
- Make appropriate inquiries of management and the Audit Manager to determine whether there is inappropriate scope or resource limitations.
- The Audit Manager will have unrestricted access to, and communicate and interact directly with, the Audit Committee, including in private meetings without management present.

¹ The PSIAS defines **senior management** as "Those responsible for the leadership and direction of the Council" which in this instance is the Council's **Corporate Leadership Team**.

² The Standards require that Internal Audit report to the **Board**. CIPFA have via the Public Sector Internal Audit Standards (PSIAS) Guidelines, determined that 'Board' may refer to an audit committee to which the governing body has delegated certain functions. In this instance this would be the **Audit Committee**.

The Audit Committee authorises the internal audit service to:

- Have full, free, and unrestricted access to all functions, records, property, and personnel pertinent to carrying out any engagement, subject to accountability for confidentiality and safeguarding of records and information.
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques required to accomplish audit objectives, and issue reports.
- Obtain assistance from the necessary personnel of the Council, as well as other specialised services from within or outside the Council, in order to complete the engagement.

Independence & Objectivity

The Audit Manager will ensure that the internal audit service remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing, and report content. If the Audit Manager determines that independence or objectivity may be impaired in fact or appearance, the details of impairment will be disclosed to appropriate parties.

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively and in such a manner that they believe in their work product, that no quality compromises are made, and that they do not subordinate their judgment on audit matters to others.

Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgment, including:

- Assessing specific operations for which they had responsibility within the previous year.
- Performing any operational duties for the Council or its affiliates.
- Initiating or approving transactions external to the internal audit service.
- Directing the activities of any Council employee not employed by the internal audit service, except to the extent that such employees have been appropriately assigned to auditing teams or to otherwise assist internal auditors.

Where the Audit Manager has or is expected to have roles and/or responsibilities that fall outside of internal auditing, safeguards will be established to limit impairments to independence or objectivity.

Internal auditors will:

- Disclose any impairment of independence or objectivity, in fact or appearance, to appropriate parties.
- Exhibit professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined.
- Make balanced assessments of all available and relevant facts and circumstances.

- Take necessary precautions to avoid being unduly influenced by their own interests or by others in forming judgments.

The Audit Manager will confirm to the Audit Committee, at least annually, the organisational independence of the internal audit service.

The Audit Manager will disclose to the Audit Committee any interference and related implications in determining the scope of internal auditing, performing work, and/or communicating results.

Scope of Internal Audit Activities

The scope of internal audit activities encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to the Audit Committee, management, and outside parties on the adequacy and effectiveness of governance, risk management, and control processes for the Council. Internal audit assessments include evaluating whether:

- Risks relating to the achievement of the Council's strategic objectives are appropriately identified and managed.
- The actions of the Council's officers, directors, employees, and contractors are in compliance with the Council's policies, procedures, and applicable laws, regulations, and governance standards.
- The results of operations or programs are consistent with established goals and objectives.
- Operations or programs are being carried out effectively and efficiently.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact the Council.
- Information and the means used to identify, measure, analyse, classify, and report such information are reliable and have integrity.
- Resources and assets are acquired economically, used efficiently, and protected adequately.

The Audit Manager will report periodically to senior management and the Audit Committee regarding:

- The internal audit service's purpose, authority, and responsibility.
- The internal audit service's plan and performance relative to its plan.
- The internal audit service's conformance with The IIA's Code of Ethics and Standards, and action plans to address any significant conformance issues.
- Significant risk exposures and control issues, including fraud risks, governance issues, and other matters requiring the attention of, or requested by, the Audit Committee.
- Results of audit engagements or other activities.
- Resource requirements.
- Any response to risk by management that may be unacceptable to the Council.

The Audit Manager also coordinates activities, where possible, and considers relying upon the work of other internal and external assurance and consulting service providers as needed. The internal audit service may perform advisory and related client service activities, the nature and scope of which will be agreed with the client, provided the internal audit service does not assume management responsibility.

Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during engagements. These opportunities will be communicated to the appropriate level of management.

Responsibility

The Audit Manager has the responsibility to:

- Submit, at least annually, to senior management and the Audit Committee a risk-based internal audit plan for review and approval.
- Communicate to senior management and the Audit Committee the impact of resource limitations on the internal audit plan.
- Review and adjust the internal audit plan, as necessary, in response to changes in the Council's business, risks, operations, programmes, systems, and controls.
- Communicate to senior management and the Audit Committee any significant interim changes to the internal audit plan.
- Ensure each engagement of the internal audit plan is executed, including the establishment of objectives and scope, the assignment of appropriate and adequately supervised resources, the documentation of work programs and testing results, and the communication of engagement results with applicable conclusions and recommendations to appropriate parties.
- Follow up on engagement findings and corrective actions, and report periodically to senior management and the Audit Committee any corrective actions not effectively implemented.
- Ensure the principles of integrity, objectivity, confidentiality, and competency are applied and upheld.
- Ensure the internal audit service collectively possesses or obtains the knowledge, skills, and other competencies needed to meet the requirements of the internal audit charter.
- Ensure trends and emerging issues that could impact the Council are considered and communicated to senior management and the Audit Committee as appropriate.
- Ensure emerging trends and successful practices in internal auditing are considered.
- Establish and ensure adherence to policies and procedures designed to guide the internal audit service.
- Ensure adherence to the Council's relevant policies and procedures, unless such policies and procedures conflict with the internal audit charter. Any such

conflicts will be resolved or otherwise communicated to senior management and the Audit Committee.

- Ensure conformance of the internal audit service with the Standards, with the following qualifications:
 - If the internal audit service is prohibited by law or regulation from conformance with certain parts of the Standards, the Audit Manager will ensure appropriate disclosures and will ensure conformance with all other parts of the Standards.
 - When the Standards are used in conjunction with requirements issued by CIPFA, the Audit Manager will ensure that the internal audit service conforms with the Standards, even if the internal audit service also conforms with the more restrictive requirements of CIPFA.

Quality Assurance & Improvement Programme (QAIP)

The internal audit service will maintain a quality assurance and improvement programme that covers all aspects of the internal audit service. The program will include an evaluation of the internal audit service's conformance with the Standards and an evaluation of whether internal auditors apply The IIA's Code of Ethics. The program will also assess the efficiency and effectiveness of the internal audit service and identify opportunities for improvement.

The Audit Manager will communicate to senior management and the Audit Committee on the internal audit service's quality assurance and improvement programme, including results of internal assessments (both on-going and periodic) and external assessments conducted at least once every five years by a qualified, independent assessor or assessment team from outside the Council.



Central Midlands
Audit Partnership



Ashfield District Council – Audit Progress Report

Audit Committee: 19th March 2018



Contents

Page

Introduction	3
Audit Coverage	4
Audit Performance	10
Recommendation Tracking	12
Highlighted Recommendations	14
Status of Previous Audit Recommendations	16
Ashfield Homes Ltd – Outstanding Recommendations	16

Our Vision

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

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Ashfield District Council – Audit Progress Report

Introduction

Role of Internal Audit

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

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

Recommendation Ranking

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

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

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

Control Assurance Definitions

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

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

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

Ashfield District Council – Audit Progress Report

Audit Coverage

Progress on Audit Assignments

The following table provides the Committee with information on how audit assignments were progressing as at 28 February 2018.

2017-18 Audit Plan Assignments	Type of Audit	Current Status	% Complete
Corporate Governance	Governance & Ethics Review	Final Report	100%
Anti-Fraud & Corruption	Anti-Fraud/Probity/Investigation	Final Report	100%
Capital Accounting	Key Financial System	Draft Report	95%
Taxation	Key Financial System	Final Report	100%
Fixed Assets	Key Financial System	Allocated	
Housing Benefit & Council Tax Support	Key Financial System	Allocated	75%
Right to Buy	Systems/Risk Audit	Final Report	100%
Depot Income	Systems/Risk Audit	Final Report	100%
Development Control	Systems/Risk Audit	Final Report	100%
Markets	Systems/Risk Audit	Final Report	100%
Housing Lettings/Allocations	Systems/Risk Audit	Allocated	75%
Contract Management	Procurement/Contract Audit	Allocated	10%
Rent Arrears	Systems/Risk Audit	Allocated	90%
Responsive Maintenance/Voids (Agile Audit)	Systems/Risk Audit	Final Report	100%
Health & Safety - Gas Safety	Systems/Risk Audit	Draft Report	95%
External Wall Insulation Project – Grant Funding	Grant Certification	Complete	100%
Health & Safety	Governance & Ethics Review	Allocated	65%
ECINS Security Assessment	IT Audit	Draft Report	95%
ICT Performance Management	IT Audit	Allocated	80%
People Management	Systems/Risk Audit	Final Report	100%
Payroll	Key Financial System	Allocated	60%
Commercialisation	Governance & Ethics Review	Allocated	10%
Whistleblowing Investigation	Investigation	Allocated	60%

7 more audit assignments brought forward from 2016/17 have already been reported to the Committee.

Audit Plan Changes

No changes to report.

Ashfield District Council – Audit Progress Report

Audit Coverage

Completed Audit Assignments

Between 1st November 2017 and 28th February 2018, the following audit assignments reached their conclusion:

1. Taxation. (**Reasonable**)
2. Corporate Governance. (**Comprehensive**)
3. People Management. (**Reasonable**)
4. Depot Income. (**Limited**)
5. Anti-Fraud & Corruption. (**Reasonable**)
6. Markets. (**Limited**)
7. Development Control. (**Reasonable**)

Taxation

Overall Assurance Rating: **Reasonable**

This audit focused on assessing the adequacy of the Council's arrangements regarding Value Added Tax (VAT) and the Partial Exemption calculation.

From the 26 key controls evaluated in this audit review, 20 were considered to provide adequate control and 6 contained weaknesses. This report contained 5 recommendations all of which were considered to present a low risk. The following issues were considered to be the key control weaknesses:

1. The Council were classifying funeral service income as non-business instead of exempt for VAT purposes. This contradicted guidance issued by HMRC. (**Low Risk**)
2. A regular review was not being performed on debtors' invoices raised by the Council to check that VAT was being charged appropriately. (**Low Risk**)
3. The officer compiling the VAT Return had not evidenced their work and supporting documentation was not subject to an independent review. (**Low Risk**)
4. A formal monitoring and reporting arrangement for partial exemption had not yet been established, in light of the recent breach of the de-minimus limit. (**Low Risk**)
5. The spreadsheet containing the partial exemption calculation was not adequately restricted. (**Low Risk**)

The issues raised within this report were accepted. Management had taken action to address 1 of the issues by the time the final report was issued. Further positive action in respect of the remaining 4 issues was agreed to be taken by 30 November 2017.

Corporate Governance

Overall Assurance Rating: **Comprehensive**

This audit focused on assessing the adequacy of the Council's arrangements regarding the Governance Framework, compiling the Annual Governance Statement and training Members to ensure effectiveness in their roles.

From the 18 key controls evaluated in this audit review, 13 were considered to provide adequate control and 5 contained weaknesses. This report contained 4 recommendations, all of which were considered to present a low risk. The following issues were considered to be the key control weaknesses:

1. Updates to the Financial Regulations were not published on the Council's website or on its intranet pages on a timely basis. (**Low Risk**)

Ashfield District Council – Audit Progress Report

2. There was no procedural guidance document in place to support the compilation of the Annual Governance Statement. (Low Risk)
3. Mandatory training, as defined in the Members' Code of Conduct, had not been completed by all Members. (Low Risk)
4. Formal training had not been undertaken by the Corporate Leadership Team on the area of corporate governance in general or the compilation of the Annual Governance Statement. (Low Risk)

All 4 of the issues identified were accepted. Positive action was agreed to be taken in respect of all recommendations by 30 March 2018.

People Management

Overall Assurance Rating: Reasonable

This audit focused on the collation, accuracy, distribution and use of management information.

From the 17 key controls evaluated in this audit review, 13 were considered to provide adequate control and 4 contained weaknesses. This report contained 1 recommendation which was considered to present a moderate risk. The following issue was considered to be the key control weakness:

1. As line managers were unaware of when to expect sickness trigger reports, they could fail to take action should their report not arrive, leading to delay in addressing issue with staff. (Moderate Risk)

The issue raised within this report has been accepted and Management have agreed to take action to address the issue by 1 April 2018.

Depot Income

Overall Assurance Rating: Limited

This audit focused on the areas of cash collection at the depot, including vending machine, MOT and Canteen income. We also reviewed the plans in place for banking of the weighbridge income once all Cash Offices closed on the 1st September 2017.

From the 26 key controls evaluated in this audit review, 13 were considered to provide adequate control and 13 contained weaknesses. This report contained 11 recommendations, 7 are considered to present a low risk and 4 a moderate risk. The following issues were considered to be the key control weaknesses:

- 1 Cash and bank procedures specific to the Depot had not been documented and circulated to staff. (Low Risk)
- 2 There were two occasions where the amount of cheques stored in the safe exceeded the stated safe limit of £3,000. (Low Risk)
- 3 The Council's Document Retention Policy was not readily available to staff and so adequate income records had not been retained at the Depot. (Moderate Risk)
- 4 Inadequate records were maintained for Transport cash and cheque income that suitably demonstrated the officers in receipt of monies. (Low Risk)
- 5 Access to the safe at the Depot was not adequately restricted and a key holder operated in a manner that was not compliant with the Council's Insurance Policy requirements. (Moderate Risk)
- 6 The weekly cash up was being completed in an open plan office, as the Officer responsible had other duties to perform at the same time. (Low Risk)
- 7 Officers at the Depot did not maintain a record of unders and overs and so discrepancies were not logged and investigated. (Low Risk)
- 8 The Ledger codes were not reconciled to the income received at the Depot. (Moderate Risk)

Ashfield District Council – Audit Progress Report

- 9 The credit and debit card payments were not being reconciled between the Icon cash receipting system, the MOT and Taxi spreadsheet and the Fleetwave system. (Low Risk)
- 10 There were no formal arrangements in place for the collection and banking of Weighbridge income following the closure of the Cash Offices. (Low Risk)
- 11 Inadequate evidence was maintained of the reconciliation of DVLA MOT data to the Council's MOT records. (Moderate Risk)

The 11 issues within this report have been accepted. Positive action had been taken for 8 of the issues by the time the final report was issued. Management has committed to take positive action for 2 issues by 31st January 2018 and the last action by the 30th September 2018.

Anti-Fraud & Corruption

Overall Assurance Rating: Reasonable

This audit focused on considering the framework of strategies and policies in place at the Council which provided guidance to officers on the prevention and detection of the risk of fraud and corruption. Consideration was also given to the anti-fraud and corruption training delivered to Members, Management and officers throughout the Council.

From the 30 key controls evaluated in this audit review, 12 were considered to provide adequate control and 18 contained weaknesses. This report contained 13 recommendations, 12 are considered to present a low risk and 1 a moderate risk. The following issues were considered to be the key control weaknesses:

1. The Corporate Governance Code was not regularly reviewed and was not made available to all. (Low Risk)
2. The Council's Anti-Fraud Strategy was lacking key elements of an effective strategy. (Low Risk)
3. A Fraud Risk Register was not in place, nor were fraud risks included within the Council's Corporate or Operational Risk Registers. (Low Risk)
4. The Whistleblowing Policy documented on the Council's Intranet was an old version from 2014 and the latest version of the Policy referred to the former Deputy Chief Executive by name. The Whistleblowing Policy was not monitored by the Audit Committee. (Low Risk)
5. There was no Anti-Bribery Policy and Anti-Money Laundering Policy approved, in use and available for employees. (Moderate Risk)
6. Arrangements were not in place to ensure staff received fraud awareness training or were reminded about the risk of fraud, and appropriate actions to take to prevent and deter fraud. (Low Risk)
7. The Fraud Response Plan had not been approved or brought in to use. (Low Risk)
8. The Council are not utilising the Council tax enforcement powers by choosing not to issue Civil Penalties. (Low Risk)
9. There were no data matching exercises undertaken on the tenancy data and ongoing data matching on creditors and payroll did not take place. (Low Risk)
10. The Council were not reviewing all of the National Fraud Initiative matches. (Low Risk)
11. The Council have not completed an annual fraud assessment. (Low Risk)
12. The remit, make up and administration of the Fraud Strategy Group had not been defined. (Low Risk)
13. Corporate Leadership Team and Audit Committee are not formally informed of anti-fraud activities, identified or suspected frauds and outcomes of investigations undertaken. (Low Risk)

All 13 of the issues raised within this report have been accepted. Management have agreed to take actions to address 12 of the issues by 31 July 2018 and the remaining issue by 31 December 2018.

Ashfield District Council – Audit Progress Report

Markets

Overall Assurance Rating: **Limited**

This audit focused on the controls in place for the refurbishment of the Market Hall. The audit also considered the process for income collection following the closure of the Cash Office.

From the 19 key controls evaluated in this audit review, 10 were considered to provide adequate control and 9 contained weaknesses. This report contained 7 recommendations, 3 are considered to present a low risk, 3 a moderate risk and 1 a significant risk. The following issues were considered to be the key control weaknesses:

1. The accuracy of the market trader information stored on the Square system could not be confirmed as the supporting documentation for 5 trader accounts was not available. (Moderate Risk)
2. The payment data in the Square system was not being reconciled to the Market Attendance spread sheet, the Maps data and the General Ledger. (Moderate Risk)
3. Receipts for Market rental income were only issued when the Council had the trader's phone number or email details. (Low Risk)
4. There was a lack of control over the issuing of refunds through the Square system. (Moderate Risk)
5. Testing has highlighted one Market trader, who had traded on a special market, where there was no booking form on file. (Low Risk)
6. Testing noted 8 out of 21 traders where a signed and dated Terms and Conditions agreement had not been retained on file. (Low Risk)
7. The Square system only had one access, for all users. This access was unrestricted to all the system settings. (Significant Risk)

The 7 issues within this report have been accepted. Positive action has been taken for one of the issues by the time the report was issued in final. Management have committed to take positive action for the remaining issues by the 19th March 2018.

Development Control

Overall Assurance Rating: **Reasonable**

This audit focused on the planning application process ensuring controls were in place and working effectively.

From the 19 key controls evaluated in this audit review, 12 were considered to provide adequate control and 7 contained weaknesses. This report contained 5 recommendations, 2 are considered to present a low risk, 2 a moderate risk and 1 a significant risk. The following issues were considered to be the key control weaknesses:

1. The appeal overturn rate was 8.83%: Department for Communities & Local Government requirements for 2018 specified that at 10% the Council's planning process may be placed on special measures. (Significant Risk)
2. The Planning section was not able to identify payment of application fees on a timely basis. (Low Risk)
3. The automatic reconciliation between the iPlan system and the Ledger had not been reviewed and unmatched payments investigated and amended where required. (Low Risk)
4. Review of the Ledger noted income which had been received, but the VAT element of the income had not been separately identified and therefore not accounted for correctly. (Moderate Risk)
5. Testing noted occasions where personal information had been left on planning documents published on the Council's website. (Moderate Risk)

Ashfield District Council – Audit Progress Report

All 5 of the issues in the report have been accepted by Management and positive action had been taken to address 4 of the issues by the time the final report was issued. Management has partially completed actions for the remaining issue but have committed to fully complete the actions by 31st August 2018.

Ashfield District Council – Audit Progress Report

Audit Performance

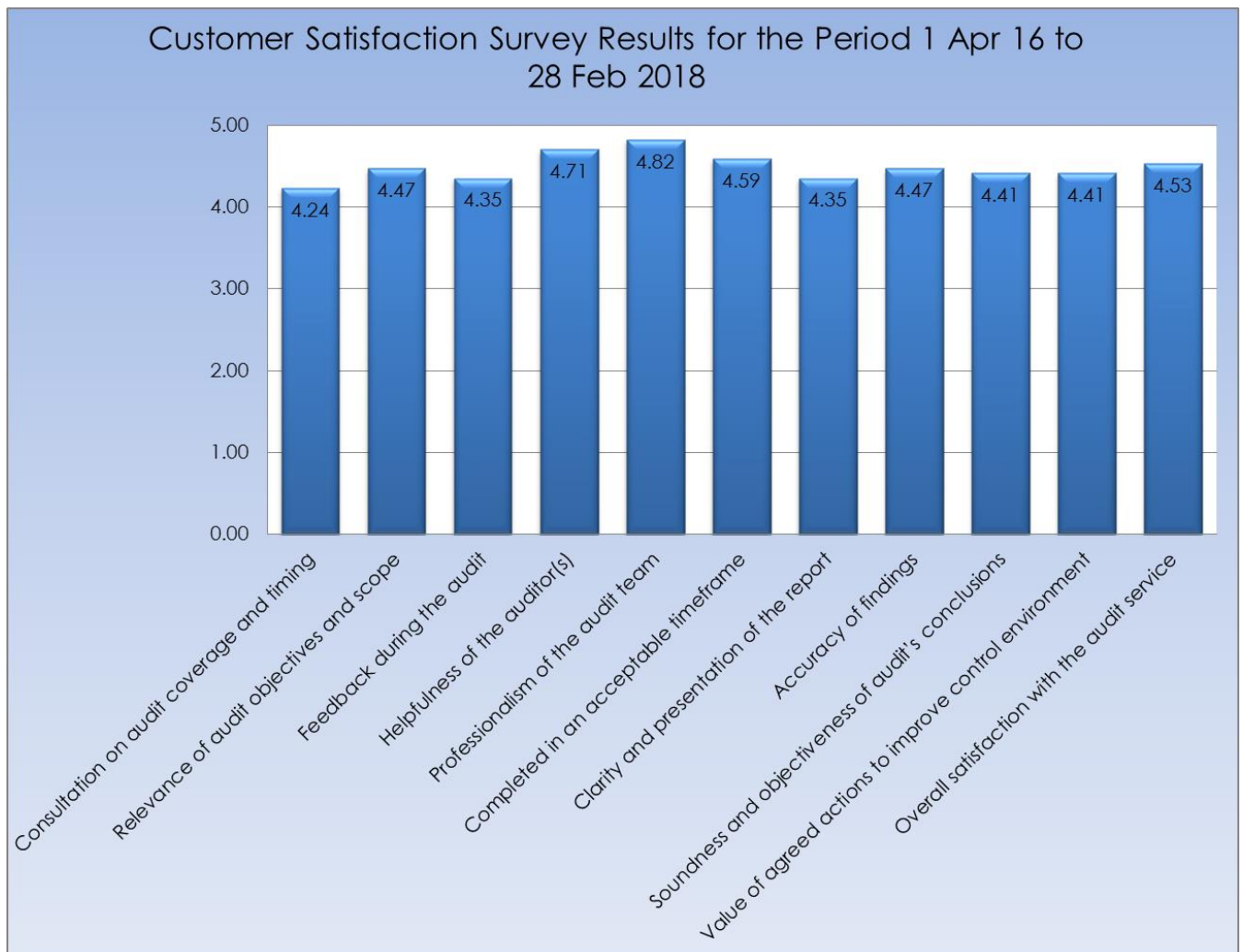
Customer Satisfaction

The Audit Section sends out a customer satisfaction survey with the final audit report to obtain feedback on the performance of the auditor and on how the audit was received. The survey consists of 11 questions which require grading from 1 to 5, where 1 is very poor and 5 is excellent. The chart across summarises the average score for each question from the 17 responses received between 1st April 2016 and 28th February 2018. The overall average score from the surveys was 49.4 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 17 responses received to date, 13 categorised the audit service they received as excellent and the other 4 as good.



Ashfield District Council – Audit Progress Report

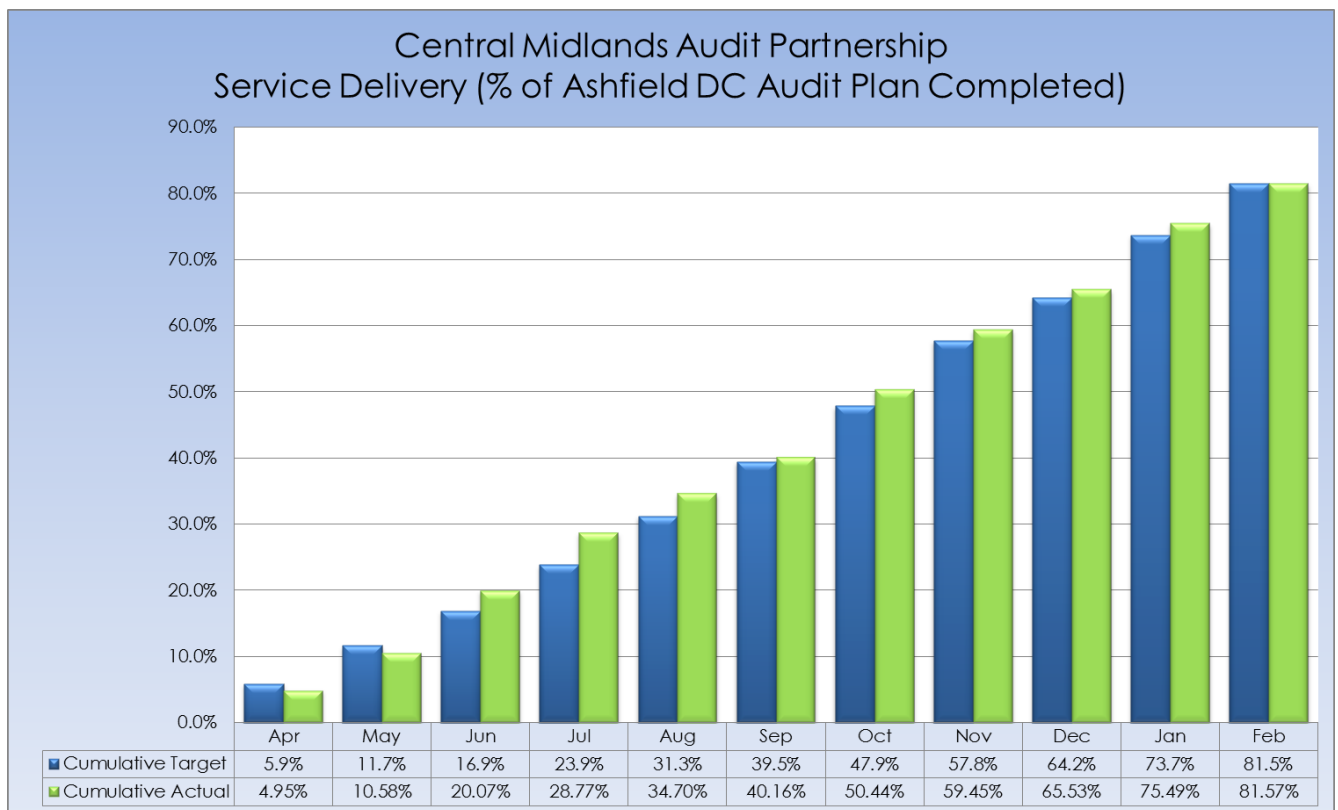
Audit Performance

Service Delivery (% of Audit Plan Completed)

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

Shown below is the estimated percentage complete for Ashfield's 2017-18 Audit Plan (including incomplete jobs brought forward) after approximately 11 months of the Audit Plan year.

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



Ashfield District Council – Audit Progress Report

Recommendation Tracking

Follow-up Process

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

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

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

- **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 7th March 2018:

	Implemented	Being Implemented	Risk Accepted	Superseded	Action Due	Future Action	Total
Low Risk	103	14	2	1	4	13	137
Moderate Risk	26	1	0	0	1	5	33
Significant Risk	2	0	0	0	0	0	2
Critical Risk	0	0	0	0	0	0	0
Totals	131	15	2	1	5	18	172

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

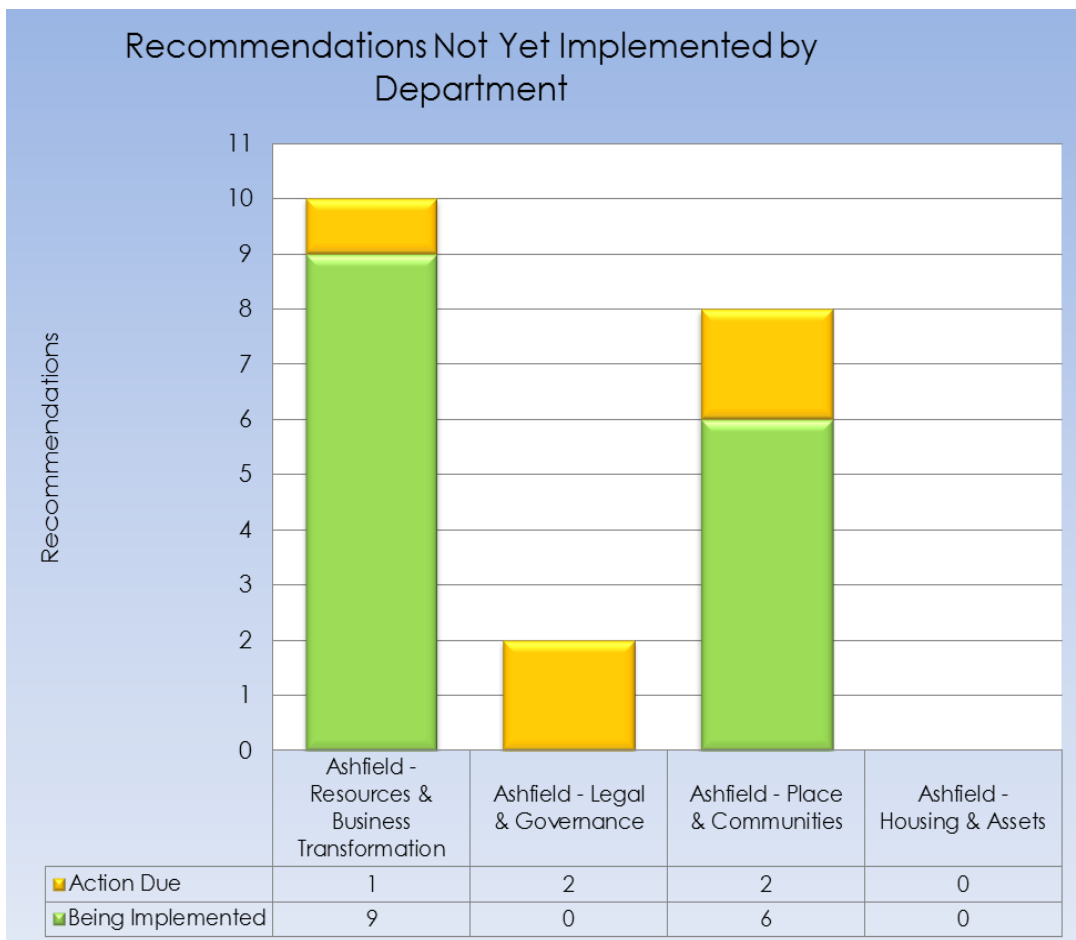
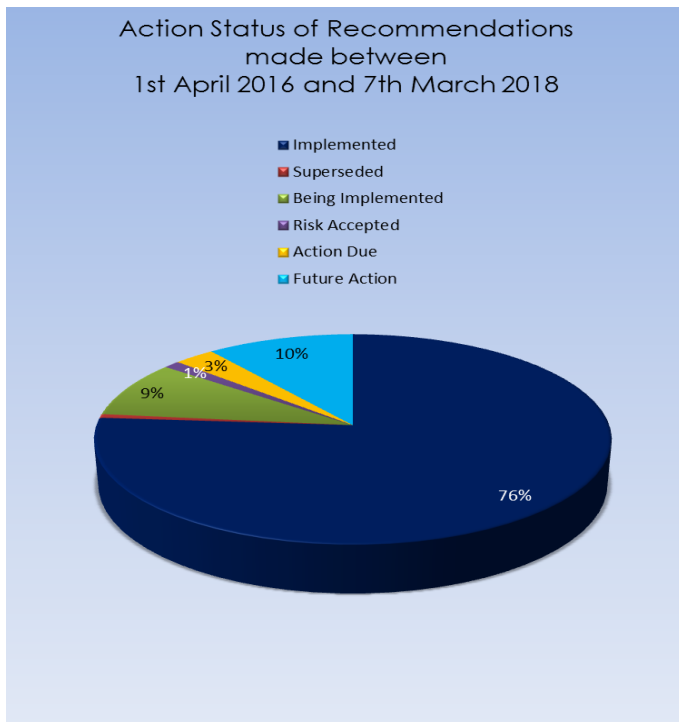
Recommendations Not Yet Implemented	Resources & Business Transformation	Legal & Governance	Place & Communities	Housing & Assets	Totals
Being Implemented	9	0	6	0	15
No progress information	1	2	2	0	5
	10	2	8	0	20

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.

Ashfield District Council – Audit Progress Report

Recommendation Tracking

Implementation Status Charts



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

Main Accounting (MTFP)

Control Issue 5 - Crucial formulae and information within the MTFP spreadsheet model had not been protected to prevent accidental change or unauthorised amendment.

Risk Rating – Low Risk

Status Update - The current model is very complex with many tabs and links. Over the coming months a new version will be designed which provides a more concise and more secure model.

Original Action Date 28 Feb 17 **Revised Action Date** Revised action date to be supplied.

Control Issue 9 - The Council had not established a protocol setting out specific details regarding its earmarked reserves in accordance with best practice guidance issued by CIPFAs Local Authority Accounting Panel and the Councils Financial Procedure Rules.

Risk Rating – Low Risk

Status Update - A budget forecast for each Earmarked Reserve is included at Appendix D of the Council's Revenue Budget Report (Cabinet, 20 February 2017). The appendix also includes a description of the purpose and use of each of these reserves. This has not been presented in accordance with CIPFA's best practice guidance.

A draft reserves policy has been produced in accordance with LAAP Bulletin 99 together with an amendment to Financial Regulations to clarify the associated governance processes. It is intended that both will be presented to Cabinet and recommended for approval by Council in May 2018.

Original Action Date 28 Feb 17 **Revised Action Date** 31 May 18

Control Issue 10 - An assessment on the "Robustness of Estimates" had not been included in the Revenue Budget report provided to Council Cabinet as part of the process in considering the Council's budget requirement.

Risk Rating – Low Risk

Status Update - The timetable for budget completion in the 2017/18 cycle did not allow the time for this to be formally included in the budget report.

Inclusion of comments regarding the Robustness of Estimates has been an oversight as part of producing the 2018/19 budget report. Analysis has been undertaken of the budget changes. A paragraph will be included as part of next year's report.

Original Action Date 28 Feb 17 **Revised Action Date** 31 Dec 18

Ashfield District Council – Audit Progress Report

Place & Communities

Depot Income

Control Issue 8 - The Ledger codes were not reconciled to the income received at the Depot.

Risk Rating – Moderate Risk

Status Update – With the present staffing levels within Transport this action will now not be completed until the 2 vacant posts have been filled, which could take until Sept 2018.

Original Action Date 31 Dec 17 **Revised Action Date** 30 Sep 18

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

Control Issue 8 - Testing identified that recharges for Works in Default were not always raised where required and the cost was being borne in the balance sheet. Additionally, costs had been coded to the balance sheet when they were ineligible to be recharged.

Risk Rating – Low Risk

Status Update - No response received.

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

Ashfield District Council – Audit Progress Report

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. One legacy recommendation remains outstanding relating to Ashfield Homes Ltd. This will continue to be monitored and details are provided below.

Ashfield Homes Ltd – Outstanding Recommendations

Report	Recommendation	Responsible officer	Due date	Update
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 Update 16/11/2016 Potentially looking at buy off the shelf paperless system and therefore changing the system altogether. Update 01/02/2017 – No further updates. Any action has been put on hold as there is a service review underway. Update 10/07/2017 – The full review of in-house Schedule of Rates is now in progress.

Page 124

Report To:	AUDIT COMMITTEE	Date:	19 MARCH 2018
Heading:	WHISTLEBLOWING POLICY UPDATE		
Portfolio Holder:	N/A		
Ward/s:	N/A		
Key Decision:	NO		
Subject to Call-In:	NO		

Purpose of Report

To provide the Committee with an annual update as recommended by CMAP as part of the Anti-Fraud and Corruption Audit.

Recommendation(s)

1. To approve the amended Whistleblowing Policy as attached to the report;
2. To note how the policy has operated in the preceding 12 months.

Reasons for Recommendation(s)

To ensure the Committee is adequately informed to enable it to monitor the operation of the Whistleblowing Policy in accordance with the recommendation of CMAP in its audit report relating to Anti-Fraud and Corruption.

To ensure the policy remains up to date and fit for purpose.

Alternative Options Considered

(with reasons why not adopted)

None.

Detailed Information

The Standards and Personnel Appeals Committee last reviewed the policy at its meeting on 27 March 2017 and approved minor changes to the document.

Paragraph 8.1 of the current Whistleblowing Policy states that:

“The Monitoring Officer has overall responsibility for the maintenance and operation of this policy. This Officer maintains a record of concerns raised and the outcomes (in a form which does not

endanger your confidentiality) and will report these to the Standards and Personnel Appeals Committee once a year. The Whistleblowing Policy will also be reviewed on a bi-annual basis.”

Following the recommendations of CMAP it is suggested that this paragraph is amended to require reporting to the Audit Committee on an annual basis as well. This will ensure the Committee charged with overseeing Fraud and Corruption is kept up to date and is able to monitor the use of the policy.

Application of Policy during the Preceding 12 Months

During the past 12 months there have been 3 reported incidents of whistleblowing drawn to the Monitoring Officer's attention.

Complaint 2017-01

This was an anonymous complaint alleging bullying by a number of officers towards other members of staff. Having carried out initial investigations, the Monitoring Officer concluded the anonymous complaint as presented did not merit further investigation for the following reasons:

- The complaint lacked detail including failing to identify the alleged bullies and the alleged victims with sufficient clarity
- This lack of detail would have made investigating difficult
- There was no evidence of specific incidents
- Due to the lack of detail, corroboration or testing of information would prove to be difficult
- A number of the allegations were historic and some already appeared to have been investigated
- On the face of the complaint it appeared that the issues should have been raised under either the grievance or harassment policy.

However, three recommendations were made to the relevant Director and third tier Manager:

Recommendation 1

Recommended that the Manager monitors the performance of a newly appointed team leader during his probationary period and ensures the support and training given to him is appropriate. It may be appropriate, if managers are concerned, to extend the probationary period and it was recommended that the Manager discussed this with HR.

Recommendation 2

There does not seem to be a co-ordinated approach to providing management or team leader training within the relevant section. It was therefore recommended that this was discussed with HR and appropriate training rolled out across the section. Consideration of any gaps in such skills may also form part of the PDR process. The use of the new behavioural competencies and reference to the Council's values should be part of recruitment, training and supervision processes.

Recommendation 3

This complaint does not appear to be the first such anonymous complaint relating to this section and so it was considered worthwhile reminding the team of the Whistleblowing Policy and the other policies which might be more suitable. A briefing note was prepared by the Monitoring Officer and this was rolled out to the relevant section by the CEO and relevant Director. This communication was designed to reassure employees that whistleblowing complaints are investigated and not swept under the carpet.

Complaint 2017-02

This complaint was made by a member of the public. It related to alleged time recording issues and the possibility that staff (2) concerned might be carrying out personal business activities during work time and/or without permission for secondary employment. The matter is being investigated by CMAP and remains ongoing. A report is expected shortly.

Complaint 2017-03

This complaint was made by a member of the public about a Council employee. The complaint related to matters occurring outside the work environment and were domestic in nature. However, as the alleged incident involved the police and a potential safeguarding issue, enquiries were made via our Community Safety Hub of the police. The Monitoring Officer was satisfied there were no further enquiries to be made and that there were no safeguarding concerns to be raised or taken further. The complaint was closed with no further action.

Previous Application of Policy

The following table sets out the application of the Whistleblowing Policy since 2010 to the present date:

YEAR	TOTAL NUMBER OF COMPLAINTS	NO FURTHER ACTION	MANAGEMENT RECOMMENDATIONS	DISCIPLINARY INVESTIGATION
2010	4	1	2	1
2011	0	N/A	N/A	N/A
2012	3	0	2	1 (action taken)
2013	1	0	0	1 (action taken)
2014	4	1	1	3 (2 with action taken)
2015	2	1	1	0
2016	2	0	1	1
2017	3 (1 ongoing)	1	1	0
2018 (to date)	0	N/A	N/A	N/A

The following table sets out the types of complaints made in order to identify trends and enable the Committee, if appropriate, to make recommendations.

TYPE OF COMPLAINT	NUMBER OF COMPLAINTS
Time recording failures – which challenge that flexi time, TOIL and annual leave has been taken when not accrued	7
Failure to follow systems/processes	3
Issues relating to line management	1
Working whilst off sick	1
Inappropriate comments	1

Data Protection Breach	1
Misuse of Council resources	1
Bullying	1
Safeguarding issues	1
Operating a business/secondary employment without permission	1

Review of Policy

A review of the policy has been undertaken. It is recommended that the policy is amended to:

1. Take account of new job roles/titles
2. Amend 7.1 to identify current prescribed contacts
3. Amend 8.1 to include annual reporting to the Audit Committee

Committee is asked to approve the revised policy which is attached as Appendix 1. The revised policy will also be reported to the Standards and Personnel Appeals Committee on 28 March 2018 for approval.

Implications

Corporate Plan:

The Council is committed to treating its employees fairly and respectfully. The Council aims to be an employer of choice and an organisation people want to work for.

Legal:

The policy has been written to take account of the Public Interest Disclosure Act 1998 which protects workers making disclosures in good faith.

Finance:

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

Risk:

Risk	Mitigation
Failure to maintain integrity and confidence in the policy and its applications.	Annual reporting to the Audit Committee and Standards and Personnel Appeals Committee Annual update on the application of the policy Update reporting in accordance with the policy to the whistleblower Identification of trends in disclosure to inform management

Human Resources:

Regular review, maintenance and consistent application of the Whistleblowing Policy infer good employment practices. As such it is important to maintain the integrity of the policy.

Equalities:

There are no equalities issues identified as a direct result of the report. Equalities issues would be considered as part of any whistleblowing investigation.

Other Implications:

(if applicable)

None

Background Papers

(if applicable)

None

Report Author and Contact Officer

Ruth Dennis
 DIRECTOR OF LEGAL AND GOVERNANCE
 MONITORING OFFICER
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 01623 457009

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ASHFIELD DISTRICT COUNCIL

WHISTLEBLOWING POLICY

**Director of Legal and Governance
(Monitoring Officer)**

APPROVED:
Audit Committee – 19 March 2018
Standards Committee – 28 March 2018

REVIEW:
March 2019

Version Control

Version Number	Detail
Original	January 2008
Revised V1	January 2011
Revised V2 due	1 st July 2013
Revised V2 (Website)	25 February 2014
Revised V3	14th April, 2014
Revised V4	20 July 2015
Revised V5	14 March 2016
Revised V6	28 March 2018

WHISTLEBLOWING POLICY

1. Introduction

- 1.1 All of us at one time or another has concerns about what is happening at work. Usually these concerns are easily resolved. However, when they are about unlawful conduct, financial malpractice or dangers to the public or the environment, it can be difficult to know what to do.
- 1.2 You may be worried about raising such issues or may want to keep the concerns to yourself, perhaps feeling it's none of your business or that it's only a suspicion. You may feel that raising the matter would be disloyal to colleagues, managers or to the organisation. You may decide to say something but find that you have spoken to the wrong person or raised the issue in the wrong way and are not sure what to do.
- 1.3 Ashfield District Council is committed to the highest possible standards of openness, probity and accountability. In line with that commitment we encourage employees and others with serious concerns about any aspect of the Council's work to come forward and voice those concerns. It is recognised that certain cases will have to proceed on a confidential basis. This policy document makes it clear that you can do so without fear of reprisals. This Whistleblowing Policy is intended to encourage and enable you to raise serious concerns within the Council rather than overlooking a problem or reporting it outside.

2. Aims of this Policy

- 2.1 This policy aims to:
 - encourage you to feel confident in raising concerns at the earliest opportunity
 - provide avenues for you to raise concerns and receive feedback on any action taken
 - allow you to take the matter further if you are dissatisfied with the Council's response
 - reassure you that you will be protected from reprisals or victimisation for whistleblowing in good faith

3. Scope of this Policy

- 3.1 In this Policy, "Whistleblowing" means the reporting by employees of suspected misconduct, illegal acts or failure to act within the Council.
- 3.2 This Policy is intended to enable those who become aware of wrongdoing in the Council affecting some other person or service, to report their concerns at the earliest opportunity.
- 3.3 The Policy is not intended to replace existing procedures:
 - If your concern relates to your own treatment as an employee, you should raise it under the existing grievance or harassment procedures

- If a member of the public has a concern about services provided to him/her, it should be raised as a complaint to the Council.
- Complaints of misconduct by Councillors are dealt with under a separate procedure (the Monitoring Officer can advise you in relation to this process)

3.3 Under this Policy you should report any serious concerns that you have about service provision or the conduct of officers or Council Members or others acting on behalf of the Council that:

- make you feel uncomfortable in terms of known standards
- are not in keeping with the Council's Standing Orders and policies
- fall below the established standards of practice
- is improper behaviour

The concern may be something that relates to:

- conduct which is an offence or a breach of the law
- disclosures relating to miscarriages of justice
- the deliberate breaching of a Council policy or official code or regulation
- misuse of public funds or other assets
- possible fraud or corruption
- the endangering of health and safety of the public and/or other employees,
- damage to the environment
- the deliberate concealment of information which would constitute evidence of any of the above

4. Safeguards

Your Legal Rights

4.1 This policy has been written to take account of the Public Interest Disclosure Act 1998 which protects workers making disclosures about certain matters of concern, when those disclosures are made in accordance with the Act's provisions and in good faith.

The Act makes it unlawful for the Council to dismiss anyone or allow them to be victimised on the basis that they have made an appropriate lawful disclosure in accordance with the Act.

Rarely, a case might arise where it is the employee that has participated in the action causing concern. In such a case it is in the employee's interest to come into the open as soon as possible. The Council cannot promise not to act against such an employee, but the fact that they came forward may be taken into account.

Harassment or Victimisation

4.2 The Council recognises that the decision to report a concern can be a difficult one to make, not least because of the fear of reprisal from those responsible for the malpractice. The Council will not tolerate harassment or victimisation and will take

action to protect you when you raise a concern in good faith. The Council's disciplinary procedures will be used against any employee who is found to be harassing or victimising the person raising the concern or who has disclosed the name of the whistleblower to any person other than those named in this document.

Confidentiality

- 4.3 The Council will do its best to protect a person's identity when a concern is raised. During the course of an investigation attempts will be made to find independent corroborating evidence to allow a person's identity to remain confidential. However, it must be recognised that in some circumstances identities will have to be revealed to the person the allegation is made against and those making the allegation may be asked to provide written or verbal evidence in support of the allegation. If the matter is reported to the Police or another external body they may be unable to guarantee to withhold a person's identity.
- 4.4 If a person's identity is to be disclosed, he or she will be told before the disclosure and the reasons why disclosure is necessary. The Council will offer advice and guidance on the procedures and arrangements in the event of a person having to give evidence to an external body or in court.

Anonymous Allegations

- 4.5 This policy encourages you to put your name to your allegation. Concerns expressed anonymously are much less powerful, but they will be considered at the discretion of the Monitoring Officer in consultation with the Chief Executive Officer.
- 4.6 In exercising the discretion, the factors to be taken into account would include:
- the seriousness of the issues raised
 - the credibility of the concern
 - the likelihood of confirming the allegation from attributable sources

If you choose to use this method of reporting, the allegation should contain as much information as possible to ensure the allegation is considered as a credible concern that requires further investigation.

Untrue Allegations

- 4.7 If you make an allegation in good faith, but it is not confirmed by the investigation, no action will be taken against you. If, however, you make malicious or vexatious allegations appropriate action that could include disciplinary action may be taken against you. It will be a matter for the Monitoring Officer to form a view of whether an allegation has been made maliciously or vexatiously and to refer her view to the relevant Director if disciplinary action needs to be considered.

5. How to raise a concern

Make an immediate note of your concern

- 5.1 Note all relevant details. Set out the background and history of the concern, giving names, dates and places where possible, and the reason why you are particularly concerned about the situation.

Reporting your concern

- 5.2 This will depend on the seriousness and sensitivity of the issues involved or who is thought to be involved in the malpractice. You should normally raise concerns initially with your line manager or Director. If this is not appropriate you should contact:

Position	Contact	E-mail
Chief Executive	(01623) 457250	r.mitchell@ashfield.gov.uk
Monitoring Officer	(01623) 457009	r.dennis@ashfield.gov.uk

If you suspect fraud or corruption you may also approach the officers detailed below. This is consistent with the Council's Financial Regulations and the Anti-Fraud and Corruption Strategy.

Position	Contact (External)	E-mail
Chief Finance Officer	(01623) 457202	s.lynch@ashfield.gov.uk

- 5.3 You can raise your concerns in writing, by telephone or in person. All correspondence should be addressed to the Monitoring Officer and marked 'Strictly Private and Confidential' and sent to:

**The Monitoring Officer
Ashfield District Council
Council Offices
Urban Road
Kirkby-in-Ashfield
Nottingham
NG17 8DA**

- 5.4 The earlier you express the concern, the easier it is to take action.
- 5.5 Although you are not expected to prove the truth of an allegation, you will need to demonstrate to the person contacted that there are sufficient grounds for your concern.
- 5.6 You may wish to consider raising your concern with a colleague first and you may find it easier to do so if there are two (or more) of you who have shared the same experience or concerns.

5.7 You may invite your trade union or professional association to raise a matter on your behalf. It is expected that in the first instance the procedure detailed at 5.2 will be followed.

6. What the Council will do

6.1 The action taken by the Council will depend on the nature of the concern. The matters raised may:

- be investigated internally
- be referred to the Police
- be referred to the external auditor
- form the subject of an independent inquiry

6.2 In order to protect individuals and the Council, initial enquiries will be made to decide whether an investigation is appropriate and, if so, what form it should take. Concerns or allegations which fall within the scope of specific procedures (for example, discrimination issues) will normally be referred for consideration under those procedures.

6.3 Some concerns may be resolved by agreed action without the need for investigation.

6.4 Where the concern has been raised includes a contact name and address, then within ten working days of a concern being received, the Council will write to you:

- acknowledging that the concern has been received
- indicating how it proposes to deal with the matter
- giving an estimate of how long it will take to provide a final response
- telling you whether any initial enquiries have been made
- telling you if further investigations will take place, and if not, why not

6.5 The amount of contact between the officers considering the issues and you will depend on the nature of the matters raised, the potential difficulties involved and the clarity of the information provided. If necessary, further information will be sought from you.

6.6 When any meeting is arranged, you have the right, if you so wish, to be accompanied by a Trade Union or professional association representative or a workplace colleague who is not involved in the area of work to which the concern relates. If you wish, the meeting may take place away from the Council Offices.

6.7 The Council will take steps to minimise any difficulties which you may experience as a result of raising a concern. For instance, if you are required to give evidence in criminal or disciplinary proceedings, the Council will advise you about the procedure.

6.8 The person investigating the concerns will produce a written report that:

- outlines the concerns/allegations
- details the investigation procedure
- gives the outcomes of the investigation
- details recommendations where appropriate

6.9 The Council accepts that you need to be assured that the matter has been properly addressed. Thus, subject to legal constraints, you will receive information about the outcomes of any investigations.

7. How the matter can be taken further

7.1 This policy is intended to provide you with an avenue to raise concerns within the Council. The Council hopes you will be satisfied. If you are not, and if you feel it is right to take the matter outside the Council, the following are possible contact points:

- A Councillor of Ashfield District Council
- A prescribed person - See Gov.uk Guidance – Whistleblowing: List of prescribed people and bodies
Website: <https://www.gov.uk/government/publications/blowing-the-whistle-list-of-prescribed-people-and-bodies--2>
- The Comptroller and Auditor General
The Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
London
SW1W 9SP
Tel: 020 7798 7999
Website: www.nao.org.uk/contact-us/whistleblowing-disclosures/
- The independent charity Public Concern at Work on
Work Helpline: (020) 7404 6609
E-mail: whistle@pcaw.co.uk
Website: www.pcaw.co.uk
- ACAS
Helpline number: 0300 123 1100 Monday-Friday: 8am-8pm and Saturday 9am-1pm
Website: <http://www.acas.org.uk/index.aspx?articleid=1919>
- A Solicitor
- The Police
- Your Local Member of Parliament

If you raise concerns outside the Council you should ensure that it is to one of these contacts. A public disclosure to anyone else could take you outside the protection of the Public Disclosure Act and of this Policy. **When raising a concern externally remember to make it clear that you are raising the issue as a whistleblower; this gives you additional statutory rights.**

You should not disclose information that is confidential to the Council or to anyone else, except to those included in the list of contacts.

8. The Responsible Officer

- 8.1 The Monitoring Officer has overall responsibility for the maintenance and operation of this policy. This officer maintains a record of concerns raised and the outcomes (but in a form which does not endanger your confidentiality) and will report these to the Standards and Personnel Appeals Committee and the Audit Committee once a year. The Whistleblowing Policy will also be reviewed on bi-annual basis.

Report To:	AUDIT COMMITTEE	Date:	19 MARCH 2018
Heading:	ANTI-FRAUD AND CORRUPTION UPDATE		
Portfolio Holder:	N/A		
Ward/s:	N/A		
Key Decision:	NO		
Subject to Call-In:	NO		

Purpose of Report

To update the Committee in respect of improvement actions put in place in respect of the Council's approach to anti-fraud and corruption following the audit carried out by CMAP.

Recommendation(s)

The Committee is asked to

1. Note the progress made in respect of the improvement plan for the Council's approach to Anti-Fraud and Corruption; and
2. Consider the Fraud Risk Register attached to the report.

Reasons for Recommendation(s)

To ensure the Committee charged with overseeing the Council's approach to anti-fraud and corruption is updated in respect of the progress made in relation to the improvement plan following the CMAP audit.

Alternative Options Considered

(with reasons why not adopted)

No other options were considered.

Detailed Information

The Anti-Fraud and Corruption Audit

Responsibility for the management of the Council’s internal audit function passed as part of the recent Corporate Leadership Team restructure to the Director of Legal and Governance (Monitoring Officer). As part of the transition, the Director of Legal and Governance asked CMAP to carry out a baseline audit of the Council’s Anti-Fraud and Corruption measures particularly in light of recent changes to the Council’s internal audit provision, the housing management function returning to in-house provision, the transfer of the benefit fraud officers to DWP and the introduction of new CIPFA guidance relating to the Code of Corporate Governance.

CMAP finalised their Audit report in January 2018. CMAP was able to provide reasonable assurance as part of the audit as most of the areas reviewed were found to be adequately controlled, there were some systems requiring improvements, however. To this end, 13 recommendations were made and accepted.

The recommendations are set out below together with a progress update:

Action	Target date for completion	Progress Made
<p>1. We recommend that the Council review and update the Corporate Governance Code. The revised Code should then be made readily available to all.</p>	<p>31/01/2018</p>	<p>A new Local Code of Corporate Governance was presented and approved by the Audit Committee and Cabinet on 27 November 2017 and 30 November 2017 respectively.</p> <p>A new “Governance” section of the staff intranet has been developed. This Code has been published on the intranet for working group officers to review and provide feedback prior to launching to all employees shortly. The launch will be publicised to staff and all members of Extended Leadership Team/Aspiring Leadership Team will be briefed at their next meeting on 19 March 2018.</p>
<p>2. We recommend that the Council review and revise the Anti-Fraud Strategy to ensure it is in accordance with best practice.</p>	<p>31/01/2018</p>	<p>A new Anti-Fraud Strategy was presented and approved by the Audit Committee and Cabinet on 27 November 2017 and 30 November 2017 respectively.</p> <p>A new “Governance” section of the staff intranet has been developed. This Strategy has been published on the intranet for working group officers to review and provide feedback prior to launching to all</p>

		employees shortly. The launch will be publicised to staff and all members of Extended Leadership Team/Aspiring Leadership Team will be briefed at their next meeting on 19 March 2018.
3. We recommend that the Council implement a Fraud Risk register to identify and mitigate fraud risks.	30/03/2018	The register is attached for Committee's information and comment.
4. We recommend that the Whistleblowing Policy is updated and the latest version is made readily available. We also suggest that a process is put in place to ensure that the Policy is updated to reflect changes to staffing and that any revised Policies are made available, with old versions being removed from circulation. The Audit Committee should regularly monitor the Whistleblowing Policy.	30/03/2018	The Whistleblowing Policy has been revised and updated annually by the Monitoring Officer and reported to the Standards and Personnel Committee previously. In future this will also be presented to the Audit Committee. A revised policy and update on the use of the policy during the past twelve months appears on the agenda of this meeting and will be reported to Standards and Personnel Appeals Committee on 28 March 2018.
5. We recommend that management review and revise the Anti-Bribery and an Anti-Money Laundering Policy and ensure that both receive the necessary Member approval. Management should also ensure that both policies are made readily available to staff.	31/01/2018	<p>A new Anti-Bribery Policy and an Anti-Money Laundering Policy were presented and approved by the Audit Committee and Cabinet on 27 November 2017 and 30 November 2017 respectively.</p> <p>A new "Governance" section of the staff intranet has been developed. These policies have been published on the intranet for working group officers to review and provide feedback prior to launching to all employees shortly. The launch will be publicised to staff and all members of Extended Leadership Team/Aspiring Leadership Team will be briefed at their next meeting on 19 March 2018.</p>

<p>6. We recommended that the Council identifies an appropriate method for ensuring that all employees are trained in fraud awareness and that the intranet includes information on types of fraud, fraud risks, how to spot fraud and what to do if you suspect there is fraud.</p>	<p>30/03/2018</p>	<p>An online training module is being developed to roll out to all employees.</p> <p>More specialist training for specific employees is being identified eg, housing teams, revenues and benefits team, finance team, for rolling out as part of the training plan.</p> <p>Detailed information is contained in the new "Governance" section of the staff intranet which has been developed. The launch will be publicised to staff and all members of Extended Leadership Team/Aspiring Leadership Team will be briefed at their next meeting on 19 March 2018.</p>
<p>7. We recommend that the Council's Fraud Response Plan is reviewed and revised to ensure it is fit for purpose. The revised plan should then be formally approved and brought in to use.</p>	<p>31/01/2018</p>	<p>A new Fraud Response Plan was presented and approved by the Audit Committee and Cabinet on 27 November 2017 and 30 November 2017 respectively.</p> <p>A new "Governance" section of the staff intranet has been developed. This plan has been published on the intranet for working group officers to review and provide feedback prior to launching to all employees shortly. The launch will be publicised to staff and all members of Extended Leadership Team/Aspiring Leadership Team will be briefed at their next meeting on 19 March 2018.</p>
<p>8. We recommend that the Council consider utilising Council Tax enforcement powers by issuing Civil Penalties as and when necessary.</p>	<p>30/06/2018</p>	<p>Officers intend to produce a report for Cabinet in June 2018.</p>
<p>9. We recommend that the Council undertake on-going</p>	<p>30/04/2018</p>	<p>See comments below.</p>

data matching exercises utilising its internal data.		
10. We recommend that the Council's key contact assigns sufficient resources to the investigation of National Fraud Initiative (NFI) matches to ensure that all categories of matches identified by the process are reviewed, prioritised and investigated on a timely basis	30/04/2018	See comments below.
11. We recommend that the Council complete a fraud assessment on an annual basis to ensure its Anti-Fraud arrangements are adequate and robust.	31/12/2018	Future Action
12. We recommend that the purpose and make up of the Fraud Strategy Group be reconsidered and aligned with the Council's revised Anti-Fraud & Corruption Strategy. Appropriate Terms of Reference should be documented for the group and meetings should be suitably minuted	28/02/2018	The membership of the Anti-Fraud and Corruption Officer Working Group has been decided and new terms of reference have been agreed. The group is meeting on a monthly basis and notes are taken.
<p>13. We recommend that the Corporate Leadership Team and Audit Committee receive regular reports about fraud, which cover:</p> <ul style="list-style-type: none"> • Cases of identified or suspected frauds. • The outcomes of investigations and actions taken. • Anti-fraud activities undertaken. 	30/03/2018	<p>A report was submitted to the Corporate Leadership Team on 6 March 2018.</p> <p>This is the first report to the Audit Committee and future reports will provide more detailed updates in relation to the anti-fraud activity undertaken by the Council. Some of the activity currently undertaken is detailed below. The working group is looking at ways to record information across the Council in such a way as to provide more detailed information in future.</p>

NFI and Data Matching

A sub-group of the Anti-Fraud and Corruption Officer Working Group has been established specifically to consider and improve the Council's approach to the NFI exercise and data matching in general.

The sub-group met for the first time on 30 January 2018. It was clear from that meeting that following significant changes over the past couple of years there needs to be an improvement in the way the Council carries out its data matching activity and that this needs to include ensuring there is a clear corporate approach which is communicated to all relevant officers with an identified lead officer.

An action plan is being developed to:

- Baseline existing data matching and fraud identification and prevention checks undertaken
- Identify for NFI purposes – a corporate key contact officer and section contacts
- A process for sending data matches to the relevant section for assessment of matches and reporting to be overseen by the key contract officer
- Produce a plan for the future – identify good practice; identify improvements needed; explore the CMAP offer; identify investigation resource; identify resource levels and gaps
- Reporting to – Anti-Fraud and Corruption Officer Working Group, CLT and Audit Committee

Prevention and Detection of Benefit Fraud

Housing Benefit officers use several tools to prevent and identify potential fraud.

At Ashfield the benefit claimant is required to provide evidence to support the benefit claim and because we use a face to face approach to handling benefit claims this is considered to be the most effective way to prevent fraud entering the benefits system.

In addition, Benefit Officers also use tools such as the DWP's Customer Information System (CIS) which provides details of the claimant's other state benefits and tax credit income, and also HMRC's Real Time Information System (RTI) which provides real time earnings information from employment.

Housing Benefit Fraud Investigation

The investigation of suspected fraudulent Housing Benefit claims is now undertaken by the Department of Work and Pension's FES (Fraud and Error Service) investigation team on behalf of the Council.

Ashfield District Council Housing Benefit Officers who identify cases of suspected fraud are required to refer the case to the DWP using a process which has been documented within a signed Service Level Agreement between the Council and the DWP. DWP fraud officers liaise with ADC Benefit Officers to obtain relevant claim information to enable the case to be investigated. Upon completion of the investigation the DWP fraud officer will, if fraud is identified, recommend either a formal prosecution or as an alternative they can recommend an Administrative Penalty, where the claimant admits the fraud and accepts a financial penalty. Where the DWP find that someone has been found guilty of fraud previously then any subsequent cases will always be prosecuted.

We are working with DWP to obtain feedback in terms of cases referred to DWP for investigation as this is not currently provided in a timely manner, if at all.

Housing Management Anti-Fraud Measures

The Lettings Team is committed to making the best possible use of housing stock and ensuring that those in genuine housing need are accommodated in the Council's housing stock. The team conduct verification checks when an applicant first joins the Housing Register and more in-depth checks when a provisional offer of accommodation is made. The checks relate to the applicant's identification, household composition, income, capital and the reason for their rehousing. All prospective tenants are expected to attend a pre-tenancy interview when any issues can be raised. An offer of accommodation can be withdrawn if the applicant fails to provide the information requested or there is a discrepancy in what they have submitted.

The Tenancy Services Team take a pro-active approach to Fraud in undertaking occupancy checks (at various stages of the Tenancy), responding to and investigating any reports of Fraud and works in partnership with the Revenues Section and other agencies e.g. DWP to report any suspected benefit fraud.

Where tenancy changes are requested during a tenancy, identification and verification checks are undertaken before any changes can be considered/approved. Prompt action to terminate tenancies will be taken where tenancies have been obtained by the making of a false or misleading statement or where a property is found to be wholly sub-let.

A *Tenancy Policy* is in place. This outlines the commitment to tackling Tenancy fraud. A Tenancy Fraud Procedure has been developed. This procedure supports the *Tenancy Policy* and details the approach to tackling Tenancy Fraud. It also provides clear guidance to employees and describes how we will work with partners to take action.

Implications

Corporate Plan:

Transparent and Accountable

We will be open and transparent in our decision making. We will be trustworthy and honest in how we deal with our residents and be accountable to them for our actions. We will promote positive and respectful behaviour, treating people fairly and respectfully.

The Council has committed to ensuring effective community leadership, through good governance, transparency, accountability and appropriate behaviours.

Legal:

There are no significant legal issues regarding the content of the report or the recommendations.

Finance:

Finance is represented on the Anti-Fraud and Corruption Officers Working Group.

Budget Area	Implication
General Fund – Revenue Budget	The Revenue budget includes an amount of £10,000 for 2018/19 in order to fund Anti-Fraud measures.
General Fund – Capital Programme	
Housing Revenue Account – Revenue Budget	Page 145

Housing Revenue Account – Capital Programme	
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Risk:

Risk	Mitigation
Failing to implement the recommendations contained in the audit report may leave the Council at risk of not being able to effectively deter or detect fraudulent activity taking place.	New policies have been approved. Baseline Audit has been carried out to identify systems weakness Action plan to improve systems and processes has been put in place to deliver the 13 recommendations Anti-Fraud and Corruption Strategy Group to oversee implementation of the action plan has been established with a new terms of reference Fraud Risk Assessment exercise has been carried out and will continue to be reviewed on a regular basis Roll out of training is planned Publication of policies is underway

Human Resources:

There are no significant HR issues regarding the content of the report or the recommendations. There is a plan of work to ensure Managers and employees are aware of their roles and responsibilities in line with the new/ revised policies and that suitable training is available. Failure to adhere to the relevant policies, procedures and practices will be in breach of the Council's Code of Conduct and may result in disciplinary action being instigated.

Equalities:

(to be completed by the author)

The policies themselves do not highlight any equality issues. Any equalities issues will be identified as part of the implementation and addressed by the officer group. Individual fraud investigations would take account of equalities on a case by case basis.

Other Implications:

(if applicable)

None

Background Papers

(if applicable)

None.

Report Author and Contact Officer

Ruth Dennis

DIRECTOR OF LEGAL AND GOVERNANCE (MONITORING OFFICER)


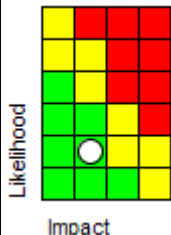
r.dennis@ashfield.gov.uk

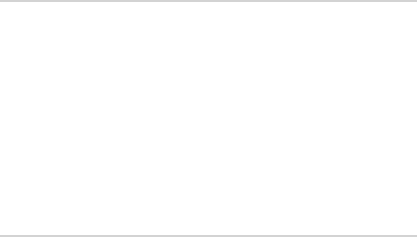
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Fraud Arrangements Risks


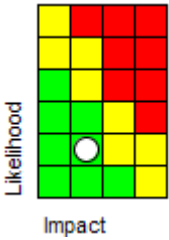
Report Type: Risks Report
Report Author: Alexia Massey
Generated on: 08 March 2018


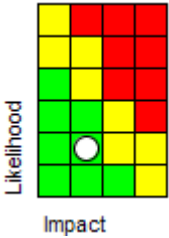
Page 147


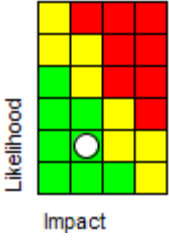
Risk Code	(ADC) FR001	Risk Title	Benefits Fraud – Claimant	Current Risk Status	
Risk Description	Claimant fraudulently claims benefits			Last Risk Review Date	05-Jan-2018
Current Risk Matrix		Mitigating Actions	Trained staff		
			Media coverage – forms, TV radio		
			Data matching / NFI		
			Internal Audit		
			Documentary evidence		
			Website		
			Reviews		
			Residency Visits		
		Assigned to	Emmy Hill; Diane Mitchell		
Current Risk Impact	2	Manager	Craig Bonar; Craig Scott		
Current Risk Likelihood	2	Latest Note	ADC's benefits service operates a face to face assessment of new claimants which is considered to be the best way to minimise the level of HB fraud entering the system. Many LA's have moved to digital benefit claims and self scanning of evidence (as is the case with the Government's Universal Credit system), whilst this is a more efficient way to process it also raises the opportunities for fraud. ADC's benefits service has access to HMRC's RTI (real time earnings information) system and to the DWP's CIS system (for state benefits and tax credits). All of this information is used		
Risk Score (Impact x Likelihood)	4				





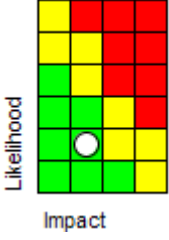
to ensure that HB claims are based upon true and accurate financial information which reduces errors and prevents fraud. ADC's Benefits service also works with the DWP on the "Right Benefit Initiative" which requires ADC to undertake additional RTI claim checks to identify errors and fraud. Any claims that appear to be fraudulent are referred to the DWP's FES team (Fraud and Error Service) for full investigation and possible prosecution.


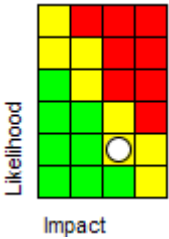
Risk Code	(ADC) FR002	Risk Title	Benefits Fraud – third party eg Landlord	Current Risk Status	
Risk Description	Fraudulent claim by third party			Last Risk Review Date	20-Dec-2017
Current Risk Matrix		Mitigating Actions	Trained staff		
			Media coverage – forms, TV radio		
			Data matching		
			Internal Audit		
			Supervisory checks		
			Documentary evidence / land registry search / checks for contrived tenancy		
			Website		
		Assigned to	Emmy Hill; Diane Mitchell		
Current Risk Impact	2	Manager	Craig Bonar; Craig Scott		
Current Risk Likelihood	2	Latest Note	ADC's Housing Benefit Service follows the DWP's HB Administration good practice guidance in the Administration of Housing Benefit. This includes the requirement for claimants and landlords to provide documentary evidence to support HB claims. Landlords have no ability to claim benefit directly, however, it is accepted that fictitious tenants can be created to claim benefits. This type of activity is difficult to undertake and the normal antifraud activities undertaken by ADC's Benefits Service are designed to try to prevent this type of fraudulent claim through the requirement that all claimants are seen face to face in order to claim benefit. All claims are then routinely checked against DWP records including CIS and RTI system which enable assessors to identify errors and to detect potential fraudulent activity. Any suspected fraudulent activity is then referred to the DWP's Fraud and Error Service (FES) for investigation by qualified fraud officers.		
Risk Score (Impact x Likelihood)	4				

Risk Code	(ADC) FR003	Risk Title	Benefits Fraud – Internal	Current Risk Status	
Risk Description	Fraudulent claim by member of staff			Last Risk Review Date	05-Jan-2018
Current Risk Matrix		Mitigating Actions	Recruitment checks		
			Data matching / NFI		
			Supervisory checks		
			System controls / restricted access		
			Audit trails		
			Internal audit		
		Assigned to	Emmy Hill; Diane Mitchell		
Current Risk Impact	2	Manager	Craig Bonar; Craig Scott		
Current Risk Likelihood	2	Latest Note	It is recognised that Benefit fraud by council employees is possible therefore for Housing Benefit staff the fraud prevention activity requires additional measures (over and above normal checks for most other ADC employees) to help reduce the risk. Enhanced employee checks are required under the Governments Baseline Personnel Security (BPSS)). This is required for all Housing Benefit assessors to enable them to perform their role. Other activity such as internal audits, work monitoring by management and senior officers and specific data matching checks (including NFI), are all designed to deter fraud and to identify fraud should any ADC employee attempt to claim benefit fraudulently. Any suspected fraudulent activity will be referred immediately to the DWP's FES team (fraud and error service) for investigation by qualified fraud investigation officers. If fraud is detected then prosecution will be considered in all cases.		
Risk Score (Impact x Likelihood)	4				


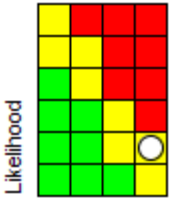
Risk Code	(ADC) FR004	Risk Title	Cash theft	Current Risk Status	
Risk Description	Theft of takings disguised by manipulation of accounts			Last Risk Review Date	20-Dec-2017
Current Risk Matrix		Mitigating Actions	Reconciliations		
			Supervisory checks		
			Policies and procedures		
			Financial regulations and guidance		
			Segregation of duties		
			Budgetary controls		
			Internal audit		
			Confidential reporting policy		
			Fraud & corruption strategy		
		Assigned to	Mike Brennan; Colin Heap; Emmy Hill		
Current Risk Impact	2	Manager	Craig Bonar; Sharon Lynch		
Current Risk Likelihood	2	Latest Note			
Risk Score (Impact x Likelihood)	4				

Risk Code	(ADC) FR005	Risk Title	Theft of cash without disguise	Current Risk Status	
Risk Description				Last Risk Review Date	20-Dec-2017
Current Risk Matrix		Mitigating Actions	Reconciliations		
			Supervisory checks		
			Policies and procedures		
			Financial regulations		
			Segregation of duties		
			Budgetary controls		
			Internal audit		
			Confidential reporting policy		
			Fraud & corruption strategy		
			Physical controls		
		Assigned to	Mike Brennan; Colin Heap; Emmy Hill		
Current Risk Impact	2	Manager	Craig Bonar; Sharon Lynch		
Current Risk Likelihood	2	Latest Note			
Risk Score (Impact x Likelihood)	4				

Risk Code	(ADC) FR006	Risk Title	Credit income	Current Risk Status	
Risk Description	Suppression of any notification of debt to be raised Improper write off Failing to institute recovery proceedings Switching/transferring arrears or manipulation of credit balances			Last Risk Review Date	20-Dec-2017
Current Risk Matrix		Mitigating Actions	Reconciliations		
			Budgetary controls		
			Internal audit		
			Write off policy		
			Authorisaton levels		
			Audit trail		
			Debt recovery procedures		
			Supervisory controls		
			Review of credit balances and suspense items		
			Assigned to	Sarah Wood	
Current Risk Impact	2	Manager	Craig Bonar; Craig Scott		
Current Risk Likelihood	2	Latest Note			
Risk Score (Impact x Likelihood)	4				


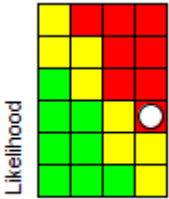
Risk Code	(ADC) FR007	Risk Title	Creditor payments	Current Risk Status	
Risk Description	Invoicing for goods/services not supplied/false invoices			Last Risk Review Date	20-Dec-2017
Current Risk Matrix		Mitigating Actions	Authorisation procedures		
			Reconciliations / Budget Monitoring		
			Audit trail		
			Segregation of duties		
			Financial regulations		
			Inventories / stock takes		
			Purchase Ordering from inception to completion		
		Assigned to	Mike Brennan; Colin Heap; Emmy Hill		
Current Risk Impact	3	Manager	Craig Bonar; Sharon Lynch		
Current Risk Likelihood	2	Latest Note			
Risk Score (Impact x Likelihood)	6				

Page 10 of 10


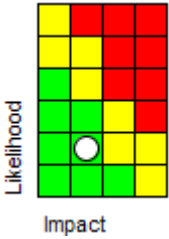
Risk Code	(ADC) FR008	Risk Title	Treasury Management	Current Risk Status	
Risk Description	Falsifying records to gain access to loan or investment monies			Last Risk Review Date	21-Feb-2018
Current Risk Matrix		Mitigating Actions	Management controls		
			Segregation of duties		
			Internal audit		
			Authorised signatories		
			Budgetary controls		
			Prefered/approved borrowers		
			Audit trail		
			Documented procedures		
		Assigned to	Mike Brennan; Colin Heap; Emmy Hill		
Current Risk Impact	4	Manager	Craig Bonar; Sharon Lynch		
Current Risk Likelihood	2	Latest Note			
Risk Score (Impact x Likelihood)	8				


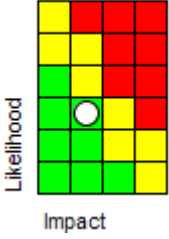
Risk Code	(ADC) FR009	Risk Title	Contracts/procurement	Current Risk Status	
Risk Description	Improper award of contracts			Last Risk Review Date	20-Dec-2017
Current Risk Matrix		Mitigating Actions	Financial regulations		
			Standing orders		
			Procurement specialist		
			OJEU regulations		
			Authorised signatories		
			Management controls		
			Segregation of duties		
			Tendering system		
		Assigned to	Ian Bailey; Justin Henry; Emmy Hill		
Current Risk Impact	4	Manager	Craig Bonar; Paul Parkinson		
Current Risk Likelihood	3	Latest Note			
Risk Score (Impact x Likelihood)	12				


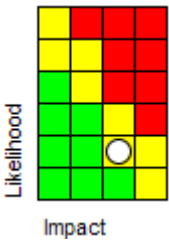
Risk Code	(ADC) FR010	Risk Title	Contracts/Procurement	Current Risk Status	
Risk Description	Contract not delivered properly Contractor overpaid			Last Risk Review Date	21-Dec-2017
Current Risk Matrix		Mitigating Actions	Contract conditions		
			Contract monitoring		
			Legal advice		
			Internal audit		
			Management Controls - Payment authorisation		
		Assigned to	Ian Bailey; Emmy Hill		
Current Risk Impact	4	Manager	Paul Parkinson		
Current Risk Likelihood	3	Latest Note			
Risk Score (Impact x Likelihood)	12				

Risk Code	(ADC) FR011	Risk Title	Contract/Procurement	Current Risk Status	
Risk Description	Collusion with contractors and/or acceptance of bribes			Last Risk Review Date	21-Dec-2017
Current Risk Matrix	 <p>Likelihood</p> <p>Impact</p>	Mitigating Actions	Authorised signatories		
			Management controls		
			Segregation of duties		
			Register of interests		
			Confidential reporting policy		
			Gifts and hospitality policy		
		Assigned to	Ian Bailey; Justin Henry; Emmy Hill		
Current Risk Impact	4	Manager	Craig Bonar; Paul Parkinson		
Current Risk Likelihood	3	Latest Note			
Risk Score (Impact x Likelihood)	12				

Risk Code	(ADC) FR012	Risk Title	Contracts/Procurement	Current Risk Status	
Risk Description	Collusion by tenderers			Last Risk Review Date	21-Dec-2017
Current Risk Matrix		Mitigating Actions	Benchmarking		
		Assigned to	Ian Bailey; Justin Henry; Emmy Hill		
Current Risk Impact	4	Manager	Craig Bonar; Paul Parkinson		
Current Risk Likelihood	4	Latest Note			
Risk Score (Impact x Likelihood)	16				


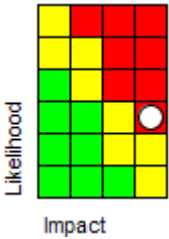
Risk Code	(ADC) FR013	Risk Title	Payroll	Current Risk Status	
Risk Description	Payment to non existent employees			Last Risk Review Date	21-Dec-2017
Current Risk Matrix		Mitigating Actions	Management checks		
			Establishment list		
			Budget monitoring		
			Segregation of duties		
			Data matching		
			Authorisation process		
		Assigned to	Karen Barke; Emmy Hill		
Current Risk Impact	2	Manager	Mariam Amos; Craig Bonar		
Current Risk Likelihood	2	Latest Note			
Risk Score (Impact x Likelihood)	4				


Risk Code	(ADC) FR014	Risk Title	Payroll	Current Risk Status	
Risk Description	Over claiming hours worked			Last Risk Review Date	21-Dec-2017
Current Risk Matrix		Mitigating Actions	Management checks		
			Budget monitoring		
			Authorisation process		
			Time records		
		Assigned to	Karen Barke; Emmy Hill		
Current Risk Impact	2	Manager	Mariam Amos		
Current Risk Likelihood	3	Latest Note			
Risk Score (Impact x Likelihood)	6				


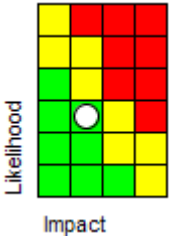
Risk Code	(ADC) FR015	Risk Title	Payroll	Current Risk Status	
Risk Description	Manipulation of standing data			Last Risk Review Date	21-Dec-2017
Current Risk Matrix		Mitigating Actions	System access controls		
			System administrator		
			Segregation of duties		
			Management controls		
			Internal audit		
		Assigned to	Karen Barke; Emmy Hill		
Current Risk Impact	3	Manager	Mariam Amos; Craig Bonar		
Current Risk Likelihood	2	Latest Note			
Risk Score (Impact x Likelihood)	6				


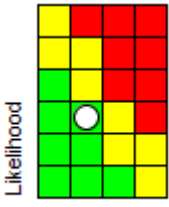
Risk Code	(ADC) FR016	Risk Title	Assets	Current Risk Status	
Risk Description	Theft of current assets			Last Risk Review Date	21-Dec-2017
Current Risk Matrix		Mitigating Actions	Stock checks		
			Restricted access		
			Segregation of duties		
			Inventories		
		Assigned to	Emmy Hill; Elaine Saxton		
Current Risk Impact	2	Manager	Paul Parkinson		
Current Risk Likelihood	3	Latest Note			
Risk Score (Impact x Likelihood)	6				


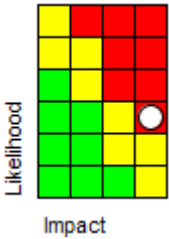
Risk Code	(ADC) FR017	Risk Title	Assets	Current Risk Status	
Risk Description	Theft of fixed assets			Last Risk Review Date	21-Dec-2017
Current Risk Matrix		Mitigating Actions	Restricted access		
			Asset tagging		
			Inventories		
			Staff awareness		
		Assigned to	Emmy Hill; Elaine Saxton		
Current Risk Impact	3	Manager	Paul Parkinson		
Current Risk Likelihood	3	Latest Note			
Risk Score (Impact x Likelihood)	9				

Risk Code	(ADC) FR018	Risk Title	Assets	Current Risk Status	
Risk Description	Theft of Council information/intellectual property			Last Risk Review Date	26-Jan-2018
Current Risk Matrix		Mitigating Actions	Encryption		
			Staff awareness		
			Passwords		
			Access controls		
			Restricted access to building		
			Security policy		
			ISO27001		
		Assigned to	Emmy Hill; Elaine Saxton; Andy Slate		
Current Risk Impact	4	Manager	Craig Bonar; Paul Parkinson		
Current Risk Likelihood	3	Latest Note			
Risk Score (Impact x Likelihood)	12				


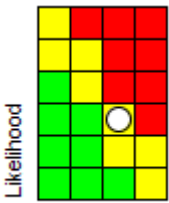
Risk Code	(ADC) FR019	Risk Title	Assets	Current Risk Status	
Risk Description	Improper use of Council assets for personal use			Last Risk Review Date	21-Dec-2017
Current Risk Matrix		Mitigating Actions	Register of interests		
			Financial guidance		
			Management controls		
			Induction process		
			Security policy		
			User reports e.g. internet, telephone		
		Assigned to	Emmy Hill; Elaine Saxton; Andy Slate		
Current Risk Impact	2	Manager	Craig Bonar; Paul Parkinson		
Current Risk Likelihood	4	Latest Note			
Risk Score (Impact x Likelihood)	8				


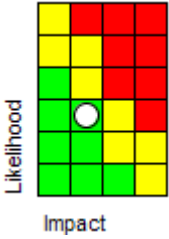
Risk Code	(ADC) FR020	Risk Title	Credit Cards	Current Risk Status	
Risk Description	Theft of takings disguised by manipulation or accounts			Last Risk Review Date	21-Feb-2018
Current Risk Matrix		Mitigating Actions	Segregation of duties		
			Management checks		
			Reconciliations		
			Authorised signatories		
			Regular submission of transactions		
			Statements from bank		
		Assigned to	Mike Brennan; Colin Heap; Emmy Hill		
Current Risk Impact	2	Manager	Craig Bonar; Sharon Lynch		
Current Risk Likelihood	3	Latest Note			
Risk Score (Impact x Likelihood)	6				


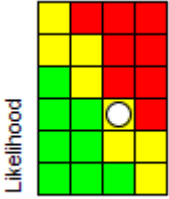
Risk Code	(ADC) FR022	Risk Title	Expenses claims	Current Risk Status	
Risk Description	Claiming expenses for journeys not undertaken Claiming for more miles than actually travelled			Last Risk Review Date	21-Dec-2017
Current Risk Matrix		Mitigating Actions	Management checks		
			Authorisation procedures		
			Internal audit		
		Assigned to	Karen Barke; Emmy Hill		
Current Risk Impact	2	Manager	Mariam Amos; Craig Bonar		
Current Risk Likelihood	3	Latest Note			
Risk Score (Impact x Likelihood)	6				


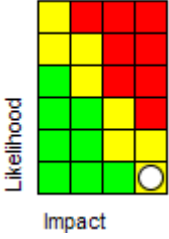
Risk Code	(ADC) FR023	Risk Title	Corruption	Current Risk Status	
Risk Description	Contracts – tendering, awarding and payments			Last Risk Review Date	21-Dec-2017
Current Risk Matrix		Mitigating Actions	Management checks – authorised signatories		
			Register of interests		
			Constitution – Contract Procedures		
			Procurement unit		
			Legislation		
			Tendering system		
			Standing orders/financial regulations		
		Assigned to	Ian Bailey; Justin Henry; Emmy Hill		
Current Risk Impact	4	Manager	Craig Bonar; Paul Parkinson		
Current Risk Likelihood	3	Latest Note			
Risk Score (Impact x Likelihood)	12				


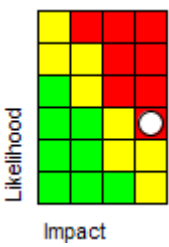
Risk Code	(ADC) FR024	Risk Title	Corruption	Current Risk Status	
Risk Description	Disposal of assets – land and property			Last Risk Review Date	21-Dec-2017
Current Risk Matrix		Mitigating Actions	Constitution		
			Asset management plan		
			Asset disposal policy		
			Asset register		
			Segregation of duties		
		Assigned to	Emmy Hill; Matthew Kirk; Elaine Saxton		
Current Risk Impact	3	Manager	Carol Cooper-Smith; Paul Parkinson		
Current Risk Likelihood	2	Latest Note			
Risk Score (Impact x Likelihood)	6				


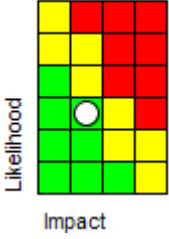
Risk Code	(ADC) FR025	Risk Title	Corruption	Current Risk Status	
Risk Description	Award of planning consents and licences			Last Risk Review Date	21-Dec-2017
Current Risk Matrix	 <p>Likelihood</p> <p>Impact</p>	Mitigating Actions	Planning approval process		
			Delegated powers		
			Delegated powers		
			Constitution		
			Legislation		
		Assigned to	Emmy Hill; Christine Sarris		
Current Risk Impact	3	Manager	Carol Cooper-Smith		
Current Risk Likelihood	3	Latest Note			
Risk Score (Impact x Likelihood)	9				


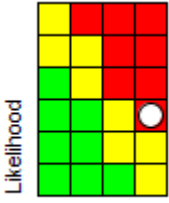
Risk Code	(ADC) FR026	Risk Title	Corruption	Current Risk Status	
Risk Description	Acceptance of gifts, hospitality, secondary employment			Last Risk Review Date	21-Dec-2017
Current Risk Matrix		Mitigating Actions	Gifts and hospitality policy		
			Gifts and hospitality register		
			NFI		
			Constitution		
			Contract of employment		
		Assigned to	Ruth Dennis; Emmy Hill		
Current Risk Impact	2	Manager	Ruth Dennis		
Current Risk Likelihood	3	Latest Note			
Risk Score (Impact x Likelihood)	6				

Risk Code	(ADC) FR027	Risk Title	Car parking	Current Risk Status	
Risk Description	Theft of takings disguised by manipulation of accounts Theft of taking without disguise Recycling of tickets			Last Risk Review Date	21-Dec-2017
Current Risk Matrix		Mitigating Actions	Budget monitoring		
		Assigned to	Audit trail		
Current Risk Impact	3		Manager	Reconciliations	
Current Risk Likelihood	3	Latest Note	Emmy Hill; Elaine Saxton		
Risk Score (Impact x Likelihood)	9		Paul Parkinson		


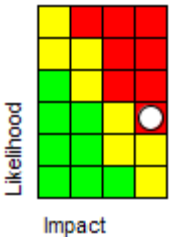
Risk Code	(ADC) FR028	Risk Title	Money laundering	Current Risk Status	
Risk Description	Using the Council to hide improper transactions			Last Risk Review Date	21-Feb-2018
Current Risk Matrix		Mitigating Actions	Raised awareness Money laundering policy Training for officers Upper limit for cash transactions		
		Assigned to	Mike Brennan; Colin Heap; Emmy Hill		
Current Risk Impact	4	Manager	Craig Bonar; Sharon Lynch		
Current Risk Likelihood	1	Latest Note			
Risk Score (Impact x Likelihood)	4				


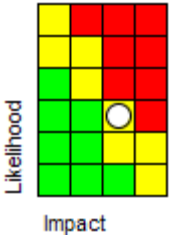
Risk Code	(ADC) FR029	Risk Title	ICT fraud & abuse	Current Risk Status	
Risk Description	Improper use of Council IT equipment			Last Risk Review Date	26-Jan-2018
Current Risk Matrix		Mitigating Actions	Internet use policy		
			Surf control		
			Access controls		
			Management reports on internet usage		
			Software audit policy		
		Assigned to	Emmy Hill; Andy Slate		
Current Risk Impact	4	Manager	Craig Bonar		
Current Risk Likelihood	3	Latest Note			
Risk Score (Impact x Likelihood)	12				


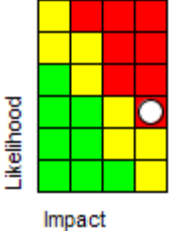
Risk Code	(ADC) FR030	Risk Title	Employee – General	Current Risk Status	
Risk Description	Abuse of flexi system			Last Risk Review Date	21-Dec-2017
Current Risk Matrix		Mitigating Actions	Flexible working policy		
			Management checks		
			Time recording sheets		
			Flexi records		
		Assigned to	Karen Barke; Emmy Hill		
Current Risk Impact	2	Manager	Mariam Amos; Craig Bonar		
Current Risk Likelihood	3	Latest Note			
Risk Score (Impact x Likelihood)	6				


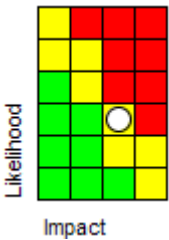
Risk Code	(ADC) FR031	Risk Title	Payment of grants to the public	Current Risk Status	
Risk Description	Claiming of properties which are not owned Claimants understating income Overclaiming the value of the work done			Last Risk Review Date	21-Dec-2017
Current Risk Matrix		Mitigating Actions	Grant criteria		
			Grant assessments		
			Land registry checks		
			Quotes for work		
			Segregation of duties		
			Inspections		
			Management checks		
		Assigned to	Emmy Hill; Phil Warrington		
Current Risk Impact	4	Manager	Paul Parkinson		
Current Risk Likelihood	3	Latest Note			
Risk Score (Impact x Likelihood)	12				


Risk Code	(ADC) FR032	Risk Title	Insurance claims	Current Risk Status	
Risk Description	Claiming for non existent injuries Claiming at another establishment for the same injury Overclaiming			Last Risk Review Date	21-Dec-2017
Current Risk Matrix		Mitigating Actions	Insurance companies		
			Claim forms		
			NFI		
			Insurance Procedures		
		Assigned to	Colin Heap; Emmy Hill; Sarah Slinn		
Current Risk Impact	3	Manager	Craig Bonar; Sharon Lynch		
Current Risk Likelihood	3	Latest Note			
Risk Score (Impact x Likelihood)	9				


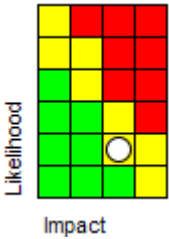
Risk Code	(ADC) FR033	Risk Title	Loans investments	Current Risk Status	
Risk Description	Misappropriation of funds Fraudulent payment of investment funds			Last Risk Review Date	21-Dec-2017
Current Risk Matrix		Mitigating Actions	Written procedures		
			Segregation of duties		
			Authorisation process		
			Counterparty listing		
			Reconciliations		
			Treasury management policy		
			Treasury management strategy		
			Access controls		
			Internal Audit		
		Assigned to	Mike Brennan; Colin Heap; Emmy Hill; Sarah Slinn		
Current Risk Impact	4	Manager	Craig Bonar; Sharon Lynch		
Current Risk Likelihood	3	Latest Note			
Risk Score (Impact x Likelihood)	12				

Risk Code	(ADC) FR034	Risk Title	Council Tax & NNDR	Current Risk Status	
Risk Description	Fictitious refunds Duplicate bank accounts Intercepting income Suppressing arrears Exemptions/discounts awarded incorrectly Exemptions/discounts claimed fraudulently 3rd party collections stolen/misappropriated		Last Risk Review Date	07-Feb-2018	
Current Risk Matrix		Mitigating Actions	System access controls / restricted access		
			Management / Supervisory checks		
			Authorisation processes		
			Reconciliations		
			NFI		
			Review of suppressed recovery actions (inhibits, withdrawal of summonses)		
		Assigned to	Emmy Hill; Diane Mitchell		
Current Risk Impact	3	Manager	Craig Scott		
Current Risk Likelihood	3	Latest Note	All of the potential risks listed are inherent within the normal administration of council tax and business rates. Controls are in place to deter fraudulent activity and these controls and checks are designed to make fraudulent activity difficult without fear of detection. Regular system and process audits are undertaken to ensure that appropriate management controls exist and that they are being properly administered. It also ensures that the required division of duties and responsibilities within key processes will make fraudulent activity more difficult and more likely to be detected.		
Risk Score (Impact x Likelihood)	9				


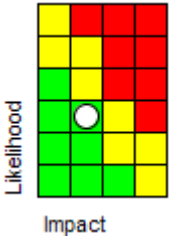
Risk Code	(ADC) FR035	Risk Title	Regeneration development corruption	Current Risk Status	
Risk Description	Developer awarded contracts for financial incentive Inducements for the granting of planning consents Contract granted to developer as a reduced price in exchange for cash payments to officers and members Corrupt Payments to reduce restraints on developer			Last Risk Review Date	21-Dec-2017
Current Risk Matrix		Mitigating Actions	Business cases		
			Project teams		
			Declaration interests		
			Minutes of meetings		
			Whistleblowing Policy		
		Assigned to	Emmy Hill; Paul Thomas		
Current Risk Impact	4	Manager	Carol Cooper-Smith		
Current Risk Likelihood	3	Latest Note			
Risk Score (Impact x Likelihood)	12				

Risk Code	(ADC) FR036	Risk Title	Housing allocations	Current Risk Status	
Risk Description	Housing allocated for financial reward / Fraudulent allocation of property or Tenancy Change Fraudulent allocation of property			Last Risk Review Date	01-Mar-2018
Current Risk Matrix		Mitigating Actions	Seperation of duties Housing register Management checks Declaration of interests Procedures in place		
Current Risk Impact	3	Assigned to	Emmy Hill; Nicky Moss; Phil Warrington		
Current Risk Likelihood	3	Manager	Paul Parkinson		
Risk Score (Impact x Likelihood)	9	Latest Note	There are adequate controls to manage this risk. Audits are carried out on both the Tenancy Services and Supported Housing Section and Lettings and Strategy Section to monitor the controls in place.		

Risk Code	(ADC) FR037	Risk Title	Elections	Current Risk Status	
Risk Description	Fraudulent votings Fraudulent acts by canvassers			Last Risk Review Date	21-Feb-2018
Current Risk Matrix		Mitigating Actions	Supervisory roles at counts		
			Postal votes counts supervised		
			Access controls		
			Ballot box controls		
			Ballot paper account		
			Insurance		
			Pre employment checks		
			Supervisory checks		
		Assigned to	Ian Dobson; Emmy Hill		
Current Risk Impact	4	Manager	Ruth Dennis		
Current Risk Likelihood	3	Latest Note			
Risk Score (Impact x Likelihood)	12				

Risk Code	(ADC) FR038	Risk Title	Financial statements	Current Risk Status	
Risk Description	The financial statements may be materially mis-stated due to fraud			Last Risk Review Date	21-Dec-2017
Current Risk Matrix		Mitigating Actions	Internal Audit		
			Financial Regulations		
			Segregation of duties		
			External Audit		
			CIPFA code of practice		
			Professional / Experienced staff		
			Audit committee		
		Assigned to	Mike Brennan; Colin Heap; Emmy Hill; Sarah Slinn		
Current Risk Impact	3	Manager	Craig Bonar; Sharon Lynch		
Current Risk Likelihood	2	Latest Note			
Risk Score (Impact x Likelihood)	6				

Page 109

Risk Code	(ADC) FR039	Risk Title	Tenant Participation	Current Risk Status	
Risk Description	Tenant Fraud resulting in misuse of resources			Last Risk Review Date	01-Mar-2018
Current Risk Matrix		Mitigating Actions	Tenant Training		
			Verification of accounts by Finance		
			Funding Agreement		
			Officer Support		
			Managers attend Gateway meetings		
			Code of conduct in place for tenants		
		Assigned to	Emmy Hill; Nicky Moss		
Current Risk Impact	2	Manager	Paul Parkinson		
Current Risk Likelihood	3	Latest Note	All the controls are in place to manage this risk.		
Risk Score (Impact x Likelihood)	6		This risk is low due to there being only 2 groups currently applying for grant funding.		

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