

ASHFIELD DISTRICT COUNCIL



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

Agenda

Audit Committee

Date: **Tuesday, 24th July, 2018**

Time: **7.00 pm**

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

For any further information please contact:

Lynn Cain

l.cain@ashfield.gov.uk

01623 457317

(Please note an 'Ashfield District Council Local Government Pension Scheme' presentation will be taking place in the Committee Room at 5.30 p.m. prior to commencement of this meeting and all Members are welcome to attend.)

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

AUDIT COMMITTEE

Membership

Chairman: Councillor Kevin Rostance

Councillors:

Rachel Bissett

Steve Carroll

Rachel Madden

Tony Brewer

Jackie James

Paul Roberts

FILMING/AUDIO RECORDING NOTICE

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

SUMMONS

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



R. Mitchell
Chief Executive

AGENDA

Page

1. To receive apologies for absence, if any.
2. **Declarations of Disclosable Pecuniary or Personal Interests and Non Disclosable Pecuniary/Other Interests.**
3. To receive and approve as a correct record the minutes of the meeting of the Committee held on 19th March, 2018. 5 - 10
4. **Presentation by the Interim Corporate Finance Manager (and Section 151 Officer) - Statement of Accounts 2017/18.**
5. **Audited Statement of Accounts 2017/18 including Letter of Representation.** 11 - 22
6. **KPMG: External Audit ISA260 Report 2017/18.** 23 - 62
7. **Internal Audit Annual Report 2017/18.** 63 - 76
8. **Audit Progress Report.** 77 - 94

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AUDIT COMMITTEE

**Meeting held in the Committee Room, Council Offices, Urban Road, Kirkby-in-Ashfield,
on Monday, 19th March, 2018 at 6.30 pm**

Present: Councillor Kevin Rostance in the Chair;

Councillors Chris Baron, Rachel Bissett,
David Griffiths, Paul Roberts, Robert Sears-
Piccavey and John Wilmott.

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

In Attendance: John Cornett, Mandy Marples (CMAP) and
Hannah McDonald (CMAP).

AC.20 Declarations of Disclosable Pecuniary or Personal Interests and Non Disclosable Pecuniary/Other Interests

No declarations of interest were made.

AC.21 Minutes

RESOLVED

that the minutes of the meeting of the Committee held on 27th November,
2017, be received and approved as a correct record.

(During consideration of this item, Councillor Robert Sears-Piccavey entered
the meeting at 6.32 p.m.)

AC.22 KPMG: Annual Report on Grants and Returns 2016/17

John Cornett, KPMG Director, presented the report which summarised the
results of the work undertaken on the certification of the Council's 2016/17
grant claims and returns.

During 2016/17, certification work was carried out on two returns, namely
Housing Benefit Subsidy and Pooling of Housing Capital Receipts. There were
no issues with the Pooling of Housing Capital Receipts which received an
unqualified assurance report.

The Housing Benefit Subsidy Claim received a qualified assurance report due
to a number of errors found during the sample testing of Rent Allowances and
Rent Rebates. However, the errors were not significant and additional work
had been suggested to the Council to review the errors and consider additional
quality control arrangements to address the issues in the future.

The total cost for the Pooling of Housing Capital Receipts and the Housing Benefit Subsidy returns was £18,646.

RESOLVED

that the Certification of Grants and Returns for 2016/17, as presented to the Committee, be received and noted.

AC.23 KPMG: External Audit Plan 2017/18

John Cornett presented the External Audit Plan for 2017/18 to Committee.

Members were advised that apart from the advancement of the deadline for the production and signing off of financial statements, there were no significant changes to the Code of Practice on Local Authority Accounting for 2017/18 which should provide some stability in terms of the accounting standards that the Authority needed to comply with.

Two standard audit risks in relation to Fraudulent Income Recognition and Management Override of Controls would be considered including three further significant risks requiring specific attention, namely Valuation of Property, Plant and Equipment, Pension Liabilities and Faster Close.

Members were advised that KPMG could see no particular reason why the Council would not be able to meet the new deadlines for completion of their financial statements and materiality had been set for planning purposes at £1.2m.

In relation to the Value for Money (VFM) risk assessment, two significant risks had been identified in relation to Financial Resilience and Investment Properties.

Committee were asked to note that the KPMG team carrying out the audit would be the same as for the previous year with a fee of £56,036 which had not seen an increase from the 2016/17 audit costs.

Members took the opportunity to ask questions and debate the content of the External Audit Plan including methods for valuing assets, the implications of MRP on the Council's investment properties and the differences between external and internal borrowing.

RESOLVED

that the External Audit Plan for 2017/18, as presented to Committee, be received and noted.

AC.24 Pension Assumptions for 2017/18 Statement of Accounts

The Corporate Finance Manager (and Section 151 Officer) presented the report and explained the purpose of the IAS19 (International Accounting Standards) and what assumptions had been made by the Pension Fund Actuary as outlined in the briefing note.

It was acknowledged by the Committee that the Council had some scope for tweaking the assumptions if it felt necessary and for this financial year the Council had asked for an assumption to be made that the employee pay increase would be at 2% rather than 1% as in previous years.

The net pension liability for the Council as at 31 March 2017, had been calculated at £104.262m but it was acknowledged that the overall net liability changed each financial year based on actual performance of the fund and any differing assumptions as prepared by Nottinghamshire County Council's Pension Fund Schemes' Actuary, Barnett Waddingham.

RESOLVED

that having taken account of the Actuary's briefing note as appended to the report and the comments made in the Committee report, the IAS19 assumptions be agreed as the basis for the calculation of the figures required for the 2017/18 Statement of Accounts.

Reason:

It is best practice that the actuarial assumptions intended to be used in preparing the IAS19 figures within the Accounts are considered prior to their application and use in the compilation of the actuary's report. As such this report delivers the Council's obligations as part of the closure of the 2017/18 Statement of Accounts.

AC.25 Accounting Policies 2017/18 and other Statement of Account Matters

(Following introduction of this item, Councillor David Griffiths declared a Non Disclosable Pecuniary/Other Interest in relation to his current position as Chairman of the Ashfield Homes Board. His interest was such that he stayed in the meeting and took part in the discussion and voting thereon).

The Corporate Finance Manager (and Section 151 Officer) presented the report and requested Committee Members to consider the accounting policies that the Council were proposing to adopt for the current financial year in the preparation of their Statement of Accounts for 2017/18.

As part of the annual review, Council had undertaken an assessment of all the accounting policies previously agreed to check their continued relevance, clarity, legislative compliance and accordance with the latest version of the code of practice and IFRS requirements. All proposed changes were minor in nature apart from the note regarding Investment Properties due to the Council's change in position following their acquisitions in 2017/18.

The Chartered Institute of Public Finance and Accountancy (CIPFA) had recently issued a Financial Statement Bulletin relating to 2017/18. No material changes in accounting practice had been identified at this stage but this position would be continually kept under review during the production of the statements.

RESOLVED

that the Accounting Policies, as appended to the report, be approved.

Reason:

To comply with statutory and constitutional requirements.

AC.26 Internal Audit Plan 2018/19 and Audit Charter

Mandy Marples, CMAP Audit Manager, presented the report and took Members through a short presentation explaining the process for selecting audit reviews which was based upon consultation with the Council's management team and using the Council's risk registers and CMAP's bespoke risk assessment model. Each risk was assessed against 8 measures (4 impact based and 4 likelihood based) and awarded a suitable rating which formed the overall plan. For 2018/19, a risk assessment of 12 high risk areas, 67 medium risk areas and 1 low risk area had been identified and agreed with the Corporate Leadership Team (CLT).

Members considered the proposed Audit Plan for 2018/19 and took the opportunity to ask questions and debate the issue.

The Audit Charter was also presented to Committee and Member's acknowledged that the purpose of the internal audit service, provided by CMAP, was to provide independent, objective assurance and consulting services designed to add value and improve the Council's operations.

RESOLVED

that the content of the Audit Plan for 2018/19, as presented, be received and approved.

AC.27 Audit Progress Report

Mandy Marples presented the report and summarised audit progress between 1st November, 2017 and 28th February, 2018 with 7 assignments having reached their conclusion during this period. Since publication of the agenda, a further report in relation to Gas Safety had been finalised and the ICT Performance Management assignment had been submitted in draft for consideration.

Members were given a brief synopsis of the outcomes of each of the 7 assignments and it was acknowledged by the Committee that 2 of the assignments (Depot Income and Markets) had only received limited assurance. Members also considered the recommendation tracker and a short discussion was undertaken regarding possible solutions for ensuring the deadline dates for implementation of actions were met.

Committee welcomed the fact that 81% of the Plan had been completed and that CMAP were on track to meet their delivery projections for completing the Plan by the end of the 2017/18 financial year.

RESOLVED

that audit assignment progress between 1st November, 2017 and 28th February, 2018, as presented to Committee, be received and noted.

Reason:

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

AC.28 Whistleblowing Policy Update

The Director of Legal and Governance (and Monitoring Officer) presented the report and provided Members with an update as to the operation of the Whistleblowing Policy over the preceding 12 months. Previous updates had been reported to the Standards and Personnel Appeals Committee but following the Anti-Fraud and Corruption audit review, it had been recommended that the Whistleblowing Policy update be additionally reported to the Audit Committee every twelve months.

Members were given a brief synopsis of the three whistleblowing allegations that had been received during 2017/18 and accepted that there would be some minor changes to the Whistleblowing Policy and the Council's Constitution to reflect the additional reporting mechanism to the Audit Committee.

RESOLVED that

- a) the amended Whistleblowing Policy, as appended to the report, be approved;
- b) the update as to the operation of the Whistleblowing Policy over the preceding 12 months, be received and noted.

Reason:

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

(During consideration of this item, Councillor Chris Baron left the room at 8.10 p.m. and returned to the meeting at 8.12 p.m.)

AC.29 Anti-Fraud and Corruption Update

The Director of Legal and Governance (and Monitoring Officer) presented the report and reminded Members that following the transfer of responsibility for management of the Council's internal audit function to the Governance Directorate (as part of the Corporate Leadership Team restructure), a baseline review of the Council's Anti-Fraud and Corruption measures to be undertaken by CMAP had been requested.

Following finalisation of the review in January 2018, 13 recommendations had been made to suggest improvements to the function and significant progress had been made to address the issues as indicated. Various Anti-Fraud and Corruption policies had been updated and approved and these had been placed on the Council's intranet to ensure the content of these policies were more easily communicated to staff. The policies would shortly be made available to members of the public via the Council's website.

A training programme was being considered which included an online training tool which could be rolled out to staff within the Authority. An Anti-Fraud and Corruption Working Group had also been established that was meeting regularly and were currently improving the format of the Council's Risk Registers. Officers were able to contribute and update the Register through the Pentana system thus ensuring the document remained up to date and fit for purpose.

A further piece of work would be commencing imminently in relation to data-matching and any outcomes from this would be reported to the Committee in due course.

RESOLVED that

- a) the progress made in respect of the improvement plan for the Council's approach to Anti-Fraud and Corruption be welcomed;
- b) the Fraud Risk Register, as presented, be received and noted.

Reason:

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

(During consideration of this item, Councillors John Wilmott and Robert Sears-Piccavey left the room at 8.30 p.m. and 8.31 p.m. and returned to the meeting at 8.31 p.m. and 8.34 p.m. respectively.)

The meeting closed at 8.35 pm

Chairman.

Report To:	Audit Committee	Date:	24th July 2018
Heading:	AUDITED STATEMENT OF ACCOUNTS 2017/18		
Portfolio Holder:	N/A		
Ward/s:	N/A		
Key Decision:	No		
Subject to Call-In:	No		

Purpose of Report

This report provides the Audit Committee with the outcome of the external audit of the Council's Statement of Accounts for the financial year 2017/18 and to seek approval of the Statement. Subject to approval of the Statement by the Audit Committee, a copy of the audited accounts will be placed on the Council's website.

Recommendation(s)

- 1. That the findings of the Statement of Accounts audit are approved.**
- 2. That the audited Statement of Accounts for 2017/18 including the Annual Governance Statement are approved together with the associated Letter of Representation.**

Reasons for Recommendation(s)

To comply with statutory and constitutional requirements.

Alternative Options Considered

(with reasons why not adopted)

There are no alternative options.

Detailed Information

Once approved, the audited Statement of Accounts for 2017/18 will be placed on the Council's website. The Letter of Representation follows this report. The unaudited Statement of Accounts is available on the Council's website via the following link:

<https://www.ashfield.gov.uk/media/4385/statement-of-accounts-2017-18-final-unaudited-310518-with-signatoriesdocx.pdf>

Amendments to the Statement of Accounts 2017/18

The audit resulted in some minor presentational changes being made to the accounts which required changes to Notes of the Accounts only. These changes had no impact on any of the primary financial statements i.e. Expenditure & Funding Analysis (EFA), Comprehensive Income & Expenditure Statement (CIES), Balance Sheet and Movement in Reserves Statement.

The changes made are as follows:

Statement of Accounting Policies

Minor wording changes were made to the Accounting Policies Notes; (3) Cash & Cash Equivalents, (15a) Operating Leases, (17) Property, Plant & Equipment and (23) Collection Fund to ensure they were in line with the Code of Practice on Local Authority Accounting in the UK (2017/18).

Financial Instruments

The Financial Instruments Table for long term liabilities included some short term loans which had to be reclassified.

Tangible Non Current Asset Valuations (Note 13)

In accordance with the CIPFA code the Property, Plant and Equipment revaluation table was restated to be shown on a cost rather than net book value basis.

Unadjusted Audit Differences

No material misstatements were identified during the audit. One immaterial audit difference was identified at a value of £41k in respect of Property, Plant and Equipment. This has not been corrected in the 2017/18 accounts and does not impact on the primary financial statements. The net book value of property, plant and equipment would remain the same, however the depreciation and impairment, and the gross book value would both increase by £41k.

Additional Information added to the 'Narrative Report'

The Trade Union (Facility Time Publication Requirements) Regulations 2017 requires a disclosure on the Council's website by the 31st July in respect of Trade Union Facility Time. At the suggestion of the External Auditors it was considered to be appropriate to include this information within the Narrative Report section of the Statement of Accounts. The following wording has therefore now been included:

There were 17 relevant trade union officials during 2017/18, all of whom spent between and 1% – 50% of their working hours on facility time. The cost of this represents 0% (0.00098%) of the total pay bill.

Time spent on paid trade union activities, as a percentage of total paid facility time hours was 0%.

Implications

Corporate Plan:

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

Legal:

This report enables the Council to present for approval the audited Statement of Accounts by 31st July 2018 in accordance with statute.

Finance:

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

Risk:

Risk	Mitigation

Human Resources:

N/A

Equalities:

N/A

Other Implications:

None

Reason(s) for Urgency

N/A

Reason(s) for Exemption

N/A

Background Papers

Statement of Accounts 2017/18
Draft ISA260 Report 2017/18

Report Author and Contact Officer

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01623 457362

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Contact: Mr. Peter Hudson
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Our Ref: PH/LOR
Your Ref:
Date: 24th July, 2018

Dear John,

This representation letter is provided in connection with your audit of the financial statements of *Ashfield District Council* ("the Authority"), for the year ended 31 March 2018, for the purpose of expressing an opinion:

- i. as to whether these financial statements give a true and fair view of the financial position of the Authority as at 31 March 2018 and of the Authority's expenditure and income for the year then ended; and
- ii. whether the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

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

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

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

Financial statements

1. The Authority has fulfilled its responsibilities, as set out in the Accounts and Audit Regulations 2015, for the preparation of financial statements that:
 - i. give a true and fair view of the financial position of the Authority as at 31 March 2018 and of the Authority's expenditure and income for the year then ended;
 - ii. have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

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

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Tel: 01623 450000 **Fax:** 01623 457006 **Web:** www.ashfield.gov.uk

If reasonable adjustments are needed to fully engage with the Authority - contact **01623 450000**

2. Measurement methods and significant assumptions used by the Authority in making accounting estimates, including those measured at fair value, are reasonable.
3. All events subsequent to the date of the financial statements and for which IAS 10 *Events after the reporting period* requires adjustment or disclosure have been adjusted or disclosed.
4. The effects of uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to this representation letter.

Information provided

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

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

7. The Authority confirms the following:

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

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

8. The Authority has disclosed to you all information in relation to:
 - a) Fraud or suspected fraud that it is aware of and that affects the Authority and involves:
 - management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements; and
 - b) allegations of fraud, or suspected fraud, affecting the Authority's financial statements communicated by employees, former employees, analysts, regulators or others.

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

9. The Authority has disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
10. The Authority has disclosed to you and has appropriately accounted for and/or disclosed in the financial statements, in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.
11. The Authority has disclosed to you the identity of the Authority's related parties and all the related party relationships and transactions of which it is aware. All related party relationships and transactions have been appropriately accounted for and disclosed in accordance with IAS 24 *Related Party Disclosures*.

Included in the Appendix to this letter are the definitions of both a related party and a related party transaction as we understand them as defined in IAS 24 and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

12. The Authority confirms that:
 - a) The financial statements disclose all of the key risk factors, assumptions made and uncertainties surrounding the Authority's ability to continue as a going concern as required to provide a true and fair view.
 - b) Any uncertainties disclosed are not considered to be material and therefore do not cast significant doubt on the ability of the Authority to continue as a going concern.
13. On the basis of the process established by the Authority and having made appropriate enquiries, the Authority is satisfied that the actuarial assumptions underlying the valuation of defined benefit obligations are consistent with its knowledge of the business and are in accordance with the requirements of IAS 19 (Revised) *Employee Benefits*.

The Authority further confirms that:

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

have been identified and properly accounted for; and

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

This letter was tabled and agreed at the meeting of the Audit Committee on 24th July, 2018.

Yours faithfully,

Chairman of the Audit Committee

Chief Financial Officer

Appendix to the Authority Representation Letter of Ashfield District Council: Definitions

Financial Statements

A complete set of financial statements comprises:

- A Comprehensive Income and Expenditure Statement for the period;
- A Balance Sheet as at the end of the period;
- A Movement in Reserves Statement for the period;
- A Cash Flow Statement for the period; and
- Notes, comprising a summary of significant accounting policies and other explanatory information and the Expenditure and Funding Analysis.

A local authority is required to present group accounts in addition to its single entity accounts where required by chapter nine of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

A housing authority must present:

- a HRA Income and Expenditure Statement; and
- a Movement on the Housing Revenue Account Statement.

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

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

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

Material Matters

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

IAS 1.7 and IAS 8.5 state that:

“Material omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor.”

Fraud

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

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

Error

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

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

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

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

Management

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

Related Party and Related Party Transaction

Related party:

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

- a) A person or a close member of that person's family is related to a reporting entity if that person:
 - i. has control or joint control over the reporting entity;
 - ii. has significant influence over the reporting entity; or
 - iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- b) An entity is related to a reporting entity if any of the following conditions applies:
 - i. The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - ii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

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

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

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

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

Related party transaction:

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

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External Audit ISA260 Report 2017/18

**Ashfield District
Council**

—

July 2018

Summary for Audit Committee

This document summarises the key findings in relation to our 2017/18 external audit at Ashfield District Council ('the Authority').

This report covers both our on-site work which was completed in February 2018 and June 2018 on the Authority's significant risk areas, as well as other areas of your financial statements, and the control environment in place to support the production of timely and accurate financial statements.

Controls over key financial systems and IT control environment

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

We have no matters to bring to your attention.

Accounts production

We received a complete set of accounts for audit on 31 May 2018, which is the statutory deadline.

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

Financial statements

Subject to all outstanding queries being resolved to our satisfaction we anticipate issuing an unqualified audit opinion on the Authority's financial statements before the deadline of 31 July 2018.

Based upon our initial assessment of risks to the financial statements (as reporting to you in our *External Audit Plan 2017/18* and updated during our audit) we identified the following significant risks (excluding those mandated by International Standards on Auditing) – see Page 11:

- **Valuation of PPE** - We reviewed the approach that the Authority adopted to assess the risk that assets not subject to valuation were materially misstated and considered the robustness of that approach.
- **Pensions Liabilities** - As part of our work we reviewed the controls that the Authority has in place over the information sent directly to the Scheme Actuary. We also liaised 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 included consideration of the process and controls with respect to the assumptions used in the valuation. We also evaluated the competency, objectivity and independence of the Scheme Actuary (Barnett Waddingham).
- **Faster Close Out** - We were pleased to note despite the changes in senior staff in the Finance team the quality of the working papers have improved compared to prior years.
- There are no matters from our work which we need to draw to your attention.

We have not identified any material audit adjustments that result in net movement in the reported deficit on provision of services.

Summary for Audit & Governance Committee (cont.)

Financial statements

Based on our work, we have raised 2 recommendations. Details of our recommendations can be found in Appendix 1.

We are now in the completion stage of the audit and anticipate issuing our completion certificate and Annual Audit Letter in August 2018.

Completion

At the date of this report our audit of the financial statements is substantially complete subject to the following areas:

- Audit procedures in relation to IAS 19 (Pensions disclosures);
- Completion of work on investments;
- Addressing any residual audit queries arising from our completion procedures;
- General audit file completion and review procedures;
- Final review of amended accounts; and
- Final audit Director review.

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

Value for money arrangements

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

We therefore anticipate issuing an unqualified value for money opinion.

We set out our assessment of those areas requiring additional risk based work in our External Audit Plan 2017/18 and have updated this assessment during our interim visit. As a result of this we have identified the following significant VFM audit risks:

- **Financial Resilience** - For the year ending 31 March 2018, the Authority has reported a surplus of £185k after taking a contribution from Earmarked Reserves of £371k. This compares favourably to a planned withdrawal from reserves of £1.38m; and
- **Investment Properties** - The Authority invested £15.1m in commercial properties in 2017-18 with an approval to invest a further £9.9m in 2018-19. These are expected to generate an income of £1m in 2018-19 helping the Authority to set a balanced budget.
See further details on page 20.

The financial statements of the Authority have been prepared on a going concern basis. We noted, at the year end, the Authority's current liabilities exceeded the current assets by £6.2m which presents a risk of going concern. However, we have confirmed that the position of the authority has improved since the year end, with a net current assets balance of £3.4m as at 30 June 2018. We have raised a recommendation in relation to this matter in Appendix 1.

Summary for Audit & Governance Committee (cont.)

Exercising of audit powers

We have a duty to consider whether to issue a report in the public interest about something we believe the Authority should consider, or the public should know about.

We have not identified any matters that would require us to issue a public interest report.

In addition, we have not had to exercise any other audit powers under the Local Audit & Accountability Act 2014.

Acknowledgements

We would like to take this opportunity to thank officers and Members for their continuing help.

Section one

Control Environment



Organisational and IT control environment

We have identified no significant issues with the Authority's organisational and IT control environment and consider that the overall arrangements that have been put in place are reasonable.

Work completed

Controls operated at an organisational level often have an impact on controls at an operational level and if there were weaknesses this would have implications for our audit. We obtain an understanding of the Authority's overall control environment and determine if appropriate controls have been implemented. We do not complete detailed testing of these controls.

The Authority relies on information technology ("IT") to support both financial reporting and internal control processes. In order to satisfy ourselves that we can rely on the use of IT, we test controls over access to systems and data, system changes, system development and computer operations.

Key findings

We consider that your organisational and IT controls are effective overall.

Aspect of controls	Assessment
IT controls:	
Access to systems and data	3
System changes and maintenance	3
Development of new systems and applications	3
Computer operations and end-user computing	3

Key	
1	Significant gaps in the control environment.
2	Deficiencies in respect of individual controls
3	Generally sound control environment.

Section one: Control environment

Controls over key financial systems (cont.)

Aspect of controls	Assessment
Property, Plant and Equipment	3
Cash and Cash Equivalents	3
Pension Assets and Liabilities	3
Non pay expenditure	2
Payroll	3
Business rates income	3
Council tax income	3
HRA repairs and maintenance expenditure	3

Key	
1	Significant gaps in the control environment
2	Deficiencies in respect of individual controls
3	Generally sound control environment



An overhead photograph of four business professionals (three men and one woman) sitting around a white conference table. They are dressed in business attire. Two laptops are open on the table. The scene is brightly lit, with shadows cast across the floor and table. A blue horizontal bar is overlaid across the middle of the image, containing the text.

Section two

Financial Statements

Accounts production and audit process

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

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

The Authority's overall process for the preparation of the financial statements is adequate.

The Authority has implemented all the recommendations in our *ISA 260 Report 2016/17*.

Accounts practices and production process

The Authority incorporated a number of measures into its closedown plan to further improve the project management of this complex process. This included enhancing and developing working papers to aid the audit process. Specifically, the Authority recognised the additional pressures which the earlier closedown brought so we engaged with officers in the period leading up to the year end in order to proactively address issues as they emerged.

We consider that the overall process for the preparation of your financial statements is adequate. We also consider the Authority's accounting practices appropriate.

Going concern

The financial statements of the Authority have been prepared on a going concern basis. We noted, at the year end, the Authority's current liabilities exceeded the current assets by £6.2m which presents a risk of going concern. However, we have confirmed that the position of the authority has improved since the year end, with a net current assets balance of £3.4m as at 30 June 2018. We have raised a recommendation in relation to this matter in Appendix 1.

Further commentary on the Authority's arrangements in place to secure the effective delivery of budgets is included at page 22.

Implementation of recommendations

We raised four recommendations in our ISA 260 Report 2016/17. The Authority has implemented all prior year recommendations relating to the financial statements in line with the timescales of the action plan. Further details are included in Appendix 2.

Accounts production and audit process (cont.)

Completeness of draft accounts

We received a complete set of draft accounts on 31 May 2018 which was the statutory deadline.

Quality of supporting working papers

We issued our Accounts Audit Protocol to the Accountancy Manager in February 2018. This important document set out our audit approach and timetable. It also summarised the working papers and other evidence we required the Authority to provide to support our audit work. This helps the Authority to provide audit evidence in line with our expectations.

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

Response to audit queries

We are pleased to report that our agreed turnaround time for dealing with audit queries was achieved by Officers, including those who are not part of the Finance team. As a result of this, all of our audit work was completed within the timescales expected with no outstanding queries.

Specific audit areas

We anticipate issuing an unqualified audit opinion on the Authority's 2017/18 financial statements by 31 July 2018. We will also report that your Annual Governance Statement complies with the guidance issued by CIPFA/SOLACE ('Delivering Good Governance in Local Government') published in April 2016.

For the year ending 31 March 2018, the Authority has reported a surplus of £185k after taking a contribution from Earmarked Reserves of £371k. This compares favourably to a planned withdrawal from reserves of £1.38m.

Auditing standards require us to consider two standard risks for all organisations. We consider these as a matter of course in our audit and have set out the findings arising from our work in our ISA 260 Report below.

01

Management override of controls

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

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

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

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

02

Fraudulent revenue recognition

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

In our *External Audit Plan 2017/18* we reported that we do not consider this to be a significant risk for Local Authorities as there is unlikely to be an incentive to fraudulently recognise revenue.

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

Over the following pages we have set out our assessment of the specific significant risks and areas of audit focus we identified in relation to the audit of the Authority's financial statements.

Specific audit areas (cont.)

Significant Audit Risks – Authority

Risk:	Pension Liabilities <p>The net pension liability represents a material element of the Authority’s balance sheet. The Authority is an admitted body of Nottinghamshire County Council 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.</p> <p>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.</p> <p>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.</p> <p>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 to net pension liability accounted for in the financial statements.</p>
Our assessment and work undertaken:	<p>As part of our work we reviewed the controls that the Authority has in place over the information sent directly to the Scheme Actuary. We also liaised 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 included consideration of the process and controls with respect to the assumptions used in the valuation. We also evaluated the competency, objectivity and independence of the Scheme Actuary (Barnett Waddingham).</p> <p>We tested the controls around review of the assumptions by the Authority and the submission of information to the Actuary. No control deficiencies were identified.</p> <p>We reviewed the appropriateness of the key assumptions included within the valuation and compared them to expected ranges and involved a KPMG Actuary to provide a specialist assessment of those assumptions. We also reviewed the methodology applied in the valuation by Barnett Waddingham.</p> <p>In addition, we reviewed the overall Actuarial valuation and considered the disclosure implications in the financial statements.</p> <p>In order to determine whether the net pension liability has been appropriately accounted for we also considered the valuation of pension assets. We obtained assurance from the Pension Fund auditors (KPMG LLP) over the overall value of fund assets. We then liaised with the Actuary to understand how these assets are allocated across participating bodies and reperformed this allocation.</p> <p>There are no matters from our work which we need to draw to your attention.</p> <p>We have set out our view of the assumptions used in valuing pension assets and liabilities at page 15.</p>

Specific audit areas (cont.)

Significant Audit Risks – Authority (cont.)

Issue:

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.

Our assessment and work undertaken:

We liaised with officers in preparation for our audit in order to understand the steps that the Authority was taking to ensure it met the revised deadlines. We also advanced audit work into the interim visit in order to streamline the year end audit work.

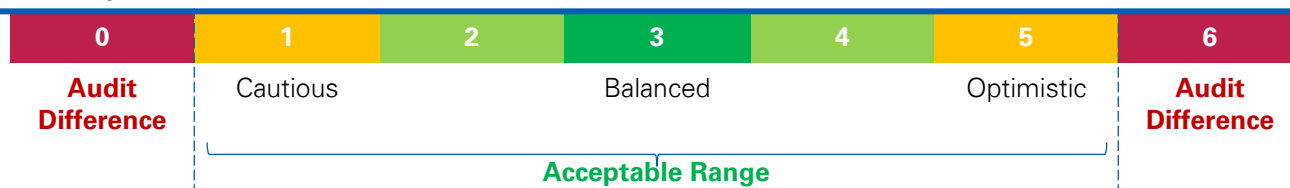
We received draft financial statements on the statutory deadline of 31 May 2018. We were pleased to note despite the changes in senior staff in the Finance team the quality of the working papers had improved compared to prior years.

There are no matters from our work which we need to draw to your attention.

Judgements

We have considered the level of prudence within key judgements in your 2017/18 financial statements and accounting estimates. We have set out our view below across the following range of judgements.

Level of prudence



Subjective area **2017/18** **2016/17** **Commentary**

Provisions (excluding Business Rates)	2	2	The provisions have remained at similar level compared to the prior year, except for Legal Costs regarding Health and Safety Prosecution where the Authority settled cases in 2017/18. We consider the provisions and related disclosures to be proportionate.
Business Rates provision	1	4	The Authority’s provision for business rates appeals for 2017/18 was increased by £2.225m, all of which relates to 2017 Valuation. Currently there is no available appeals information from the Valuation Office Agency relating to the 2017 Valuation. As a result the Authority have made a cautious judgement by having a provision for appeals relating to the 2017 Valuation. Whilst this meets the International Accounting Standard 37 on provisions, the prudent approach would have been to set aside a reserve for future appeals relating to the 2017 Valuation.
Property Plant & Equipment: HRA Assets	3	3	<p>The Authority continues its use of the beacon methodology in line with the DCLG’s <i>Stock Valuation for Resource Accounting</i> published in November 2016. The Authority has utilised an internal valuation expert Mathew Kirk to provide valuation estimates. We have reviewed the instructions provided and deem that the valuation exercise is in line with the instructions.</p> <p>The resulting increase of 0.13% is in line with regional indices provided by Gerald Eve, the valuation firm engaged by the NAO to provide supporting valuation information.</p>
Property Plant & Equipment: General Fund Asset	3	3	<p>The Authority has utilised internal valuation expert Mathew Kirk to provide valuation estimates. We have reviewed the instructions provided and deem that the valuation exercise is in line with the instructions.</p> <p>The resulting increase of 0.6% is in line with regional indices provided by Gerald Eve, the valuation firm engaged by the NAO to provide supporting valuation information.</p>

Proposed opinion and audit differences

Subject to all outstanding queries being resolved to our satisfaction, we anticipate issuing an unqualified audit opinion on the Authority's 2017/18 financial statements following approval of the Statement of Accounts by the Audit Committee on 24 July 2018.

Audit differences

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

The final materiality (see Appendix 4) for this year's audit was set at £1.2m. Audit differences below £60k are not considered significant.

We did not identify any material misstatements. There was one uncorrected audit misstatement related to PPE disclosures which does not impact the primary financial statements, as noted in Appendix 3.

We identified a small number of presentational adjustments required to ensure that the accounts are compliant with the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 ('the Code'). We have set out details of significant presentational adjustments in Appendix 3. We understand that the Authority will be addressing these where significant.

Proposed opinion and audit differences (cont.)

Annual Governance Statement

We have reviewed the Authority's 2017/18 Annual Governance Statement and confirmed that:

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

Narrative Report

We have reviewed the Authority's 2017/18 Narrative Report and have confirmed that it is consistent with the financial statements and our understanding of the Authority.



Completion

We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's 2017/18 financial statements.

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

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

Declaration of independence and objectivity

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

In relation to the audit of the financial statements of Ashfield District Council for the year ending 31 March 2018, we confirm that there were no relationships between KPMG LLP and Ashfield District Council, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Public Sector Audit Appointments Ltd requirements in relation to independence and objectivity.

Management representations

We have provided a detailed declaration in Appendix 6 in accordance with ISA260.

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

Other matters

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

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

There are no others matters which we wish to draw to your attention in addition to those highlighted in this report or our previous reports relating to the audit of the Authority's 2017/18 financial statements.

Section three

Value for Money Arrangements



Specific value for money risk areas

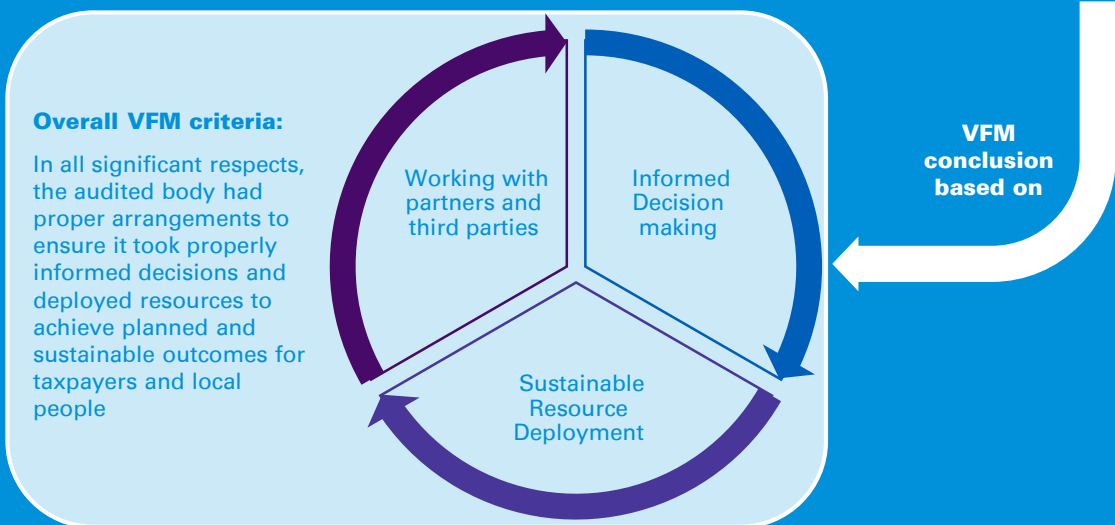
Our 2017/18 VFM conclusion considers whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

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

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.'

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



Specific value for money risk areas (cont.)

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

Applicability of VFM Risks to VFM sub-criteria

VFM Risk	Informed decision making	Sustainable resource deployment	Working with partner and third parties
Financial Resilience	✓	✓	✓
Investments	✓	✓	

In consideration of the above, we have concluded that in 2017/18, the Authority has made proper arrangements to ensure it took properly-informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

Our work identified the following areas of weakness in the Authority’s arrangement:

- The financial statements of the Authority have been prepared on a going concern basis. We noted, at the year end, the Authority’s current liabilities exceeded the current assets by £6.2m which presents a risk of going concern. However, we have confirmed that the position of the authority has improved since the year end, with a net current assets balance of £3.4m as at 30 June 2018. We have raised a recommendation in relation to this matter in Appendix 1.
- MRP – The Council has already invested in total £15.1m in commercial properties both within and outside Ashfield’s boundaries. For 2018/19 this is expected to generate a net income stream of £1m and has contributed towards enabling the Council to set a balanced budget. We reviewed the Authority’s arrangements and the expected returns which have been detailed on Page 22.

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



Specific value for money risk areas (cont.)

As communicated to you in our *External Audit Plan 2017/18* and as updated throughout the audit, we have identified one risk requiring specific audit attention and procedures to address the likelihood that proper arrangements are not in place to deliver value for money.

In all cases we are satisfied that external or internal scrutiny provides sufficient assurance that the Authority's current arrangements in relation to these risk areas are adequate.

We have provided below a summary of the risk areas identified, our work undertaken and the conclusions reached.

Risk:	<p>Delivery of budgets</p> <p>The Authority continues to face similar financial pressures and uncertainties to those experienced by others in the local government sector as a result of significant reductions in central government funding. For 2018/19 over £900,000 savings has been identified by the Authority to enable a balance budget to be set. The Medium Term Financial Strategy has also identified a need for further savings of £630,000 by 2022/23 which the Authority are addressing through their Transformation Programme. The Authority are also considering a number of revenue generating schemes such as borrowing money to invest in capital projects that appreciate in value and generate an income stream.</p> <p>The Authority needs to have effective arrangements in place for managing its annual budget and generating income required to balance its medium term financial plan. This is relevant to the sustainable resource deployment sub-criteria of the VFM conclusion.</p> <p>We undertook the following procedures over this significant risk:</p> <ul style="list-style-type: none"> – Reviewed the arrangements for assuring delivery of the Authority's savings programme; – Reviewed 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; and – Considered the arrangements the Authority have in place for identifying further savings for future years. <p>We noted:</p> <ul style="list-style-type: none"> – The Authority reported an overall surplus of £185k on its net expenditure budget for 2017/18 after taking a net contribution of £371k from the General Fund and Earmarked Reserves (as opposed to a planned withdrawal from reserves of £1.380m). The improved position was due to a number of net underspends across services including employee costs of £271k and transport costs of £311k. – The Housing Revenue Account (HRA) outturn showed a £5.131m surplus (against a planned surplus of £1.2m), before transferring £591k to reserves. This results in an increase in HRA balance to £28.286m. – The Authority's MTFP details a balanced budget for 2018/19 including savings of £900k in year, all of which have been identified. However, the MTFP details the increasingly difficult financial challenges faced each year, resulting in the need for ever rising savings which have yet to be identified, up to £630k by 2022/23. – The financial statements of the Authority have been prepared on a going concern basis. We noted, at the year end, the Authority's current liabilities exceeded the current assets by £6.2m which presents a risk of going concern. However, we have confirmed that the position of the authority has improved since the year end, with a net current assets balance of £3.4m as at 30 June 2018. We have raised a recommendation in relation to this matter in Appendix 1.
Our assessment and work undertaken:	

Specific value for money risk areas (cont.)

As communicated to you in our *External Audit Plan 2017/18* and as updated throughout the audit, we have identified one risk requiring specific audit attention and procedures to address the likelihood that proper arrangements are not in place to deliver value for money.

In all cases we are satisfied that external or internal scrutiny provides sufficient assurance that the Authority’s current arrangements in relation to these risk areas are adequate.

We have provided below a summary of the risk areas identified, our work undertaken and the conclusions reached.

<p>Risk:</p>	<p>Investment Properties:</p> <p>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 £12.2m of the target and is at an advanced stage to purchase another property for £2.9m. If this property purchase completes then the total Investment Property expenditure will increase to £15.1m. These investments are both within (£5m) and outside (£10m) the District and have utilised borrowing to fund the acquisitions.</p> <p>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.</p> <p>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.</p> <p>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 approximately 10 times higher than the MRP budgeted for, under the existing guidance.</p>
<p>Our assessment and work undertaken:</p>	<p>As part of our work, we reviewed the commercial properties the Authority has invested in and the associated costs, risks and rewards and ensured investments were made following appropriate legal and financial advice.</p> <p>We also reviewed the Medium Term Financial Plan to ensure it has duly taken into consideration factors such as potential changes in the MRP calculation and interest charges. We noted the following:</p> <ul style="list-style-type: none"> – The Authority invested a total of £15m in commercial properties in 2017/18. A further £9.9m investment was approved on 24th May 2018. These investments generated a return of £164k in 2017/18 but for 2018/19 this is expected to generate a net income stream of £1m and contribute towards the Authority’s achievement of a balanced budget. – In February 2018 the Government issued statutory guidance indicating that a prudent amount must be set aside as a notional figure to repay debt (Minimum Revenue Provision). Under the existing policy the Authority had applied Option 4 the Depreciation Method which meant that no annual MRP would be charged. MRP would be applied upon the sale of the asset which would take place at some future date.

Specific value for money risk areas (cont.)

**Our
assessment
and work
undertaken:**

- Further to the issue of the guidance, provision for MRP should be taken into account in respect of future investment decisions as this represents an annual charge to the General Fund.
- There was MRP charge on the investment properties in 2017/18 and the Authority intends to charge MRP only on the purchase costs in 2018/19 on the basis that the properties purchased before 1st April 2018 should be treated under the legislation prior to 1st April 2018 which should mean that Option 4 Method can be used for MRP for 2018/19 only. The new guidance will be taken into account and applied from 2019/20.

Appendices



Key issues and recommendations

Our audit work on the Authority's 2017/18 financial statements identified two issues. We have listed these issues in this appendix together with our recommendations which we have agreed with Management. We have also included Management's responses to these recommendations.

The Authority should closely monitor progress in addressing the risks, including the implementation of our recommendations.

We have given each recommendation a risk rating and agreed what action management will need to take.

Priority Rating for Recommendations

1	<p>Priority One: Issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.</p> <p>Recommendations Raised: 1</p>	2	<p>Priority Two: Issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.</p> <p>Recommendations Raised: 1</p>	3	<p>Priority Three: Issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.</p> <p>Recommendations Raised: 0</p>
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No.	Risk	Issue & Recommendation	Management Response
1	1	<p>Liquidity</p> <p>The Authority's current liabilities at the year end were greater than the current assets which presents a risk of going concern.</p> <p>However, we have confirmed that the position of the authority has improved since the year end, with a net current assets balance of £3.4m as at 30 June 2018.</p> <p>Risk</p> <p>While the position has improved since the year end, there is a risk of the Authority not being able to meet its payment commitments due to a fluctuating cashflow position. This can result in an increase in the interest costs as the Authority will need to borrow additional funds on a short term basis.</p> <p>Recommendation</p> <p>We recommend that the Authority review its cashflow / borrowing requirements to ensure adequate cash balances are held throughout the year.</p>	<p>Agreed</p> <p>Responsible Officer</p> <p>Pete Hudson</p> <p>Implementation Deadline</p> <p>September 2018</p>

Key issues and recommendations

No.	Risk	Issue & Recommendation	Management Response
2	2	<p>Non Pay Expenditure</p> <p>Our testing of 25 samples during Interim audit found that, there was one retrospective Purchase Order (PO) and one invoice without a PO that had been paid. The Purchasing team agreed that both invoices should have had POs raised against them.</p> <p>Risk</p> <p>There is a risk that unauthorised expenditure with unauthorised suppliers might be incurred by the Authority.</p> <p>Recommendation</p> <p>We would recommend that the Purchase Orders are raised and appropriately authorised for every purchasing transaction made by the Authority, before an order is placed.</p>	<p>Agreed</p> <p>Responsible Officer</p> <p>Pete Hudson</p> <p>Implementation Deadline</p> <p>November 2018 (When the Authority implements the Financial system upgrade, they will enable the No Order No Payment functionality)</p>

Appendix 2:

Follow-up of prior year recommendations

The Authority has implemented all of the recommendations raised through our previous audit work.

This Appendix summarises the progress made to implement the recommendations identified in our *ISA 260 Report 2016/17*.

Number of recommendations that were

Included in the original report	4
Implemented in year or superseded	4
Outstanding at the time of our interim audit	0

Appendix 3:

Audit differences

We are required by ISA 260 to report all uncorrected misstatements, other than those that we believe are clearly trivial, to those charged with governance (which in your case is the Audit Committee).

We are also required to report all material misstatements that have been corrected but that we believe should be communicated to you to assist you in fulfilling your governance responsibilities.

A number of minor amendments focused on presentational improvements have also been made to the 2017/18 draft financial statements. The Finance team is committed to continuous improvement in the quality of the financial statements submitted for audit in future years.

Adjusted audit differences – Authority

There were no material misstatements identified during our audit of Ashfield District Council's financial statements for the year ended 31 March 2018.

Unadjusted audit differences

The following table sets out the uncorrected audit differences identified during our audit of Ashfield District Council's financial statements for the year ended 31 March 2018. These differences are individually below our materiality level of £1.2m. Cumulatively, the impact of these uncorrected audit differences is £41k in the Property, Plant and Equipment Table, however it does not impact the primary financial statements.

Table 2: Unadjusted audit differences – Authority (£'000)

Surplus Assets

1	Dr Account Surplus Assets Gross Cost	Cr Account Surplus Assets Accumulated Depreciation	<p>The Depreciation and Impairment for Surplus Assets currently has a positive opening and closing balance of £41k. This figure should not normally be positive, as it should be either zero or a negative figure.</p> <p>This issue dates back to the 2015/16 Statement of Accounts (SoA) where the Gross Book Values on the Fixed Asset Register (FAR) were amended to be consistent with figure in the financial statements.</p> <p>In 2016/17 the £41k adjustment to the FAR should have reversed out which would have increased the Gross Book Value by £41k and reduced the Depreciation and Impairment by £41k.</p>
	Dr £41k	Cr £41k	While the Net Book Value would remain unchanged, the gross cost and accumulated depreciation disclosures in the property, plant and equipment will be amended.

Appendix 3:

Audit differences (cont.)

Presentational adjustments - Authority

We identified a number of presentational adjustments required to ensure that the Authority's financial statements for the year ending 31 March 2018 are fully compliant with the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 ('the Code').

Whilst the majority of these adjustments were not significant, we identified a limited number of adjustments of a more significant nature and details of these are provided in the following table.

It is our understanding that these will be adjusted. However, we have not yet received a revised set of financial statements to confirm this.

Table 5: Presentational adjustments – Authority

No.	Basis of audit difference
1	The revaluation table within the property, plant and equipment is required to be prepared on the cost basis per the CIPFA code. However the Authority had used the Net Book value.
2	The Financial Instruments table, for long term liabilities, also included the short term loans which had to be reclassified.
3	Accounting Policies were amended to ensure that these were in line with the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 ('the Code').

Materiality and reporting of audit differences

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

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

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

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

We used the same planning materiality reported in our *External Audit Plan 2017/18*, presented to you in February 2018.

Materiality for the Authority's accounts was set at £1.2m which equates to around 1.5 percent of gross expenditure. We design our procedures to detect errors in specific accounts at a lower level of precision.

Reporting to the Audit Committee

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

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

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

In the context of the Authority, an individual difference is considered to be clearly trivial if it is less than £60k for the Authority.

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

Appendix 5:

Required communications with the Audit Committee

We have provided below at-a-glance summary of the information we are required to report to you in writing by International Auditing Standards.

Required Communication	Commentary
Our draft management representation letter	We have not requested any specific representations in addition to those areas normally covered by our standard representation letter for the year ended 31 March 2018.
Adjusted audit differences	We have identified no adjusted differences as a result of our audit of the Ashfield District Council's financial statements.
Unadjusted audit differences	There was one unadjusted audit differences as noted in Appendix 3, however the audit difference does not impact on the deficit on provision of services and is not material. See Appendix 3 for further details.
Related parties	There were no significant matters that arose during the audit in connection with the entity's related parties.
Other matters warranting attention by the Audit Committee	There were no matters to report arising from the audit that, in our professional judgement, are significant to the oversight of the financial reporting process.
Control deficiencies	<p>We have set out our assessment of the Authority's internal control environment, including details of one deficiency identified related to non pay expenditure.</p> <p>We communicated to management in writing all deficiencies in internal control over financial reporting of a lesser magnitude than significant deficiencies identified during the audit that had not previously been communicated in writing.</p>
Actual or suspected fraud, noncompliance with laws or regulations or illegal acts	We identified no actual or suspected fraud involving the Authority's Member or officers with significant roles in internal control, or where the fraud resulted in a material misstatement in the financial statements.
Significant difficulties	No significant difficulties were encountered during the audit.
Modifications to auditor's report	There are no modifications to our audit report.
Disagreements with management or scope limitations	The engagement team had no disagreements with management and no scope limitations were imposed by management during the audit.

Appendix 5:

Required communications with the Audit Committee (cont.)

Required Communication	Commentary
Other information	<p>No material inconsistencies were identified related to other information in the Narrative Report or Annual Governance Statement.</p> <p>These reports were found to be fair, balanced and comprehensive, and compliant with applicable requirements.</p>
Our declaration of independence and any breaches of independence	<p>No matters to report.</p> <p>The engagement team and others in the firm, as appropriate, the firm and, when applicable, KPMG member firms have complied with relevant ethical requirements regarding independence.</p> <p>See Appendix 6 for further details.</p>
Accounting practices	<p>Over the course of our audit, we have evaluated the appropriateness of the Authority's accounting policies, accounting estimates and financial statement disclosures. In general, we believe these are appropriate.</p> <p>We have set out our view of the assumptions used in valuing pension assets and liabilities at page 14.</p>
Significant matters discussed or subject to correspondence with management	<p>There were no significant matters arising from the audit which were discussed, or subject to correspondence, with management.</p>



Declaration of independence

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

Professional ethical standards require us to provide to you at the conclusion 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 Limited's ('PSAA's') Terms of Appointment relating to independence, the requirements of the FRC Ethical Standard and the requirements of Auditor Guidance Note 1 - General Guidance Supporting Local Audit (AGN01) issued by the National Audit Office ('NAO') on behalf of the Comptroller and Auditor General.

This Statement 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.

Declaration of independence (cont.)

Independence and objectivity considerations relating to the provision of non-audit services

Summary of fees

We have considered the fees charged by us to the authority and its controlled entities for professional services provided by us during the reporting period. We have detailed the fees charged by us to the Authority and its controlled entities for significant professional services provided by us during the reporting period in Appendix 7, as well as the amounts of any future services which have been contracted or where a written proposal has been submitted. Total fees charged by us for the period ended 31 March 2018 can be analysed as follows:

	2017/18 £	2016/17 £
Audit of the Authority	56,036	56,036
Additional fee in relation to Group Accounts	0	3,805
Total audit services	56,036	59,841
Mandatory assurance services	19,900	15,646
Pooling Claim	3,500	3,000
Total Non-Audit Services	23,400	18,646

We are required by AGN 01 to limit the proportion of fees charged for non-audit services (excluding mandatory assurance services) to 70% of the total fee for all audit work carried out in respect of the Authority under the Code of Audit Practice for the year. The ratio of audit fees to non-audit fees for the year was 2.5:1. We do not consider that the total of non-audit fees creates a self-interest threat since the absolute level of fees is not significant to our firm as a whole.

Facts and matters related to the provision of non-audit services and the safeguards put in place that bear upon our independence and objectivity, are set out table on the following page.

Appendix 6:

Declaration of independence (cont.)

Analysis of Non-audit services for the year ended 31 March 2018

Description of scope of services	Principal threats to independence and Safeguards applied	Basis of fee	Value of services delivered in the year ended 31 March 2018 £	Value of services committed but not yet delivered £
Mandatory assurance services				
Grant Certification – Housing Benefit Subsidy Return	The nature of this mandatory assurance service is to provide independent assurance on each of the returns. As such we do not consider it to create any independence threats.	Fixed Fee	£15,646	£19,900
Pooling Claim	The nature of this assurance service is to provide independent assurance on the housing pooling capital receipts claim. As such we do not consider it to create any independence threats	Fixed Fee	£3,000	£3,500

Appendix 6:

Declaration of independence (cont.)

Independence and objectivity considerations relating to other matters

There are no other matters that, in our professional judgement, bear on our independence which need to be disclosed to the Audit Committee.

Confirmation of audit independence

We confirm that as of the date of this report, in our professional judgement, 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

Appendix 7:

Audit fees

As communicated to you in our *External Audit Plan 2017-18*, our scale fee for the audit is £56,036 plus VAT (£56,036 in 2016/17), which is consistent with the prior year.

Our work on the certification of the Authority's Housing Benefit Subsidy return is planned for September 2018. The planned scale fee for this is £19,900 plus VAT (£15,146 in 2016/17). See further details below.

Component of the audit	2017/18 Planned Fee £	2016/17 Actual Fee £
Accounts opinion and value for money work		
PSAA Scale fee Ashfield District Council	56,036	56,036
Additional fee in relation to Group Accounts	0	3,805
Total audit services	56,036	59,841
Mandatory assurance services		
Housing Benefits Certification (work planned for August 2018)	19,900	15,146
Pooling Claim	3,500	3,000
Total Non-Audit Services	23,400	18,146
Grand total fees for the Authority	79,436	77,987

All fees quoted are exclusive of VAT.





The key contacts in relation to our audit are:

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This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. 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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Ashfield District Council – Internal Audit Annual Report 2017-18

Audit Committee: 24th July 2018



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Our Vision

To bring about improvements in the control, governance and risk management arrangements of our Partners by providing cost effective, high quality internal audit services.

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central midlands audit partnership

Providing Excellent Audit Services in the Public Sector

Introduction

Why an Audit Opinion is required

The Public Sector Internal Audit Standards (PSIAS) states:

"The provision of assurance services is the primary role for internal audit in the UK public sector. This role requires the chief audit executive to provide an annual internal audit opinion based on an objective assessment of the framework of governance, risk management and control."

Public sector requirement

The chief audit executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.

The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

The annual report must incorporate:

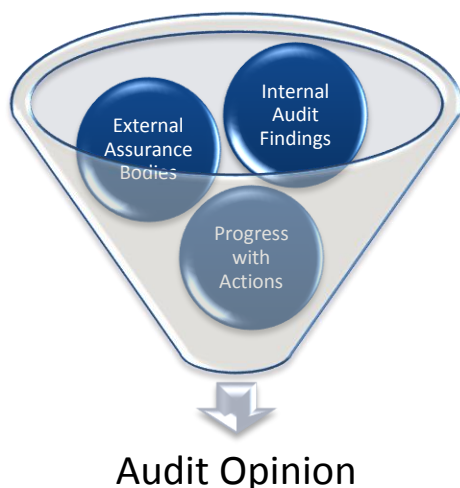
- the opinion;
- a summary of the work that supports the opinion; and
- a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme.

Extracted from Public Sector Internal Audit Standards Updated March 2016 - 2450 Overall Opinions

In this instance, the Chief Audit Executive is the Audit Manager.

How an Audit Opinion is Formed

Internal Audit's risk-based plan must take into account the requirement to produce an annual internal audit opinion. Accordingly, the Audit Plan must incorporate sufficient work to enable the Audit Manager to give an opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. Internal Audit must therefore have sufficient resources to deliver the Audit Plan.



Possible Overall Opinions

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

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

Quality Assurance and Improvement Programme

A quality assurance and improvement programme is designed to enable an evaluation of the internal audit activity's conformance with the Definition of Internal Auditing and the Standards and an evaluation of whether internal auditors apply the Code of Ethics. The programme also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement.

Public Sector Internal Audit Standards state:

Public sector requirement

The results of the quality and assurance programme and progress against any improvement plans must be reported in the annual report.

Extracted from Public Sector Internal Audit Standards Updated March 2016 - 1320 Reporting on the Quality Assurance and Improvement Programme

Public Sector Internal Audit Standard 1312 also requires that:

"External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation."

Assessments are based on the following 3 ratings:

- **Generally Conforms** - means that an internal audit activity has a charter, policies, and processes that are judged to be in conformance with the Standards.
- **Partially Conforms** - means deficiencies in practice are noted that are judged to deviate from the Standards, but these deficiencies did not preclude the internal audit activity from performing its responsibilities in an acceptable manner.

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- **Does Not Conform** - means deficiencies in practice are judged to be so significant as to seriously impair or preclude the internal audit activity from performing adequately in all or in significant areas of its responsibilities.

An external quality assessment of the internal auditing activities of CMAP was undertaken during the period February – April 2017 and identified some opportunities for further improvement and development. The consultant provided an update position on our overall conformance with the Standards in September 2017 and re-assessed our conformance as follows:

	Number of standards	Generally Conforms	Partially Conforms	Does Not Conform
Code of Ethics	4	4	0	0
Attribute Standards	19	19	0	0
Performance Standards	33	33	0	0

Audit Opinion 2017-18

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

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

- The level of coverage provided by Internal Audit was considered adequate.
- Regular meetings with the Monitoring Officer to discuss emerging issues, risk, governance and the control environment at the Council.
- All of the issues raised within the internal audit reports have been accepted.
- A significant piece of work has been undertaken by the Council to improve its anti-fraud and corruption framework. This work principally addressed the issues raised by an audit assignment in this area. The audit reviewed the framework for managing anti-fraud and corruption at the Council; it considered strategies, policies, training of officers and Members, and the arrangements for managing fraud. We completed this **Anti-Fraud** audit assignment during 2017-18 and there was 1 moderate risk issue which has been implemented. The other 12 recommendations were all low risk, of which 7 have been implemented, 3 have received a revised implementation date and the 2 remaining recommendations have yet to reach their target implementation date.
- Internal Audit has also been involved in the Council's Anti-Fraud group throughout the year and has observed the progress made against actions deriving from this work. Further work in relation to improving the Council's data matching has also commenced.
- Following the restructure of the Corporate Leadership Team last year, I am still uncertain as to whether the change in the role of the S151 Officer has been effective and will continue to review this role.
- Of the 29 assignments that had been significantly completed, 7 attracted a 'Comprehensive' rating and 15 a 'Reasonable' assurance rating. Of the remaining 7, an assurance rating wasn't applicable to 1 assignment and 6 attracted a 'Limited' assurance rating.
- The following table summarises the number of control issues formally raised by Internal Audit from the audit assignments completed during 2017-18. These are grouped by the type of review undertaken and by the risk rating assigned to each audit recommendation. This table is followed by a summary update position on the significant and moderate risk recommendations.

Type of Review	Recommendations Made			
	Critical Risk	Significant Risk	Moderate Risk	Low Risk
Key Financial System	0	0	6	35
System/Risk	0	2	18	25
Governance/Ethics	0	0	0	5
IT Audit	0	0	12	22
Anti-Fraud	0	0	7	12
Procurement/Contract	0	0	4	3
Totals	0	2	47	102

- From the 10 **Key Financial System** audits concluded in 2017-18, of the 6 moderate risk recommendations, 4 recommendations have now been implemented, 1 has received a revised implementation date and the 1 remaining recommendation has yet to reach its target implementation date.
- From the 10 **System/Risk** audits concluded in 2017-18, there were 2 significant risk recommendations, both of which have been implemented.
 - One of the **significant** risk recommendations came from the Development Control audit. The issue being that *“The appeal overturn rate was 8.83%: Department for Communities & Local Government requirements specified that at 10% the Council’s Planning process may be placed in special measures.”* Management responded that *“Members were informed in April 2017 and training is being provided as an on-going process.”*
The second **significant** risk recommendation came from the Markets Audit. The issue being: *“The Square system only had one account for all users. This account was unrestricted to all the system settings.”* Management responded that they would create *“Individual log in accounts for users with defined and limited access for each officer dependent on job function.”*
 - There were also 18 moderate risk recommendations, 9 have been implemented, 3 have received revised implementation dates, 5 have yet to reach their target implementation dates and 1 has passed its original action date, but a revised target has not yet been provided.
- From the 2 **Governance/Ethics** audits concluded in 2017-18 there were only 5 low risk recommendations.
- From the 4 **IT Audits** completed during 2017-18 there were 12 moderate risk recommendations, 7 have been implemented and 3 have a future action date and 2 have passed their original action date, but a revised target has not yet been provided.
- A **Procurement/Contract** audit was completed during 2017-18. There were 4 moderate risk recommendations, all of which have future action dates.

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- Internal Audit also completed a whistleblowing investigation and the associated system weakness report. This contained 6 moderate risk recommendations, all of which have a future action date.

This opinion is provided with the following caveats:

- The opinion does not imply that Internal Audit has reviewed all risks and assurances relating to the Council. The opinion is substantially derived from the conduct of risk-based audit work and as such, it is one component that is taken into account when producing the Council's Annual Governance Statement.
- No system of control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give absolute assurance.
- Full implementation of all agreed actions is essential if the benefits of the control improvements detailed in each individual audit report are to be realised.

Audit Coverage

Assurances Provided

The following table seeks to summarise the extent of audit coverage provided to Ashfield District Council during 2017-18 and the assurance ratings associated with each audit assignment.

Summary of Audit Plan 2017-18 Results (incl. Jobs B/Fwd)	Type of Review						Totals
	Key Financial System	System/Risk	Governance /Ethics	IT Audit	Anti-Fraud	Procurement /Contract	
Not Yet Complete	1	0	0	0	0	0	1
Comprehensive	3	2	2	0	0	0	7
Reasonable	5	6	0	3	1	0	15
Limited	1	2	0	1	1	1	6
None	0	0	0	0	0	0	0
N/A	1	0	0	0	0	0	1
	11	10	2	4	2	1	30

Assurance Ratings Explained

Comprehensive - We are able to offer comprehensive assurance as the areas reviewed were found to be adequately controlled. Internal controls were in place and operating effectively and risks against the achievement of objectives were well managed.

Reasonable - We are able to offer reasonable assurance as most of the areas reviewed were found to be adequately controlled. Generally risks were well managed, but some systems required the introduction or improvement of internal controls to ensure the achievement of objectives.

Limited - We are able to offer limited assurance in relation to the areas reviewed and the controls found to be in place. Some key risks were not well managed and systems required the introduction or improvement of internal controls to ensure the achievement of objectives.

None - We are not able to offer any assurance. The areas reviewed were found to be inadequately controlled. Risks were not being well managed and systems required the introduction or improvement of internal controls to ensure the achievement of objectives.

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

These assurance ratings are determined using our bespoke modelling technique which takes into account the number of control weaknesses identified in relation to those examined, weighted by the significance of the risks.

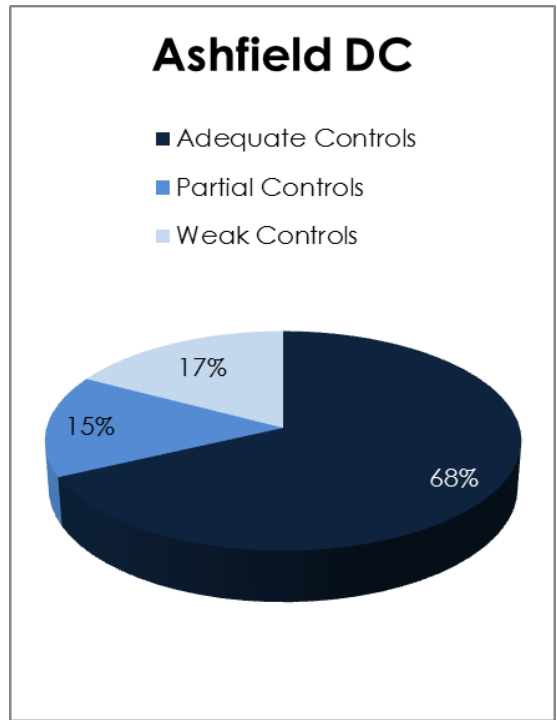
Audit Assignments Completed in 2017-18

Audit Assignments Completed in Period	Assurance Rating	Recommendations Made				% Recs Closed
		Critical Risk	Significant Risk	Moderate Risk	Low Risk	
Taxation	Reasonable	0	0	0	5	100%
Universal Credit & Rent Arrears	Comprehensive	0	0	0	1	0%
Main Accounting Systems 2016-17	Reasonable	0	0	0	7	100%
Creditors	Reasonable	0	0	1	3	100%
Housing Benefit & Council Tax Support 2016-17	Reasonable	0	0	1	1	100%
External Wall Insulation Project – Grant Funding	N/A	0	0	0	0	n/a
Capital Accounting	Comprehensive	0	0	0	3	0%
Housing Benefit & Council Tax Support	Comprehensive	0	0	0	3	67%
Depot Income	Limited	0	0	4	7	73%
Right to Buy	Reasonable	0	0	1	4	80%
Development Control	Reasonable	0	1	2	2	80%
Markets	Limited	0	1	3	3	57%
Responsive Maintenance/Voids (Agile Audit)	Comprehensive	0	0	0	4	50%
Gas Safety 2017-18	Reasonable	0	0	2	2	75%
People Management 2017-18	Reasonable	0	0	1	0	100%
Housing Lettings/Allocations	Reasonable	0	0	1	3	75%
Private Sector Housing	Limited	0	0	4	4	88%
Corporate Governance	Comprehensive	0	0	0	4	100%
Data Quality & Performance Management	Comprehensive	0	0	0	1	0%
ECINS Security Assessment	Limited	0	0	4	6	40%
xPress Security Assessment	Reasonable	0	0	2	7	100%
OPEN Housing IT Security Assessment	Reasonable	0	0	3	7	80%
ICT Performance Management	Reasonable	0	0	3	2	0%
Anti-Fraud & Corruption	Reasonable	0	0	1	12	62%
Pest Control	Limited	0	0	6	0	0%
Payroll	Reasonable	0	0	0	5	0%
Health & Safety	Comprehensive	0	0	0	3	0%
Commercial Property Investment	Reasonable	0	0	4	0	0%
Contract Management	Limited	0	0	4	3	0%
TOTALS		0	2	47	102	59%

Internal Controls Examined

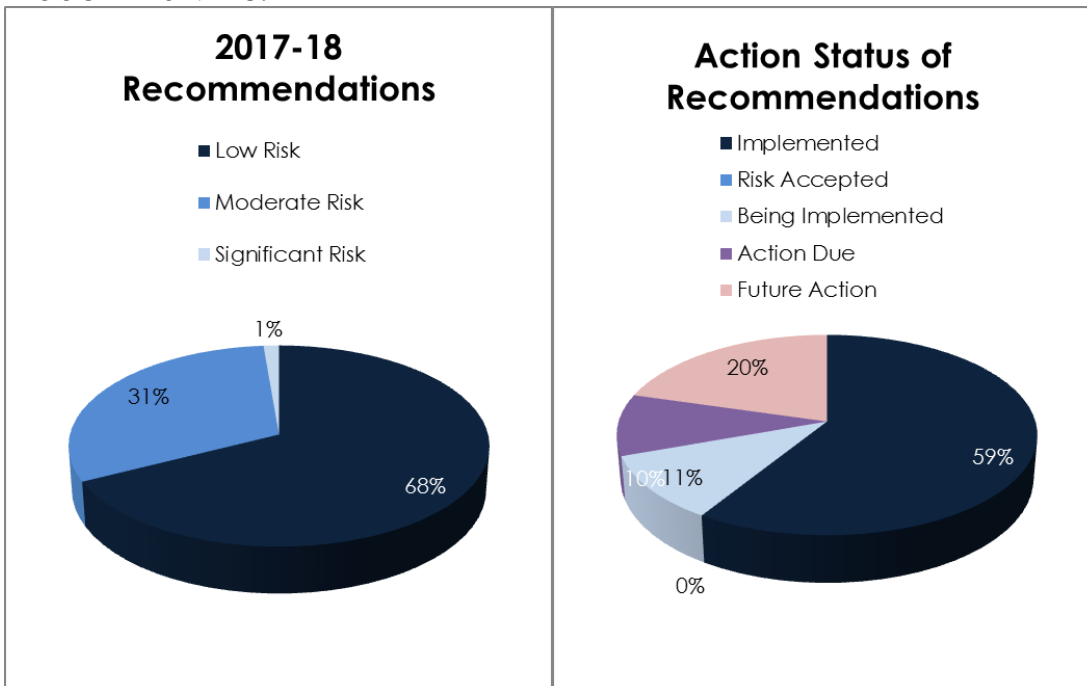
For those audits finalised during 2017-18, we established the following information about the controls examined:

Ashfield DC	2017-18
Evaluated Controls	492
Adequate Controls	334
Partial Controls	74
Weak Controls	84



Recommendations Made

The control weaknesses identified above resulted in 151 recommendations which suggested actions for control improvements. The following charts show the how the recommendations were risk rated and the current status of all recommendations made in 2017-18:



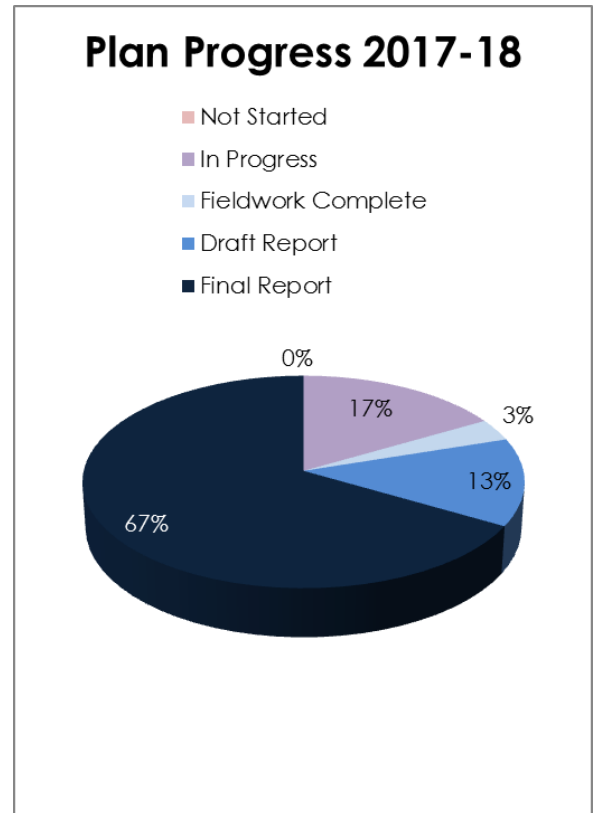
Audit Assignments Completed in Period	Type of Review	Recommendations Status			
		Total Closed	Action Due	Being Implemented	Future Action
Taxation	Key Financial System	5	0	0	0
Universal Credit & Rent Arrears	Key Financial System	0	0	0	1
Main Accounting Systems 2016-17	Key Financial System	7	0	0	0
Creditors	Key Financial System	4	0	0	0
Housing Benefit & Council Tax Support 2016-17	Key Financial System	2	0	0	0
External Wall Insulation Project – Grant Funding	Key Financial System	0	0	0	0
Capital Accounting	Key Financial System	0	0	1	2
Housing Benefit & Council Tax Support	Key Financial System	2	1	0	0
Depot Income	Key Financial System	8	0	2	1
Right to Buy	System/Risk	4	0	1	0
Development Control	System/Risk	4	0	0	1
Markets	System/Risk	4	0	3	0
Responsive Maintenance/Voids (Agile Audit)	System/Risk	2	0	2	0
Gas Safety 2017-18	System/Risk	3	0	1	0
People Management 2017-18	System/Risk	1	0	0	0
Housing Lettings/Allocations	System/Risk	3	0	1	0
Private Sector Housing	System/Risk	7	1	0	0
Corporate Governance	Governance/Ethics	4	0	0	0
Data Quality & Performance Management	Governance/Ethics	0	1	0	0
ECINS Security Assessment	IT Audit	4	5	0	1
xPress Security Assessment	IT Audit	9	0	0	0
OPEN Housing IT Security Assessment	IT Audit	8	0	2	0
ICT Performance Management	IT Audit	0	2	0	3
Anti-Fraud & Corruption	Anti-Fraud	8	0	3	2
Pest Control	Anti-Fraud	0	0	0	6
Payroll	Key Financial System	0	5	0	0
Health & Safety	System/Risk	0	0	0	3
Commercial Property Investment	System/Risk	0	0	0	4
Contract Management	Procurement/Contract	0	0	0	7
TOTALS		89	15	16	31

Performance Measures

Service Delivery (% of Audit Plan Completed)

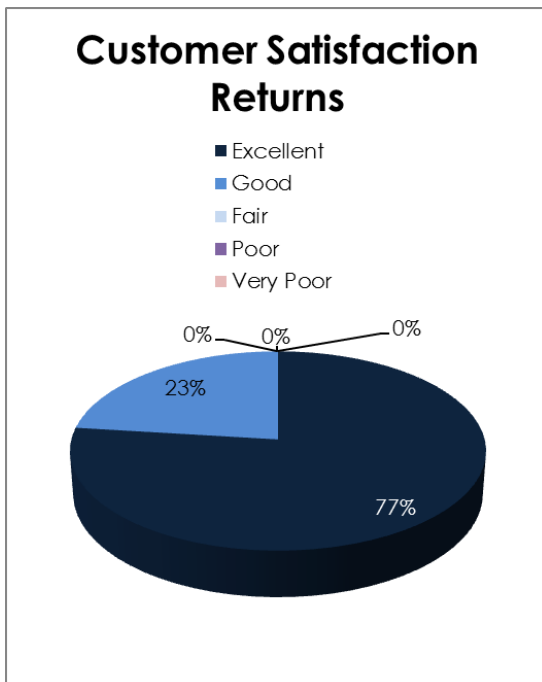
By the end of the Plan year **91.7%** of the Audit Plan had been completed against a target of 90%.

Plan Progress	As at 31 March 2018
Not Started	0
In Progress	5
Fieldwork Complete	1
Draft Report	4
Final Report	20
Total	30



Customer Satisfaction Returns

The chart below summarises the overall scores from the 13 customer satisfaction survey responses received in 2017-18. Of those responses 10 were scored as excellent and 3 as good. The average score from the surveys was 48.5 out of 55.



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Ashfield District Council – Audit Progress Report

Audit Committee: 24th July 2018



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Our Vision

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

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Ashfield District Council – Audit Progress Report

Introduction

Role of Internal Audit

The Internal Audit Service for Ashfield District Council is 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 30th June 2018.

2018-19 Audit Plan Assignments	Type of Audit	Current Status	% Complete
Anti-Fraud & Corruption	Anti-Fraud/Probity/Investigation	Not Allocated	
Information Governance	Governance & Ethics Review	Not Allocated	
Electoral Services	Systems/Risk Audit	Fieldwork Complete	80%
Treasury Management/Banking Services	Key Financial System	Not Allocated	
Web Server Security	IT Audit	Allocated	
Digital Transformation Programme	IT Audit	Allocated	
Corporate Improvement/Transformation	Governance & Ethics Review	Not Allocated	
Risk Register	Governance & Ethics Review	Allocated	5%
Commercial Property Portfolio	Systems/Risk Audit	Not Allocated	
Housing Benefit & Council Tax Support	Key Financial System	Not Allocated	
Council Tax	Key Financial System	Not Allocated	
NDR	Key Financial System	Not Allocated	
Customer Services/E-Payments	Systems/Risk Audit	Not Allocated	
Waste Management	Systems/Risk Audit	In Progress	75%
Outdoor Recreation	Systems/Risk Audit	Allocated	10%
Safeguarding	Systems/Risk Audit	Allocated	5%
Fleetwave	Systems/Risk Audit	Allocated	10%
Licensing	Systems/Risk Audit	Allocated	5%
Strategic Housing	Systems/Risk Audit	Not Allocated	
Stocks & Stores	Systems/Risk Audit	Fieldwork Complete	90%
Procurement	Procurement/Contract Audit	Not Allocated	
2017-18 Audit Plan Assignments			
Gas Safety	Systems/Risk Audit	Final Report	100%
Universal Credit & Rent Arrears Recovery	Systems/Risk Audit	Final Report	100%
E-CINS Security Assessment	IT Audit	Final Report	100%
ICT Performance Management	IT Audit	Final Report	100%
Capital Accounting	Key Financial System	Final Report	100%
Housing Lettings/Allocations	Systems/Risk Audit	Final Report	100%
Housing Benefit & Council Tax Support	Key Financial System	Final Report	100%
Pest Control	Anti Fraud/Systems/Risk	Final Report	100%
Payroll	Key Financial System	Final Report	100%
Health & Safety	Systems/Risk Audit	Final Report	100%
Commercial Property Investment	Governance & Ethics Review	Draft Report	95%
Contract Management	Procurement/Contract Audit	Draft Report	95%
Fixed Assets	Key Financial System	In Progress	65%

Audit Plan Changes

With the agreement of the Council's Director of Legal and Governance (& Monitoring Officer) in June 2018, changes were made to the Internal Audit Plan to address emerging risks identified by management.

- Internal Audit will undertake an audit into the Fleetwave system at the request of management. Time originally assigned to the Leisure Centres audit will be utilised for the Fleetwave audit and accordingly the Leisure Centres audit has been withdrawn from the 2018-19 plan.
- Internal Audit will undertake an audit in Licencing at the request of management. Time originally assigned to the Partnership Governance audit will be utilised for the Licensing audit and accordingly the Partnership Governance audit has been withdrawn from the 2018-19 plan.

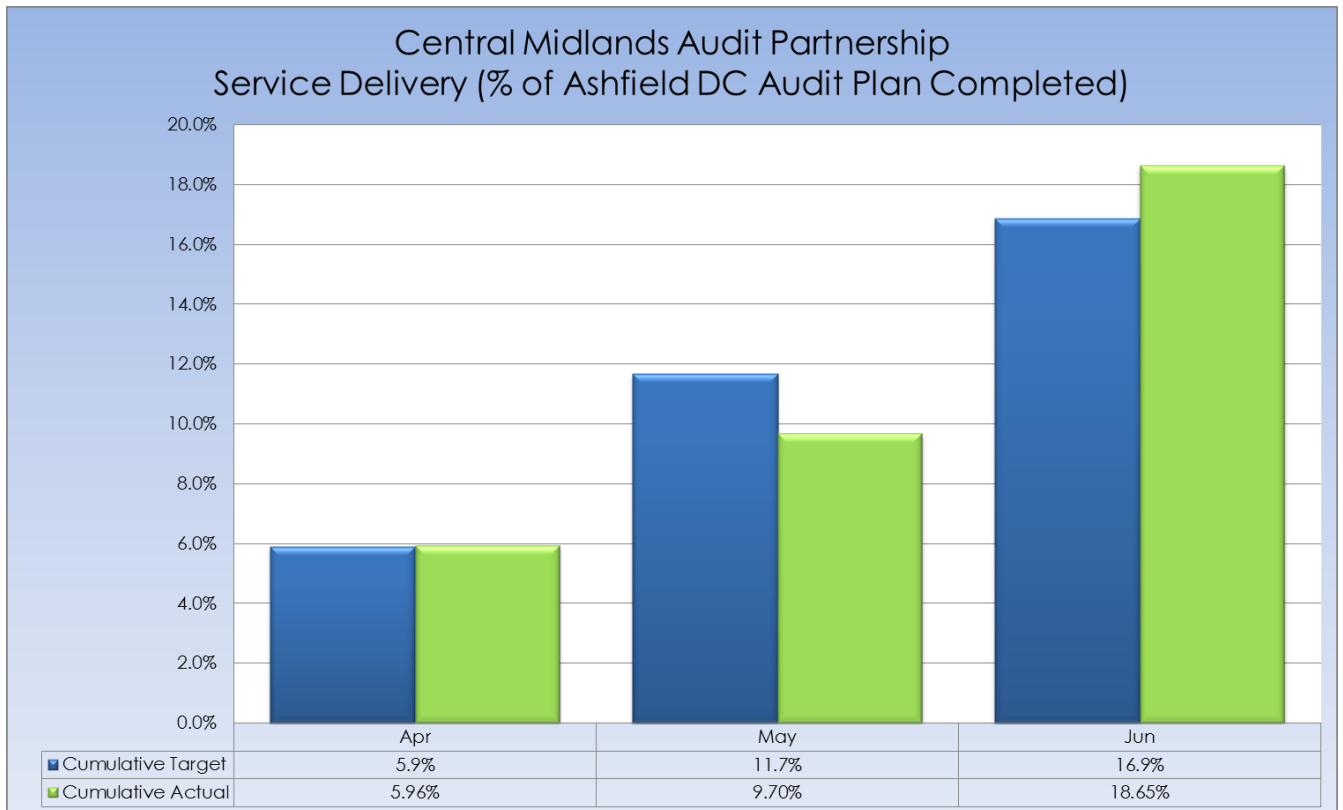
Ashfield District Council – Audit Progress Report

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 2018-19 Audit Plan (including incomplete jobs brought forward) after approximately 3 months of the Audit Plan year.

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



Ashfield District Council – Audit Progress Report

Audit Coverage

Completed Audit Assignments

Between 1st March 2018 and 30th June 2018, the following audit assignments reached their conclusion:

1. Gas Safety (**Reasonable**)
2. Universal Credit & Rent Arrears Recovery (**Comprehensive**)
3. E-CINS Security Assessment (**Limited**)
4. ICT Performance Management (**Reasonable**)
5. Capital Accounting (**Comprehensive**)
6. Housing Lettings/Allocations (**Reasonable**)
7. Housing Benefits & Council Tax Support (**Comprehensive**)
8. Pest Control (**Limited**)
9. Payroll (**Reasonable**)
10. Health & Safety (**Comprehensive**)

Gas Safety

Overall Assurance Rating: **Reasonable**

This audit focused on the processes and procedures regarding Gas Safety, including how the Council ensured that inspections were completed by their anniversary. It also focused on the payment of invoices and the quality of the service provided.

From the 16 key controls evaluated in this audit review, 11 were considered to provide adequate control and 5 contained weaknesses. This report contained 4 recommendations, 2 are considered to present a low risk and 2 a moderate risk. The following issues were considered to be the key control weaknesses:

1. One property did not have a Gas Safety inspection within 12 months since last completion and the appointment scheduling / reminder process had not been followed. (**Moderate Risk**)
2. The Senior Team Leader in Support Services had approved two gas inspection invoices which were above their £5,000 authorisation level. (**Low Risk**)
3. There was no evidence that the Senior Technical Officer (Gas) had reviewed the failed quality control inspections to ensure no further work was required to bring the property up to standard. (**Low Risk**)
4. The Senior Operations Manager has concerns that the pay grade of the Senior Technical Officer (Gas) post would not attract and retain appropriately skilled and experienced applicants should the current post holder leave. (**Moderate Risk**)

All 4 of the issues in the report have been accepted. Management had taken action to address 3 of the issues at the time of issuing the final report and agreed to take action to address the remaining issue by 30th June 2018.

Universal Credit & Rent Arrears Recovery

Overall Assurance Rating: **Comprehensive**

This audit focused on the arrangements made for the introduction of Universal Credit as rent arrears levels may be affected. It also considered the procedures in place to monitor and recover rent arrears, and reporting to stakeholders.

From the 6 key controls evaluated in this audit review, 2 were considered to provide adequate control and 4 contained weaknesses. This report contained 1 recommendation which is considered to present a low risk. The following issue was considered to be the key control weakness:

Ashfield District Council – Audit Progress Report

1. Conflicting advice was provided to tenants on the use of cheques as a method of payment and the availability of cash office facilities. (Low Risk)

The issue in the report has been accepted. Management has taken action to partially address the issue and has committed to further action by 30th September 2019.

E-CINS Security Assessment

Overall Assurance Rating: **Limited**

This audit focused on the security, administration and management of the Council's usage of the e-Cins system. E-Cins is a multi-agency case management system funded by the Police and Crime Commissioner to support existing practises for supporting vulnerable persons and reducing crime. The council use the e-Cins system as a way to record any domestic cases that are reported to them e.g. noise complaints, fly-tipping and anti-social behaviour.

During the course of the audit we had to revise and reduce our testing scope due to being unable to obtain the necessary security related access reports, and being unable to acquire extracts of records for data quality and completeness testing. These issues have been raised as formal recommendations, as the current systems administrators would also need the ability to extract and analyse the exact same information in order to effectively monitor the security and accuracy of their e-Cins users and data.

From the 16 key controls evaluated in this audit review, 6 were considered to provide adequate control and 10 contained weaknesses. This report contained 10 recommendations, 6 are considered to present a low risk and 4 a moderate risk. The following issues were considered to be the key control weaknesses:

1. The Council's e-Cins users could not export bulk extracts of data from the system for data quality, reporting, completeness and accuracy exercises. (Low Risk)
2. There was no IP restrictions or two-factor authentication (2FA) process in place for Ashfield DC user access to the e-Cins system. (Moderate Risk)
3. Access to the e-Cins system was not protected against malicious bots and automated security attacks by a CAPTCHA/reCAPTCHA system. (Low Risk)
4. One officer granted organisation admin rights had recently changed roles but had not had their permissions revoked. (Moderate Risk)
5. No formal policy had been defined or documented for requesting and approving access to the e-Cins application for Ashfield DC users. (Low Risk)
6. An officer who had left the Council on the 4th August 2017 still had an active account in the system as per a report provided by the e-Cins Project Manager on the 21st of November 2017. Additionally, 13 active accounts had not logged into the system in over 90 days (and in 4 cases, over a year). (Moderate Risk)
7. There was no formal schedule in place for verifying user's group memberships, account status, and access to records. Additionally, responsibility did not appear to have been assigned for performing such a review between the current list of organisational admins at Ashfield DC. (Low Risk)
8. 2 shared accounts existed in the system, ADC CP NORTH and ADC CP SOUTH. Neither accounts seemed to be in active use, as one account had never been logged into, whereas the other account had not been logged into in over 12 months. (Low Risk)
9. Nobody in the Council had access to extract security permissions set against all records (profiles and case notes) processed by the Council within e-Cins, making comprehensive organisation wide record access validation exercises impractical. (Low Risk)
10. Current administrators of the system did not appear to have been sufficiently trained on the accessibility and whereabouts of security related reports that would need to be utilised for effective systems and security management. (Moderate Risk)

Ashfield District Council – Audit Progress Report

All 10 of the issues in the report have been accepted. Management has agreed to take positive action for 1 of the issues by 30th April 2018, 8 of the issues by 30th June 2018 and for the remaining issue by 30th September 2018.

ICT Performance Management

Overall Assurance Rating: **Reasonable**

This audit focused on the performance indicators and measurements for the Council's IT section, to ensure that processes and metrics are in place (and approved by senior management) for measuring performance of day-to-day activities and for tracking performance against any defined service-level agreements, or other operational requirements.

From the 23 key controls evaluated in this audit review, 9 were considered to provide adequate control and 14 contained weaknesses. This report contained 5 recommendations, 3 are considered to present a low risk and 2 a moderate risk. The following issues were considered to be the key control weaknesses:

1. Despite commitment to performance management in the Council's latest Technology Strategy, we could not find any documented performance management metrics and goals to support this. Similarly, performance metrics for IT did not appear to be subject to annual review, or agreed or monitored by the Council. (**Moderate Risk**)
2. Reviews of the team's performance in relation to the resolution of incidents and service requests did not appear to comply with a formal schedule, and evidence of previous reviews could not be provided as the actions/discussions were not documented in minutes. (**Low Risk**)
3. Post project surveys were not required for key ICT projects to determine overall satisfaction on IT related projects from the Council and services affected. (**Low Risk**)
4. A small number of important servers were not monitored by the current monitoring software (Argent Guardian). This included Open Ashfield (a web based service for residents to view their Council Tax, Business Rates or Benefit records), the PSN Email server, and an application server for the legal application Iken. (**Moderate Risk**)
5. The IT team were unable to extract or demonstrate uptime statistics for monitored servers from with the monitoring solution (Argent Guardian), which would make effective performance monitoring and compliance reporting impractical. (**Low Risk**)

The issues raised within this report have been accepted. Management has committed to take positive action for 2 issues by 1st July 2018 and the remaining 3 issues by the 1st of September 2018.

Capital Accounting

Overall Assurance Rating: **Comprehensive**

This audit focused on reviewing the adequacy of the capital accounting governance, and monitoring and reporting arrangements; and the inclusion of capital and commercial property investment schemes on the Council's capital programme.

From the 17 key controls evaluated in this audit review, 12 were considered to provide adequate control and 5 contained weaknesses. This report contained 3 recommendations, all of which were considered to present a low risk. The following issues were considered to be the key control weaknesses:

1. There was some procedural guidance in place to cover the main capital accounting tasks, but it wasn't complete. (**Low Risk**)
2. A review process to document expected and actual outcomes from Capital Projects, including investment properties, was not currently being produced. (**Low Risk**)
3. As the Council had not to date utilised flexibilities around Capital receipts, it had not produced a Flexible Use of Capital Receipts Strategy as required by Ministry of Housing, Communities and Local Government guidance. (**Low Risk**)

Ashfield District Council – Audit Progress Report

All 3 of the issues identified have been accepted. Positive action was agreed to be taken in respect of all recommendations by 30th September 2018.

Housing Lettings/Allocations

Overall Assurance Rating: **Reasonable**

This audit focused on the procedures and processes in place to control housing allocations and lettings.

From the 21 key controls evaluated in this audit review, 17 were considered to provide adequate control and 4 contained weaknesses. This report contained 4 recommendations, 3 are considered to present a low risk and 1 a moderate risk. The following issue was considered to be the key control weakness:

1. There was only one key to each of the cabinets used to store Application files. (Low Risk)
2. An applicant had been included on the Direct Lets and Under-Occupiers spreadsheet that had not been approved for a direct let. The entry on the spreadsheet didn't indicate that approval has not been gained. (Low Risk)
3. Access to the room in the Sutton Office where tenants' hard copy files were stored was not restricted. (Moderate Risk)
4. We recommend that Management determine appropriate arrangements for the movement of tenant files that ensures security and accountability are maintained. (Low Risk)

All 4 issues raised within this report have been accepted. Action has already been taken to address one of the issues and management have agreed to take action to address the remaining 3 weaknesses by 30th June 2018.

Housing Benefits & Council Tax Support

Overall Assurance Rating: **Comprehensive**

This audit focused on ensuring that the Revenues section has put in place procedures to ensure that errors found in Subsidy claims are corrected and action is taken to ensure those errors do not recur.

The audit also sought to ensure that there are plans in place for dealing with the change to Housing Benefits regarding the roll out of Universal Credit, and that these plans include any issues regarding reclaiming of overpayments.

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

1. There was a lack of evidence of changes in the subsidy claim being communicated to the Finance section. (Low Risk)
2. The Council was not performing the target number of quality control checks on housing benefit claims processed. (Low Risk)
3. There was not a full plan in place for the roll out of full service Universal Credit with in the revenues section as the Corporate Manager for Customer Services and Revenues has made the decision to delay the production of a forward plan until the Council had received full guidance from Department of Work and Pensions. (Low Risk)

The 3 issues within this report have been accepted. Positive action had been taken for 2 of the issues by the time the final report was issued. Management has committed to take positive action for the remaining issues by the 1st June 2018.

Ashfield District Council – Audit Progress Report

Pest Control

Overall Assurance Rating: **Limited**

A whistleblowing allegation was investigated by CMAP and a report to Management was issued. A system weakness report has been produced to identify any weaknesses in control and suggest control improvements that have been recognised as part of the investigatory work.

This report contained 6 recommendations, 1 is considered to present a low risk and 5 a moderate risk. The following issues were considered to be the key control weaknesses:

1. 43 out of 65 refunds tested for the pest control service could not be identified with the originating request in Flare. (**Moderate Risk**)
2. There was no reconciliation of expected pest control income to actual income received in the ledger. (**Moderate Risk**)
3. The pest control stock held in the storeroom at the Council Offices was accessible to a number of officers. Hazardous chemicals were not kept in a secure area within the storeroom. (**Moderate Risk**)
4. There was no formal procedure for recording the usage of pest control stock, and both the receipt and issue of stock were not subject to check or authorisation. We also found stock control records to be inaccurate. (**Moderate Risk**)
5. There was no control of the stock on the Pest Control Vans and the use of stock per job was not recorded. (**Low Risk**)
6. The Council had chemical waste stored in the back of an outbuilding at the Council offices and access was not limited to Pest Control Officers. (**Moderate Risk**)

All 6 of the issues raised within this report have been accepted. Management have agreed to take actions to address 4 of the issues by 31st August 2018 and the remaining 2 issues by 31st October 2018.

Payroll

Overall Assurance Rating: **Reasonable**

This audit focused on the processes in place for making changes to the establishment, ensuring that revised procedures for BACS payment processing are working effectively and that payroll journals are controlled by Ashfield District Council.

From the 13 key controls evaluated in this audit review, 7 were considered to provide adequate control and 6 contained weaknesses. This report contained 5 recommendations, all of which are considered to present a low risk. The following issues were considered to be the key control weaknesses:

1. The checks on the Establishment List at December 2017 had not been fully reviewed and approved for all Council sections, and Management had not been informed. (**Low Risk**)
2. The Payroll Shared Services were not being routinely informed when the BACS payment run had been completed successfully by Ashfield District Council. (**Low Risk**)
3. There was a lack of accountability for the checks undertaken on the payroll exceptions report as the Payroll Officer did not sign and date the document to evidence their check. (**Low Risk**)
4. The Payroll Shared Service had not consistently adhered to targets set for the sharing of BACS submission documents and there was a lack of Management monitoring of the targets set. (**Low Risk**)
5. The Salaries Control Account was not cleared on a regular basis. (**Low Risk**)

The 5 issues within this report have been accepted. Management have committed to take positive action for all issues by the 30th June 2018.

Ashfield District Council – Audit Progress Report

Health & Safety

Overall Assurance Rating: **Comprehensive**

This audit focused on ensuring the Council is compliant with the Health and Safety at Work Act 1974. Health and Safety is an integral part of corporate governance and risk management and has a significant part to play in ensuring the Council does all that it can to minimise potential risks on a day-to-day basis.

On 1 October 2016, Ashfield Homes Limited was brought back under the control of the Council, incorporating them as the Housing and Assets Directorate. A Service Plan was in place to amalgamate processes of the Directorate with the rest of the Council. At the time of this review, the Health and Safety processes in the Housing and Assets Directorate still differed from the rest of the Council.

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

1. A Committee with delegated responsibility for Health and Safety was not in place. (Low Risk)
2. Version control information on Health and Safety policies of both the Council and the Housing and Assets Directorate had not been adequately documented. (Low Risk)
3. There was no annual report on Corporate Health and Safety or information on monitoring compliance with Health and Safety legislation provided to Council Members. (Low Risk)

All 3 of the issues raised within this report have been accepted. Management have agreed to take actions to address 2 of the issues by 31st October 2018 and the remaining issue by 31st July 2019.

Ashfield District Council – Audit Progress Report

Customer Satisfaction

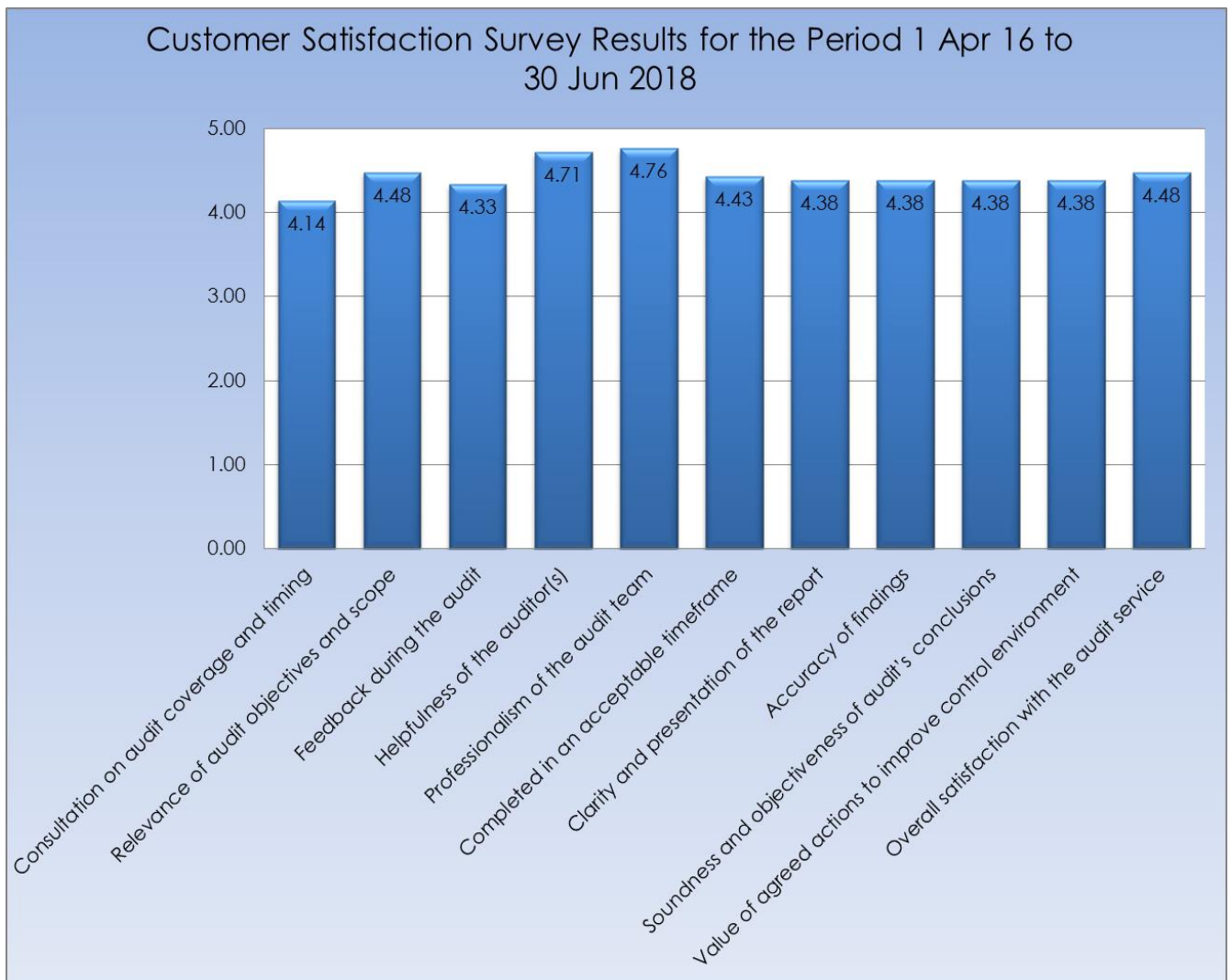
Survey Results

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 21 responses received between 1st April 2016 and 30th June 2018. The overall average score from the surveys was 48.9 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 21 responses received to date, 16 categorised the audit service they received as excellent and the other 5 as good.



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 11th July 2018:

	Implemented	Being Implemented	Risk Accepted	Superseded	Action Due	Future Action	Total
Low Risk	125	15	2	1	13	12	168
Moderate Risk	31	4	0	0	3	19	57
Significant Risk	2	0	0	0	0	0	2
Critical Risk	0	0	0	0	0	0	0
Totals	158	19	2	1	16	31	227

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

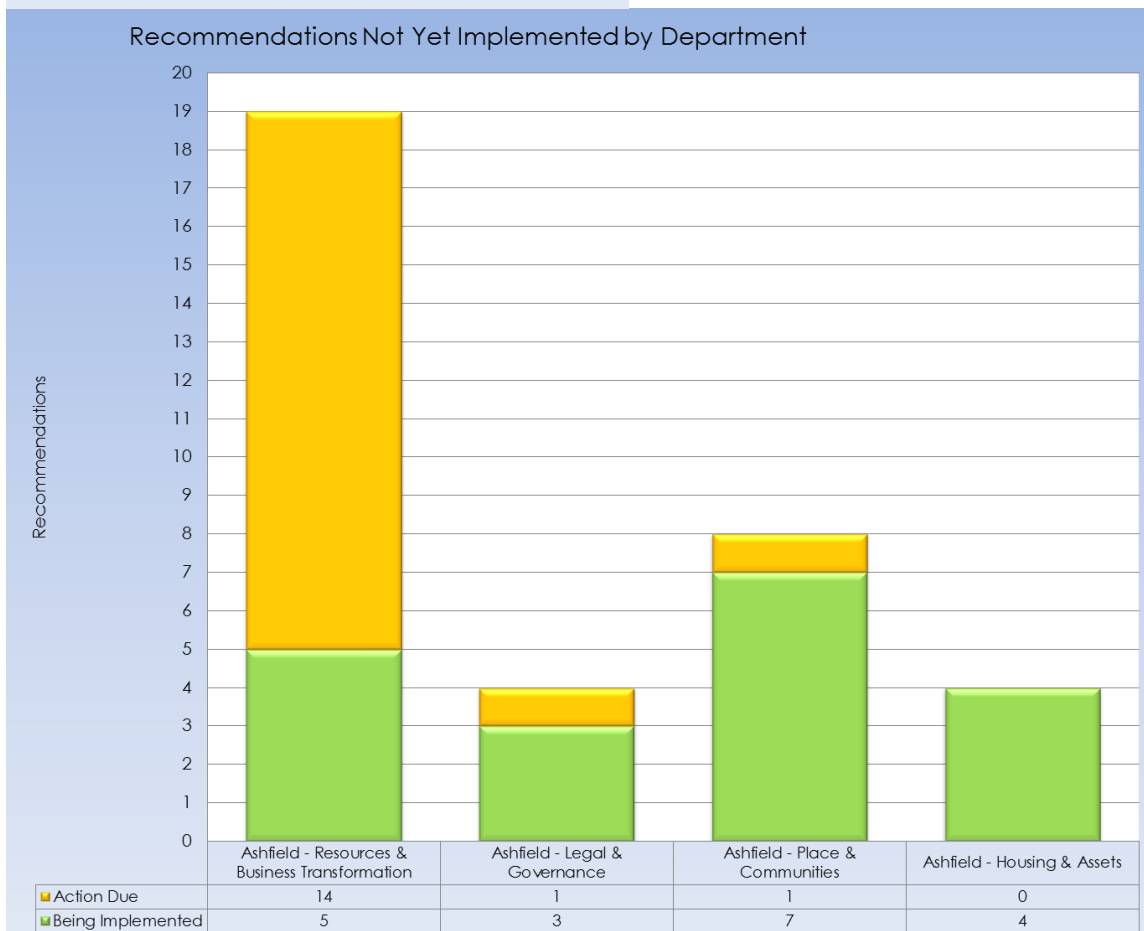
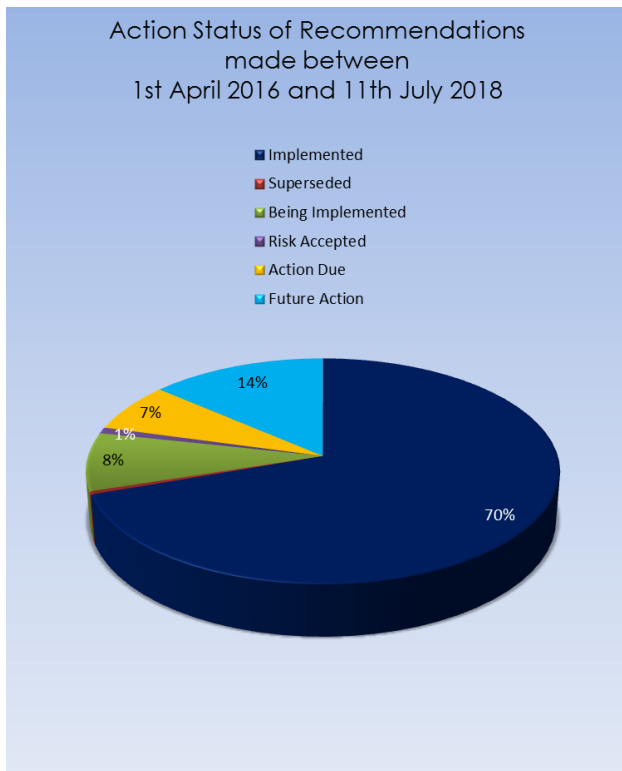
Recommendations Not Yet Implemented	Resources & Business Transformation	Legal & Governance	Place & Communities	Housing & Assets	Totals
Being Implemented	5	3	7	4	19
No progress information	14	1	1	0	16
	19	4	8	4	35

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

ICT Performance Management

Control Issue 4 - A small number of important servers were not monitored by the current monitoring software (Argent Guardian). This included Open Ashfield (a web based service for residents to view their Council Tax, Business Rates or Benefit records), the PSN Email server, and an application server for the legal application Iken.

Risk Rating – Moderate Risk

Status Update - No response received.

Original Action Date 01 Jul 2018 **Revised Action Date** n/a.

E-CINS Security Assessment

Control Issue 2 - There was no IP restrictions or two-factor authentication (2FA) process in place for Ashfield DC user access to the e-Cins system.

Risk Rating – Moderate Risk

Status Update - No response received.

Original Action Date 30 Jun 2018 **Revised Action Date** n/a.

OPEN Housing IT Security Assessment

Control Issue 8 - The application did not enforce data retention policies for all records processed. We were informed some processes and routines included options to make records historic or in-active, however this was not consistent throughout the application.

Risk Rating – Low Risk

Status Update - The latest version of OPENHousing is in the Test environment. Testing is planned to be completed by the end of September.

Original Action Date 30 Jun 17 **Revised Action Date** 30 Sep 18

Control Issue 11 - The existing software licence agreement (which was in effect until the 31st March 2017) for the application stipulated a 70 concurrent user's agreement. However, at the time of testing, there were 291 accounts in the co-users table which did not have the disabled flag set. There also didn't appear to be active monitoring in place, nor any obvious functionality within the application to identify login sessions so we could monitor compliance against the terms of the agreement.

Risk Rating – Low Risk

Status Update – Management are in talks with Capita to resolve this issue.

Original Action Date 30 Jun 17 **Revised Action Date** 1 Oct 18

Ashfield District Council – Audit Progress Report

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 - A new MTFS model is expected to be in place by the end of August, providing greater security.

Original Action Date 28 Feb 17 **Revised Action Date** 31 Aug 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 - Inclusion of comments regarding the Robustness of Estimates has been an oversight as part of producing the 18/19 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

Treasury Management 2016-17

Control Issue 1 - The Council was not fully complying with the CIPFA Treasury Management code with respect to assessing the need for Member training. Member training was only scheduled for once every 4 years. The CIPFA Treasury Management self-assessment document had not been completed.

Risk Rating – Low Risk

Status Update - No response received.

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

Legal & Governance

Data Quality & Performance Management

Control Issue 1 - Data quality related risks were not covered in the Corporate Risk Register.

Risk Rating – Low Risk

Status Update – No response received.

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

Place & Communities

Markets

Control Issue 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.

Risk Rating – Moderate Risk

Status Update – A compliance requirement document has been developed, traders will complete this form and the information will be used as a check of the information on square system.

Original Action Date 19 Mar 18 **Revised Action Date** 15 May 18

Control Issue 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.

Risk Rating – Moderate Risk

Status Update – No accompanying comment received.

Ashfield District Council – Audit Progress Report

Original Action Date 19 Mar 18 Revised Action Date 20 Apr 18

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 – Awaiting clarification of response received.

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

Refuse Collection

Control Issue 1 - There was no up-to-date all-encompassing waste strategy in place at the Council.

Risk Rating – **Low Risk**

Status Update – A draft strategy has been produced and will be refined before taking through the Council's formal approval processes.

Original Action Date 31 Mar 17 Revised Action Date 31 Dec 18

Housing Services

Gas Safety 2017-18

Control Issue 8 - The Senior Operations Manager has concerns that the pay grade of the Senior Technical Officer (Gas) post would not attract and retain appropriately skilled and experienced applicants should the current post holder leave.

Risk Rating – **Moderate Risk**

Status Update – This post is part of a significant service review that will involve changes to IT, service delivery and restructures. The service review is underway but not likely to be completed for some time.

Original Action Date 30 Jun 18 Revised Action Date 30 Mar 19

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	31/03/19	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. Update 10/07/18 - This recommendation is now tied in to a significant service review that will involve changes to IT, service delivery and restructures. As part of the service review both in-house and national Schedule of Rates are being considered.

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