

ASHFIELD DISTRICT COUNCIL



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

Agenda

Audit Committee

Date: **Monday, 3rd December, 2018**

Time: **7.00 pm**

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

For any further information please contact:

Lynn Cain

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01623 457317

AUDIT COMMITTEE

Membership

Chairman:

Councillor Kevin Rostance

Councillors:

Rachel Bissett
Jackie James
Paul Roberts

Tony Brewer
Rachel Madden
Vacancy

FILMING/AUDIO RECORDING NOTICE

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SUMMONS

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



R. Mitchell
Chief Executive

AGENDA

Page

1. **To receive apologies for absence, if any.**
2. **Declarations of Disclosable Pecuniary or Personal Interests and Non Disclosable Pecuniary/Other Interests.**
3. **To receive and approve as a correct record the minutes of the meeting of the Committee held on 24th July, 2018.** 5 - 10
4. **KPMG: Annual Audit Letter 2017/18.** 11 - 22
5. **Annual Review of the Local Code of Corporate Governance.** 23 - 42
6. **Audit Progress Report.** 43 - 58

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AUDIT COMMITTEE

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

on Tuesday, 24th July, 2018 at 7.00 pm

Present: Councillor Kevin Rostance in the Chair;

Councillors Tony Brewer, Steve Carroll,
Rachel Madden and Paul Roberts.

Apology for Absence: John Cornett (KPMG).

Officers Present: Craig Bonar, Lynn Cain, Pete Hudson and
Ruth Dennis.

In Attendance: Councillor Robert Sears-Piccavey.
Mandy Marples and Hannah McDonald (CMAP).
Rachit Babbar and Debbie Stokes (KPMG).

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

No declarations of interest were made.

AC.2 Minutes

RESOLVED

that the minutes of the meeting of the Audit Committee held on 19th March, 2018, be received and approved as a correct record.

AC.3 Presentation by the Interim Corporate Finance Manager (and Section 151 Officer) - Statement of Accounts 2017/18

The Interim Corporate Finance Manager (and Section 151 Officer) gave a presentation to the Committee in relation to the content of the audited 2017/18 Statement of Accounts.

AC.4 Audited Statement of Accounts 2017/18 including Letter of Representation

The Interim Corporate Finance Manager (and Section 151 Officer) presented the audited 2017/18 Statement of Accounts and highlighted the primary changes made following the outcome of the external audit as follows:-

1. 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).
2. The Financial Instruments Table for long term liabilities included some short term loans which had to be reclassified.
3. 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.
4. One immaterial audit difference was identified at a value of £41k in respect of Property, Plant and Equipment. This had not been corrected in the 2017/18 accounts and did 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.
5. The Trade Union (Facility Time Publication Requirements) Regulations 2017 required 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.

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

RESOLVED that

- a) the findings of the Statement of Accounts external audit, be received and noted;
- b) the audited Statement of Accounts for 2017/18 including the associated Letter of Representation, be approved.

Reason:

To comply with statutory and constitutional requirements.

AC.5 KPMG: External Audit ISA260 Report 2017/18

Debbie Stokes, KPMG's Audit Manager, presented the ISA 260 report to those charged with governance for 2017/18. KPMG had carried out an audit of the Council's Statement of Accounts which was now substantially complete.

The headline messages were as follows:-

Proposed Audit Opinion

KPMG were anticipating issuing an unqualified opinion on the Council's financial statements by the end of July 2018 and it was acknowledged that the Council's financial papers, as submitted, were of a high standard.

Audit Risks

Three significant audit risks had been identified in relation to Valuation of PPE, Pensions Liabilities and Faster Close Out. KPMG had raised two recommendations following work being undertaken with officers in relation to the risks and all necessary actions had been addressed.

Financial Statements

Two issues had been identified following the audit work on the 2017/18 financial statements regarding liquidity cash flow and procurement. Management's response had been timely with implementation dates set for September 2018 and November 2018 respectively.

VFM Conclusion and Risk Areas

KPMG concluded that the Authority had made proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Two risks had been identified regarding financial resilience and investment properties.

On conclusion of the presentation, the Chairman took the opportunity to thank those involved in compiling the 2017/18 accounts for their continued hard work and commitment.

RESOLVED that

- a) the ISA 260 report for 2017/18, as presented to Committee by KPMG, be received and noted;

- b) a letter of thanks be forwarded to the Council's former Corporate Finance Manager (and Section 151 Officer), Sharon Lynch, who had recently left the Authority but had greatly contributed to the production of the 2017/18 accounts.

(Following consideration of this item, the Chairman of the Committee duly signed off the Council's Audited Statement of Accounts and the Letter of Representation for 2017/18.)

AC.6 Internal Audit Annual Report 2017/18

Mandy Marples presented the Internal Audit Annual Report for 2017/18. The Chief Audit Executive had reached an overall opinion, as based on work undertaken throughout the year, that there was currently a 'satisfactory system of internal control' at the Council. Findings had indicated that on the whole, controls were satisfactory and management had accepted all of the issues raised within audit reports and had implemented recommendations as required.

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

1. The level of coverage provided by Internal Audit was considered adequate.

2. Regular meetings had been held with the Monitoring Officer to discuss emerging issues, risk, governance and the control environment at the Council.

3. All of the issues raised within the internal audit reports had been accepted.
4. A significant piece of work had 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.
5. Internal Audit has also been involved in the Council's Anti-Fraud group throughout the year and had observed the progress made against actions deriving from this work. Further work in relation to improving the Council's data matching had also commenced.
6. Following the restructure of the Corporate Leadership Team last year, there were still uncertainties as to whether the change in the role of the S151 Officer had been effective and this role would continue to be reviewed.
7. 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.
8. The number of control issues formally raised by Internal Audit from the audit assignments completed during 2017/18 as summarised in the report.

Committee were advised that CMAP were themselves subjected to an external quality assessment every 5 years to ensure that their activity conformed to the Definition of Internal Auditing and the Standards and whether or not they were satisfactorily applying the Code of Ethics.

An initial assessment had been undertaken in early 2017 and some opportunities for further improvement and development were identified. An update on this position has been given in September 2017 and CMAP were found to be conforming as per the regulations.

During the year, 29 pieces of audit work had been completed with 7 receiving a 'Comprehensive' assessment, 15 a 'Reasonable' assessment and only 6 receiving a 'Limited' assurance. In relation to the recommendations, 59% had been implemented during 2017/18 with the remaining recommendations being implemented in accordance with agreed dates as appropriate.

To conclude, Committee Members were advised that by the end of the 2017/18 year, 92% of the Audit Plan had been completed against a target of 90%.

RESOLVED

that the 2017/18 Annual Report of Internal Audit and the Internal Audit Opinion that supports it, be received and approved.

Reason:

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

AC.7 Audit Progress Report

Mandy Marples presented the report and summarised audit progress between 1st March, 2018 and 30th June, 2018 with 10 assignments having reached their conclusion during this period.

Since publication of the agenda, a further 2 reports in relation to Commercial Property Investment and Capital Accounting had been finalised with the Fixed Assets audit review being the last piece of work to be completed from the 2017/18 Audit Plan.

There had also been 2 changes to the Audit Plan with the addition of audits relating to the Council's Fleetwave system and the Licensing function, as requested by management. To allocate adequate time to the new audits, the planned audits regarding Leisure Centres and Partnership Governance had been duly withdrawn from the 2018/19 Audit Plan.

Members were given a brief synopsis of the outcomes of the two assignments that has received limited assurance, namely E-CINS Security Assessment and Pest Control and Members also considered the recommendation tracker whilst acknowledging that there had been some effective movement by the Council to address outstanding recommendations since the agenda had been printed.

RESOLVED

that audit assignment progress between 1st March, 2018 and 30th June, 2018, as presented to Committee, be received and noted.

Reason:

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

The meeting closed at 7.47 pm

Chairman.

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Annual Audit Letter 2017/18

**Ashfield District
Council**



A group of business professionals in a meeting, looking at documents. The image is a close-up, slightly blurred, showing several people in business attire. A woman with dark hair is on the left, looking down. A man with grey hair is in the center, also looking down. A woman with dark hair is on the right, looking down. They are all wearing suits and ties. The background is out of focus.

Section one

Summary for Audit Committee

Summary for Audit Committee

This Annual Audit Letter summarises the outcome from our audit work at Ashfield District Council ("the Authority") in relation to the 2017/18 audit year.

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

This is KPMG's last Annual Audit Letter to the Authority. We would like to take this opportunity to thank the Authority's officers and the members of the Audit Committee for their support throughout the six years of our audit appointment.

Audit opinion

We issued an unqualified opinion on the Authority's financial statements on 31 July 2018. This means that we believe the financial statements give a true and fair view of the financial position of the Authority and of its expenditure and income for the year.

Financial statements audit

Our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole. We set materiality at £1.2 million which equates to around 1.45 percent of gross expenditure. We design our procedures to detect errors in specific accounts at a lower level.

We report to the Audit Committee any misstatements of lesser amounts, other than those that are "clearly trivial", to the extent that these are identified by our audit work. In the context of the Authority, an individual difference is considered to be clearly trivial if it is less than £60,000.

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

Our audit work was designed to specifically address the following significant risks:

- **Management Override of Controls** – Management is typically in a powerful position to carry out fraud, as it can manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Our audit methodology includes the risk of management override as a default significant risk. 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.
- **Valuation of PPE** – At 31 March 2017 the Authority had land and buildings with a total net book value of £289.2 million (including council dwellings). The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate fair value at that date. The Authority has adopted a rolling revaluation model which sees all land and buildings revalued over a five year cycle. As a result of this, however, individual assets may not be revalued for four years. This creates a risk that the carrying value of those assets not revalued in year differs materially from the year end fair value. In addition, as the valuation is undertaken as at 31 January, there is a risk that the fair value is different at the year end.
- **Pensions Liabilities** – 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. 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.

Section one:

Summary for Audit Committee (cont.)

The basis of the assumptions is derived on a consistent basis year to year, or updated to reflect any changes. There is a risk that the assumptions and methodology used in the valuation of the Authority's pension obligation are not reasonable. This could have a material impact to net pension liability accounted for in the financial statements.

- **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 2018. 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;
 - Working papers and other supporting documentation are available at the start of the audit process; 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.

We did not identify any evidence of material misstatement as a result of our audit work on these significant risk areas.

Whole of Government Accounts

The Authority prepares a consolidation pack to support the production of Whole of Government Accounts by HM Treasury. We are not required to review your pack in detail as the Authority falls below the threshold where an audit is required. As required by the guidance we have confirmed this with the National Audit Office.

Value for Money conclusion

We issued an unqualified conclusion on the Authority's arrangements to secure value for money (VFM conclusion) for 2017/18 on 31 July 2018. This means we are satisfied that during the year the Authority had appropriate arrangements for securing economy, efficiency and effectiveness in the use of its resources.

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

Summary for Audit Committee (cont.)

Value for Money risk areas

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

Our work identified the following significant matters:

- **Delivery of Budgets** - 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 balanced 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 your Transformation Programme. The Authority is 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.

We reviewed the Authority's arrangements for assuring delivery of the savings programme. We also 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.

- **Investment Properties** - The Authority established in its Capital Programme an initial investment target of £10m, with a further £15m approved in January 2018. The Authority has already spent £12.2m 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 the authority has utilised borrowings to fund these acquisitions. Ministry of Housing, Communities and Local Government recently issued the Consultation document on the Prudential Framework of Capital Finance and a further document called 'Clarification on proposed changes' which detailed the proposed changes in the Minimum Revenue Provision (MRP) calculations for the Investment Properties, which come into effect from 1 April 2019. At present the Authority are applying Option 4 – depreciation method for determining MRP, under the existing guidance which means that MRP will only be set aside should there be a reduction in valuation or when the asset is sold. There is a reserve of £400k for commercial investments but this is being reviewed in light of recent and potential acquisitions. However due to the potential changes to the Prudential Framework, the Authority may not be able to apply Option 4, which would result in a decreased return from the investment as the MRP charges will be approximately 10 times higher than the MRP budgeted for, under the existing guidance.

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. 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

High priority recommendations

We raised one high priority recommendation as a result of our 2017/18 work regarding the Authority's liquidity position. This is detailed in Appendix 1 together with the action plan agreed by management.

Other information accompanying the financial statements

Whilst not explicitly covered by our audit opinion, we review other information that accompanies the financial statements to consider its material consistency with the audited accounts. This year we reviewed the Annual Governance Statement and Narrative Report. We concluded that they were consistent with our understanding and did not identify any significant issues.

Section one:

Summary for Audit Committee (cont.)

Certificate

We issued our certificate on 31 July 2018. The certificate confirms that we have concluded the audit for 2017/18 in accordance with the requirements of the Local Audit & Accountability Act 2014 and the Code of Audit Practice.

Audit fee

The PSAA Scale fee for the 2017/18 audit was £56,036 (excluding VAT). We propose to charge a further fee of £1,500 due to additional work undertaken in respect of the new VFM risk identified in 2017/18 as part of the planning process and included in the Audit Plan. We reviewed the commercial properties worth £15m that the Authority purchased in 2017/18. We considered the governance, legal and financial advice sought, reviewed the accounting treatment and the impact on the MTFS.

The PSAA scale fee for 2016/17 was also £56,036 and we charged additional fee of £3,805 for further work we undertook in relation to the CIES restatement and data migration following the transfer of Ashfield Homes Limited.

The proposed additional fee for 2017/18 has been agreed with the Authority but is still subject to determination by PSAA.

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.



Appendices

Appendix 1:

High risk recommendations

This appendix summarises the high risk recommendations raised as a result of our audit.

High risk recommendations are defined as those 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.

Details of lower risk recommendations can be found in our *ISA260 Report 2017/18*.

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>

Follow up of previous recommendations

As part of our audit work we followed up on the Authority's progress against previous audit recommendations. We are pleased to report that the Authority has taken appropriate action to address the issues that we have previously highlighted through high priority recommendations.



Appendix 2:

Summary of reports issued

This appendix summarises the reports we issued since our last Annual Audit Letter. These reports can be accessed via the Audit Committee pages on the Authority's website at www.ashfield.gov.uk.

Certification of Grants and Returns

This report summarised the outcome of our certification work on the Authority's 2016/17 grants and returns.

Interim Audit

The Interim Audit summarised the results from the preliminary stages of our audit, including testing of financial and other controls.

External Audit Plan

The External Audit Plan set out our approach to the audit of the Authority's financial statements and to support the VFM conclusion.

Report to Those Charged with Governance

The Report to Those Charged with Governance summarised the results of our audit work for 2017/18 including key issues and recommendations raised as a result of our observations. We also provided the mandatory declarations required under auditing standards within it.

Auditor's Report

The Auditor's Report included our audit opinion on the financial statements along with our VFM conclusion and our certificate.

Annual Audit Letter

This Annual Audit Letter provides a summary of the results of our audit for 2017/18.

2018

January

February

March

April

May

June

July

August

September

October

Appendix 3:

Audit fees

This appendix provides information on our final fees for the 2017/18 audit.

External audit

The PSAA Scale fee for the 2017/18 audit was £56,036 (excluding VAT). We propose to charge a further fee of £1,500 due to additional work undertaken in respect of the new VFM risk identified in 2017/18 as part of the planning process and included in the Audit Plan. We reviewed the commercial properties worth £15m that the Authority purchased in 2017/18. We considered the governance, legal and financial advice sought, reviewed the accounting treatment and the impact on the MTFS.

The PSAA scale fee for 2016/17 was also £56,036 and we charged additional fee of £3,805 for further work we undertook in relation to the CIES restatement and data migration following the transfer of Ashfield Homes Limited.

The proposed additional fee for 2017/18 has been agreed with the authority but is still subject to determination by PSAA.

Certification of grants and returns

Under our terms of engagement with Public Sector Audit Appointments we undertake prescribed work in order to certify the Authority's Housing Benefits Grants. This certification work is still ongoing. The planned fee for this work is £19,900 and the final fee will be confirmed through our reporting on the outcome of that work in January 2019.

Other services

We charged £3,500 for the independent assurance report on the 2016/17 Pooling of Housing Receipts Return. This work was not related to our responsibilities under the Code of Audit Practice and was agreed through a separate Engagement Letter.

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 PSA'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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Report To:	AUDIT COMMITTEE	Date:	3 DECEMBER 2018
Heading:	ANNUAL REVIEW OF THE LOCAL CODE OF CORPORATE GOVERNANCE		
Portfolio Holder:	NOT APPLICABLE		
Ward/s:	NOT APPLICABLE		
Key Decision:	NO		
Subject to Call-In:	NO		

Purpose of Report

To review and amend as necessary the Local Code of Corporate Governance and to receive an update in relation to the actions outlined in the 2017-2018 Annual Governance Statement.

Recommendation(s)

Committee is recommended to:

- 1. Note that the Local Code of Corporate Governance has been reviewed;**
- 2. Approve the suggested changes to the Code as set out in the report and Appendix 1;**
- 3. Note progress made in relation to the actions outlined in the 2017-2018 Annual Governance Statement and make any comments or observations;**
- 4. Note the proposed process for the preparation of the 2018-2019 Annual Governance Statement.**

Reasons for Recommendation(s)

It is best practice for the Local Code of Governance to be reviewed annually to inform the Governance Framework for the following year.

Alternative Options Considered

(with reasons why not adopted)

Committee may consider suggesting alternative changes to the revised Code, otherwise as the report is for comment and noting, there are no other options to consider.

Detailed Information

Review of the Local Code of Corporate Governance

Corporate governance ensures organisations are doing the right things in the correct manner in an open, honest, inclusive and accountable way. Good governance leads to good management, performance and outcomes.

The Council has a framework of policies and procedures in place which collectively make up its governance arrangements.

The Audit Committee approved its Local Code of Corporate Governance in November 2017 which sets out the Council's arrangements and is based on the guidance "*Delivering Good Governance in Local Government*" published by CIPFA (the Chartered Institute of Public Finance and Accountancy) and SOLACE (the Society of Local Authority Chief Executives) in 2016.

The CIPFA/SOLACE guidance identifies seven core principles and various sub principles. The seven principles are:

- A. Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law
- B. Ensuring openness and comprehensive stakeholder engagement
- C. Defining outcomes in terms of sustainable economic, social and environmental benefits
- D. Determining the interventions necessary to optimise the achievement of the intended outcomes
- E. Developing the Council's capacity, including the capability of its leadership and the individuals within it
- F. Managing risks and performance through robust internal control and strong public financial management
- G. Implementing good practices in transparency, reporting and audit to deliver effective accountability

The Local Code of Corporate Governance informs the Annual Governance Statement.

The Local Code of Governance is subject to annual review to inform the governance framework for the following year. The revised Code is attached as Appendix 1 with changes shown in italics. The suggested changes to the Code are not significant, they simply ensure the most up to date processes and policies are set out.

Update in Respect of the Actions Set Out in the 2017-2018 Annual Governance Statement

The Annual Governance Statement

The Annual Governance Statement is prepared in order to publically report on the extent to which the Council has complied with its Local Code of Governance.

The Annual Governance Statement looks at how the effectiveness of the Council's governance arrangements have been monitored and evaluated during the year and looks at any planned changes.

Improvement Actions

As part of the Council's drive to continuously improve its existing governance framework to meet changing conditions, the following actions were identified in the 2017-2018 Annual Governance Statement to take place during 2018/2019:

Improvement Action	Lead Officer	Target Date	Progress
Development of Member's Induction Programme	Director of Legal & Governance	September 2018 – March 2019	Ongoing - Development of the programme has commenced. Consultation with Members will be undertaken shortly on a draft programme.
Community Engagement Strategy Review	Director of Place & Communities	December 2018	Since approval of the Community Engagement Cabinet Report in November 2017, all recommendations have been implemented and will continue to be managed and monitored.
GDPR – Continue to progress the implementation plan and review post implementation	Service Manager – Legal Services	May 2018 then review during 2019	Ongoing - GDPR implementation by May 2018 was well progressed in order to ensure compliance. Developments and changes continue as guidance from the ICO is produced.
Corporate Risk Strategy Review – to include risk appetite	Service Manager Corporate Support and Transformation	July 2018	Complete - approved at Cabinet June 2018
Embed the Benefits Realisation Strategy	Service Manager Corporate	ongoing	This is still ongoing as part of embedding the

	Support and Transformation		project framework.
Digital and Service Transformation Programme	Director of Revenues & Business Transformation	ongoing	A business case and project plan to underpin the Programme is scheduled to be considered by Cabinet, early in 2019. This will include governance and decision arrangements to ensure effective project and programme management.
Refresh the Data Quality Strategy	Service Manager Corporate Support and Transformation	December 2018	Will be completed by due date.
Modern Slavery Act – Policy and Statement	Director of Legal and Governance (Monitoring Officer)	July 2018	Complete - approved at Cabinet on 9 July 2018
Review of compliance with Financial Regulations governing the raising of purchase orders (plus introducing 'no purchase order no payment' initiative).	Corporate Finance Manager & Section 151 Officer	ongoing	Update to financial regulations to be presented before end March 2019. Introduction of 'no purchase order no payment' to be activated following system upgrade and training.

Significant Governance Issues

While the effectiveness review and other developments during 2017-2018 demonstrated that the Council's corporate governance arrangements and the internal control framework were fit for purpose and effective, as part of continuing efforts to improve governance arrangements the following significant governance issues were identified for improvement during 2018-2019

Key Improvement Area	Lead Officer	Target Date	Progress
<p>FINANCIAL SUSTAINABILITY</p> <p>The year 2019/20 is the final year of the four-year financial settlement provided by the Government. Together with the Fair Funding Review and the move to 75% retained business rates this provides further uncertainty in respect of the Council's finances after 2020.</p> <p>Although the MTFS was refreshed in February 2018 the changing landscape of local government finance and the potential for changes to the Corporate Plan will require more frequent updates of the MTFS and the saving strategy.</p>	<p>Corporate Finance Manager & Section 151 Officer</p>	<p>Ongoing</p>	<p>The MTFS is currently under review and some savings options have been developed for Member consideration.</p> <p>Concurrently the Council is developing a Transformation Plan which will both improve service delivery and provide efficiencies into the future to assist in closing the funding gap. These expected efficiencies are currently being modelled and will be reflected in the next iteration of the MTFS update to Cabinet / Council in early 2019.</p> <p>The MTFS update report will also be informed by greater certainty around New Homes Bonus payments which will be received in the Provisional Local Government Settlement in December 2018.</p> <p>The updated MTFS will still</p>

			<p>contain assumptions around the impact of the Fair Funding Review and Business Rates Baseline reset (this is the same for all Councils) but these assumed funding levels will be informed by information provided by LG Futures.</p>
<p>INVESTMENT IN COMMERCIAL PROPERTIES</p> <p>2017/18 saw the introduction of a new regulatory environment with CIPFA's new Prudential and Treasury Management Codes. These changes will start to impact significantly in 2019/20 and the Council will be putting in place a Capital Strategy which brings together policies around Capital, Debt and Investment.</p> <p>Through the Capital Programme the Council has purchased commercial investment properties totalling £15 million and has increased its borrowing requirement. It will remain essential to effectively manage the investment portfolio in light of the ever changing economic climate whilst also having a clear understanding of how such risks and rewards impact on the Council's financial position.</p> <p>The production of the new Capital Strategy will provide the opportunity to fully explore a wide range of investment options based upon the Council's risk appetite whilst also ensuring proper due diligence and long term planning to reflect current and planned treasury positions.</p>	<p>Corporate Finance Manager & Section 151 Officer</p>	<p>December 2018</p>	<p>The Council is in the process of refreshing its Capital Strategy and Treasury Management Strategy and these will be presented to Cabinet early in 2019. The final version of the proposed strategies will take into account Prudential Code updates and any new guidance which is imminently expected from CIPFA in relation to borrowing for acquisition of Investment Properties.</p> <p>Arrangements are in place to monitor the performance of the existing Investment Property portfolio via the Council's</p>

			Commercial Investment Working Group.
<p>DATA MATCHING AND NATIONAL FRAUD INITIATIVE</p> <p>Introducing a clear corporate approach to data matching and NFI work including identifying a corporate lead officer.</p>	<p>Service Manager – Revenues and Benefits</p>	<p>December 2018</p>	<p>All NFI datasets were extracted and submitted to ADC's Key Contact (Service Manager – Revenues and Benefits) in October.</p> <p>These were fully checked and validated before being uploaded to the NFI by the due date.</p> <p>The Electoral Registration dataset is to be uploaded in December.</p> <p>Results of the NFI data matching are due in February 2019.</p> <p>A trial is being undertaken in respect of a fraud prevention solution via the NFI framework supported by Cabinet Office. This will inform the development of wider corporate anti-fraud solutions.</p>
<p>PROCUREMENT</p> <p>Review and implement procurement strategy, align systems and processes with the new service provider and ensure full compliance</p>	<p>Service Manager – Commercial Development</p>	<p>During 2018/2019</p>	<p>66% complete</p> <p>New Contract Procedure Rules in place (approved at the</p>

with contract management and transparency requirements.			<p>Council AGM on 24 May 2018).</p> <p>New contract register process implemented.</p> <p>Procurement Strategy will be reviewed and implemented in Q4 18/19</p>
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Proposed Process for the Preparation of the Annual Governance Statement 2018-2019

- The initial review of the effectiveness of the Council’s governance framework will be conducted by the Council’s Director of Legal and Governance (Monitoring Officer) supported by the Service Manager Corporate Support and Transformation.
- The findings reported by External Audit and other external review bodies and the work of Internal Audit and other internal assurance providers will be considered as part of the review.
- To inform the process, the Corporate Leadership Team will carry out a Corporate Assurance Assessment and each Director will provide a Statement of Assurance. The Corporate Finance Manager & Section 151 Officer is also consulted and will provide a Statement of Assurance.
- The Constitution review, performance reporting and risk management arrangements will also be taken into account.
- The results of all this review work will be set out in a draft Governance Statement prepared by the Director of Legal and Governance (Monitoring Officer) supported by the Service Manager Corporate Support and Transformation. This draft will be prepared during March 2019.
- The Corporate Leadership Team will review the draft Statement and consider whether the improvements proposed represent an appropriate and proportionate response to any significant governance issues identified.
- The draft Governance Statement, modified to reflect the views of the Corporate Leadership Team, will be considered by a Member Working Group made up of the Council’s Audit Committee.
- The Director of Legal and Governance (Monitoring Officer) will finalise the Annual Governance Statement by the end of May 2019 in readiness for the close of accounts.
- The Audit Committee at its meeting in July 2019 will formally approve the Annual Governance Statement.

Implications

Corporate Plan:

Transparent and Accountable

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

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

Legal:

The Council's Local Code of Corporate Governance is based on the CIPFA/SOLACE guidance as set out in the report.

The Council is required by law to undertake an annual review of the effectiveness of its systems of control and produce an annual governance statement – Regulation 6 of the Accounts and Audit Regulations 2015.

Finance:

There are no budgetary implications associated with the review of the Local Code of Corporate Governance.

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

Risk:

Risk	Mitigation
Failure to review the Local Code of Corporate Governance would mean the governance framework is not complied with and would impact on the annual governance statement process.	The review ensures compliance with the governance framework and assists with the annual governance review.

Human Resources:

There are no Human Resource issues associated with the recommendations contained in the report.

Equalities:

There are no equalities issues associated with the recommendations contained in the report.

Other Implications:

None.

Background Papers

None.

Report Author and Contact Officer

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ASHFIELD DISTRICT COUNCIL

LOCAL CODE OF CORPORATE GOVERNANCE

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

APPROVED:
Audit Committee – [3 December 2018]

REVIEW:
November 2019

Version Control

Version Number	Date Issued
Original	November 2017
V2	<i>December 2018</i>

Introduction

Governance ensures organisations are doing the right things in the correct manner in an open, honest, inclusive and accountable way. Good governance leads to good management, performance and outcomes. It ensures the Council delivers the visions and priorities set out in its Corporate Plan.

Corporate governance is part of the overall control framework and contributes to the Council's robust governance arrangements.

Ashfield District Council is committed to good corporate governance. The Council has a framework of policies and procedures in place which collectively make up its governance arrangements. This Local Code of Corporate Governance sets out the Council's arrangements and is based on the guidance "*Delivering Good Governance in Local Government*" published by CIPFA (the Chartered Institute of Public Finance and Accountancy) and SOLACE (the Society of Local Authority Chief Executives) in 2016.

The Guidance assumes that each Council will develop its own approach to governance, ensuring its resources are directed to its individual priorities and in accordance with its own policies.

The fundamental principles of corporate governance are openness, inclusivity, integrity and accountability. The CIPFA/SOLACE guidance identifies seven core principles and various sub principles; the Council's Local Code of Corporate Governance is based on these seven core principles.

The seven principles are:

- Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law
- Ensuring openness and comprehensive stakeholder engagement
- Defining outcomes in terms of sustainable economic, social and environmental benefits
- Determining the interventions necessary to optimise the achievement of the intended outcomes
- Developing the Council's capacity, including the capability of its leadership and the individuals within it
- Managing risks and performance through robust internal control and strong public financial management
- Implementing good practices in transparency, reporting and audit to deliver effective accountability

The Code sets out the documents, systems, processes and actions the Council undertakes to fulfil its commitment to and compliance with this Code. The Code supports the Council's review of the effectiveness of its system of internal control and informs the Annual Governance Statement which accompanies the Annual Statement of Accounts.

The Audit Committee is responsible for approving the Code. The Chief Executive and the Monitoring Officer are responsible for ensuring the Code is kept up to date and reviewed annually.

The Principles

The Council aims to achieve good standards of governance by:

- A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
- B. Ensuring openness and comprehensive stakeholder engagement
- C. Defining outcomes in terms of sustainable economic, social, and environmental benefits
- D. Determining the interventions necessary to optimise the achievement of the intended outcomes
- E. Developing the entity's capacity, including the capability of its leadership and the individuals within it
- F. Managing risks and performance through robust control and strong public financial management
- G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability

Putting principles into effect

	Principle	This will be achieved by
A	Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law	<ul style="list-style-type: none"> • Corporate Plan • The Constitution • Member’s Code of Conduct • Employees’ Code of Conduct • Anti-Fraud and Corruption Policy & Strategy • Equalities policies • Whistle-blowing Policy • Anti-Bribery Policy Statement and Procedures • Anti-Money Laundering Policy Statement and Procedures • Member/Officer Protocol • Registers of Interests – <i>Members and officers</i> • Registers of Gifts and Hospitality • Officer and Member development strategies • Corporate Complaints procedures • <i>Modern Slavery and Human Trafficking Transparency Statement</i> • <i>Modern Slavery and Human Trafficking Policy Statement</i> • <i>Member Complaints Process</i> • <i>Annual Governance Statement</i> • <i>Financial Regulations</i> • <i>Contract Procedure Rules</i> • <i>Social Media Policy – Members and officers</i> • Standards and Personnel Appeals Committee • Overview and Scrutiny function • Audit Committee • Licensing Committee • Planning Committee • <i>Report template for decision-making which incorporates financial, legal, HR, equalities and risk appraisal.</i> <p>Each of the statutory officers is able to operate with the appropriate independence; the organisational culture respects and supports their integrity and provides the staffing arrangements to support their work.</p>
B	Ensuring openness and comprehensive stakeholder engagement	<ul style="list-style-type: none"> • The Constitution • Corporate Plan • Community Engagement and Consultation Strategy • Forward Plan

		<ul style="list-style-type: none"> • Council Website – includes meeting agendas and minutes of current and archived meetings and decisions • <i>Public Questions at Council</i> • <i>Public speaking at Planning Committee</i> • <i>Petition Scheme</i> • Publications Scheme • Overview and Scrutiny functions • Council Social Media • Citizens’ Panel • Engagement with Youth Forum • Ashfield Community Partnership • Co-location with DWP and Police • Partnership Protocols • Formal shared service arrangements • External audit assessment of Value for Money • Satisfaction Surveys • Budget consultation/engagement • The Council’s booklet “<i>Ashfield Matters</i>”
C	Defining outcomes in terms of sustainable economic, social, and environmental benefits	<ul style="list-style-type: none"> • Corporate Plan • Forward Plan • Corporate report templates including legal, financial, Human Resource, equalities and risk appraisal • Corporate Risk Management framework • Audit Committee review of risks • MTFS • <i>Capital Programme including Capital Gateway assessment process</i> • <i>Project Management Framework</i> • <i>Business Case development</i> • <i>Weighted Benefit Model</i> • <i>Service Plans</i> • Performance management processes • Contract Procedure Rules • Procurement Strategy
D	Determining the interventions necessary to optimise the achievement of the intended outcomes	<ul style="list-style-type: none"> • The achievement of its Corporate Plan objectives are planned through a number of Programme Boards, which encompass: <ul style="list-style-type: none"> ○ Regeneration ○ Commercial <i>Investment Working Group</i>

		<ul style="list-style-type: none"> ○ <i>Digital and Service Transformation Board</i> ○ Health and Well Being ○ Place ○ <i>Efficiency</i> ● Business cases ● Project framework ● Weighted Benefit Mode ● MTFS, capital programme ● Budget setting and monitoring processes ● Corporate report templates including legal, financial, human resource and risk appraisal ● Council's website ● Overview and Scrutiny functions ● Consultation arrangements ● Service Plans ● Weekly Corporate Leadership Team meetings ● Regular Senior Leadership Team Meetings ● Directorate Management Team meetings ● 1-2-1 meetings ● Performance framework and reporting ● Value for Money assessment by external auditor
E	Developing the entity's capacity, including the capability of its leadership and the individuals within it	<ul style="list-style-type: none"> ● Corporate Plan ● The Constitution ● Members' Code of Conduct ● Employees' Code of Conduct ● Equalities policies ● Officer and Member development strategies ● Personal Development Reviews ● Officer Competency framework ● Clearly defined roles – job descriptions, person specifications ● Recruitment and selection procedures ● Staff surveys ● Cross Party Update Group ● Peer Challenge
F	Managing risks and performance through robust internal control and strong public financial management	<ul style="list-style-type: none"> ● Corporate Risk Register is regularly updated and considered by the Audit Committee ● Directorate risk registers ● Performance monitoring and reporting

		<ul style="list-style-type: none"> • Corporate report templates including legal, financial, human resource, equalities and risk appraisal • Overview and Scrutiny function • MTFS • <i>Capital Programme</i> • <i>Financial Regulations</i> • Budget reporting and monitoring • Anti-Fraud and Corruption Policy & Strategy • Equalities policies • Whistle-blowing Policy • Anti-Bribery Policy Statement and Procedures • Anti-Money Laundering Policy Statement and Procedures • Emergency Planning and procedures and Business Continuity Plans • Information management policies and procedures including <i>implementation of GDPR</i> • Publication Scheme • Procurement Strategy • Contract Procedure Rules • Assessment of Value for Money by external auditors • <i>Health and Safety Policies and Procedures</i>
G	Implementing good practices in transparency, reporting, and audit to deliver effective accountability	<ul style="list-style-type: none"> • Council’s website and social media channels • <i>Council Website – includes meeting agendas and minutes of current and archived meetings and decisions</i> • Community Engagement and Consultation Strategy • Pay Policy published • Publication Scheme • Local Code of Corporate Governance – updated annually • Annual Governance Statement and Corporate Assurance Checklist are updated annually • Reporting of performance • Publication of Annual Report and Statement of Accounts • External auditors annual audit letter is published • Audit Committee

		<ul style="list-style-type: none">• Peer Challenge
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Ashfield District Council – Audit Progress Report

Audit Committee: 3rd December 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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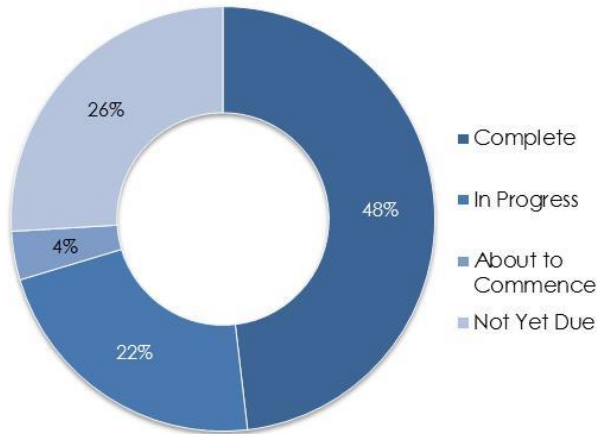
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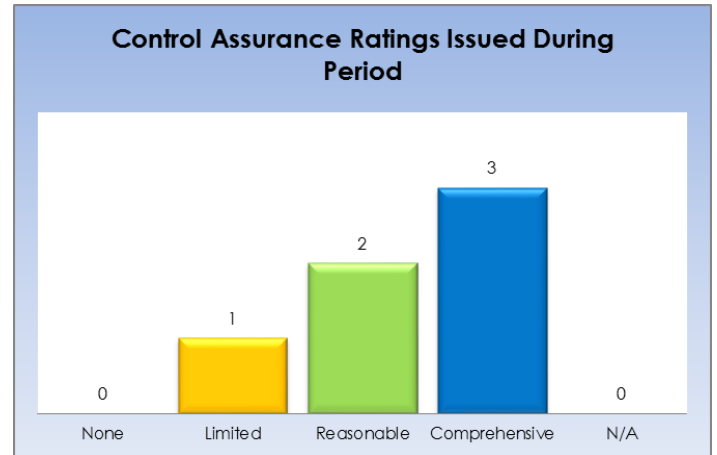
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AUDIT DASHBOARD

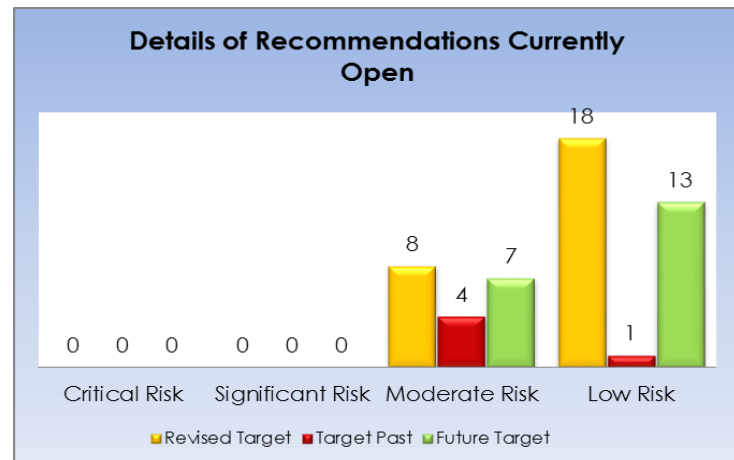
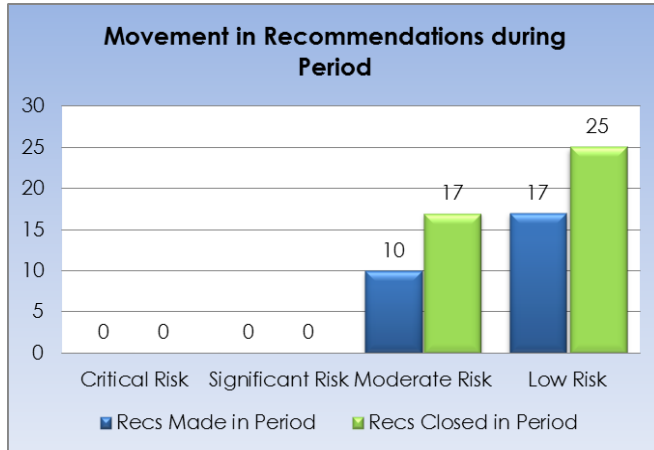
Plan Progress



Assurance Ratings



Recommendation Tracking



Ashfield District Council – Audit Progress Report

AUDIT PLAN

Progress on Audit Assignments

The following table provides the Committee with information on how audit assignments were progressing as at 31st October 2018.

2018-19 Jobs	Status	% Complete	Assurance Rating
Anti-Fraud & Corruption	Not Allocated	0%	
Information Governance	Not Allocated	0%	
Electoral Services	Final Report	100%	Comprehensive
Web Server Security	In Progress	25%	
Risk Registers	In Progress	75%	
Commercial Property Portfolio	Not Allocated	0%	
Housing Benefit & Council Tax Support	Not Allocated	0%	
Council Tax	Not Allocated	0%	
NDR	Not Allocated	0%	
Transport Stocks & Stores	Final Report	100%	Reasonable
Waste Management	Fieldwork Complete	90%	
Safeguarding	Allocated	10%	
Fleetwave	In Progress	50%	
Licensing	In Progress	75%	
Housing Stocks & Stores	Final Report	100%	Comprehensive
Procurement	Not Allocated	0%	
Depot Investigation	In Progress	95%	
B/Fwd Jobs	Status	% Complete	Assurance Rating
Capital Accounting	Final Report	100%	Comprehensive
Fixed Assets	Final Report	100%	Comprehensive
Housing Benefit & Council Tax Support	Final Report	100%	Comprehensive
Housing Lettings/Allocations	Final Report	100%	Reasonable
Contract Management	Final Report	100%	Limited
Health & Safety	Final Report	100%	Reasonable
ICT Performance Management	Final Report	100%	Reasonable
Payroll	Final Report	100%	Reasonable
Commercial Property Investment	Final Report	100%	Reasonable
Whistleblowing Pest Control	Final Report	100%	Limited

Ashfield District Council – Audit Progress Report

Audit Plan Changes

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

- Management requested that Internal Audit assisted the Council with an Investigation. As such the time originally assigned to the audit of Strategic Housing, Outdoor Recreation, Customer Services, the Corporate Improvement Programme and Digital Transformation will be utilised for the investigation, and those audits will be withdrawn from the 2018-19 plan.

Ashfield District Council – Audit Progress Report

AUDIT COVERAGE

Completed Audit Assignments

Between 1st July 2018 and 31st October 2018, the following audit assignments have been finalised since the last progress update was given to the Audit Committee.

Audit Assignments Completed in Period	Assurance Rating	Recommendations Made				% Recs Closed
		Critical Risk	Significant Risk	Moderate Risk	Low Risk	
Contract Management	Limited	0	0	4	3	0%
Commercial Property Investment	Reasonable	0	0	4	0	25%
Fixed Assets	Comprehensive	0	0	0	1	100%
Housing Stocks & Stores	Comprehensive	0	0	0	4	50%
Electoral Services	Comprehensive	0	0	0	4	25%
Transport Stocks & Stores	Reasonable	0	0	2	5	29%
TOTALS		0	0	10	17	26%

Contract Management	Assurance Rating			
	None	Limited	Reasonable	Comprehensive
Control Objectives Examined	Controls Evaluated	Adequate Controls	Partial Controls	Weak Controls
The Contracts Register is accurate and up to date.	8	0	0	8
The required Procurement Information is being published in line with the requirements of the Local Government Transparency Code 2015.	9	4	0	5
TOTALS	17	4	0	13
Summary of Weakness		Risk Rating	Agreed Action Date	
The Council could not evidence that the Contracts Register was being comprehensively maintained and there was no procedural guidance to support the completion of the register.		Moderate Risk	01/12/2018	
The Contracts Register was found to be incomplete and out-of-date. As such this did not completely fulfil the purpose of a Contracts Register.		Moderate Risk	01/12/2018	
The Contracts Register was not being suitably published within the Council.		Moderate Risk	01/12/2018	
Access for officers to update information on the Contracts Register was not suitably restricted to ensure the security and/or integrity of the data held in the register.		Moderate Risk	01/12/2018	
The Council were not publishing the required data where invitations to tender, over the		Low Risk	01/12/2018	

Ashfield District Council – Audit Progress Report

value of £5,000, had been invited in the previous quarter, as required by the Local Government Transparency Code 2015.		
The Council were not publishing quarterly data for procurements exceeding £5,000, as required by the Local Government Transparency Code 2015.	Low Risk	01/12/2018
Transparency data concerning the Councils Procurement Information had not been reported within the required deadlines to be compliant with the Local Government Transparency Code 2015.	Low Risk	01/12/2018


Commercial Property Investment				
	Assurance Rating			
Control Objectives Examined	Controls Evaluated	Adequate Controls	Partial Controls	Weak Controls
Governance arrangements for the Commercialisation agenda are robust and fulfil their purpose.	12	9	1	2
Commercial opportunities have been suitably evaluated and managed, to mitigate risks and maximise return on investments.	10	6	3	1
TOTALS	22	15	4	3
Summary of Weakness		Risk Rating	Agreed Action Date	
Commercial Property Investment was not recorded in the Corporate Risk Register in its own right. Also, although risk ratings are subjective, we question the appropriateness of a medium risk rating in the current climate for the commercialism risk identified.		Moderate Risk	17/09/2018	
The Council had not devised a suitable method of evaluating the effectiveness of the Commercial Property Investments.		Moderate Risk	31/12/2018	
The on-going maintenance and management of the Councils commercial property portfolio was not being recorded on a suitable risk register.		Moderate Risk	31/12/2018	
The performance of commercial property investments was not being actively monitored.		Moderate Risk	31/12/2018	

Ashfield District Council – Audit Progress Report


<h2>Fixed Assets</h2>	<p>Assurance Rating</p>			
Control Objectives Examined	Controls Evaluated	Adequate Controls	Partial Controls	Weak Controls
To verify the physical existence of a sample of fixed assets.	3	2	1	0
To confirm ownership of a sample of fixed assets.	1	1	0	0
TOTALS	4	3	1	0
Summary of Weakness		Risk Rating	Agreed Action Date	
6 properties were included in the Fixed Asset Register as Surplus Buildings even though they had been demolished.		Low Risk	30/09/2018	

<h2>Housing Stock & Stores</h2>	<p>Assurance Rating</p>			
Control Objectives Examined	Controls Evaluated	Adequate Controls	Partial Controls	Weak Controls
Robust controls are in place for record keeping, security and movement of stocks within the Housing Stores.	10	7	3	0
Adequate stock replenishment and ordering controls are in place and adhered to for the Housing Stores.	7	5	1	1
TOTALS	17	12	4	1
Summary of Weakness		Risk Rating	Agreed Action Date	
The stores manual was out of date and not readily available to staff. The stores manual also did not include the procedure for receipt and storage of goods in the stock room.		Low Risk	30/11/2018	
Items held in the standby lock up were not subject to independent stock takes. There were inconsistencies between items held in the standby lock up and its associated stock list.		Low Risk	27/08/2018	
Stock takes of high value items had not been completed and evidenced, in line with local procedures. Missing stock items had not been investigated or reported to management.		Low Risk	27/08/2018	
The Capita system was unable to recognise seasonal variances for supplies and bulk purchases of goods for specific projects. Officers were required to review and manage stock levels manually.		Low Risk	30/11/2018	

Ashfield District Council – Audit Progress Report

Electoral Services					
Control Objectives Examined	Controls Evaluated	Adequate Controls	Partial Controls	Weak Controls	
Robust controls are in place which ensures that the integrity of the electoral system is maintained.	15	12	2	1	
Electoral Services expenditure is justified, accurate and approved.	8	6	2	0	
Data records held by Electoral Services are appropriate and justifiable (GDPR).	1	1	0	0	
TOTALS	24	19	4	1	
Summary of Weakness		Risk Rating	Agreed Action Date		
There was not a Memorandum of Understanding outlining each organisation's roles and responsibilities and the integrity of the processes in place, to minimise the potential for electoral malpractice.		Low Risk	04/03/2019		
The Council's website did not contain links to the Your Vote Matters website informing voters how to report suspected electoral fraud.		Low Risk	08/10/2018		
A log of activities and a log of concerns were not being maintained by the Electoral Services section.		Low Risk	03/12/2018		
There was a lack of clarity over the required process for the order and payment of polling station room hire.		Low Risk	03/12/2018		

Ashfield District Council – Audit Progress Report

Transport Stocks & Stores				
Control Objectives Examined	Controls Evaluated	Adequate Controls	Partial Controls	Weak Controls
Robust controls are in place for record keeping, security and movement of stocks within the Transport Stores.	10	5	0	5
Adequate stock replenishment and ordering controls are in place and adhered to for the Transport Stores.	10	7	1	2
TOTALS	20	12	1	7
Summary of Weakness		Risk Rating	Agreed Action Date	
A complete procedure manual was not in place for the Transport stores.		Low Risk	31/03/2019	
In-year stock checks on high usage and valuable or desirable Transport items were not performed.		Moderate Risk	30/09/2018	
There was no evidence of the Stores Officer's weekly review of the stock level report, and, the minimum and maximum stock levels were not in line with the actual usage of products.		Low Risk	30/09/2018	
Mechanics had unrestricted access to the transport parts store. They also had the ability to close down jobs on the Fleetwave system, therefore potentially bypassing management controls of transport stock parts.		Low Risk	31/10/2018	
Access to the Transport stores was not restricted to only those officers with a business need.		Low Risk	Risk Accepted	
A stock adjustment that had been highlighted from stock taking activities had not been processed on the Fleetwave system. None of the adjustments had been subject to independent review.		Low Risk	31/03/2019	
Following an upgrade, the Fleetwave system had not recorded stock adjustments accurately.		Moderate Risk	30/09/2018	

Ashfield District Council – Audit Progress Report

RECOMMENDATION TRACKING

Final Report Date	Audit Assignments with Open Recommendations	Assurance Rating	Recommendations Open		
			Action Due	Being Implemented	Future Action
23-Oct-18	Transport Stocks & Stores	Reasonable	2	1	2
15-Oct-18	Electoral Services	Comprehensive	0	0	3
23-Oct-18	Housing Stocks & Stores	Comprehensive	0	0	2
07-Jun-18	Payroll	Reasonable	0	1	0
27-Mar-18	Rent Arrears	Comprehensive	0	0	1
27-Apr-18	Capital Accounting	Comprehensive	0	1	0
03-Jul-18	Commercial Property Investment	Reasonable	0	0	3
03-Jul-18	Contract Management	Limited	0	0	7
24-Apr-18	ICT Performance Management	Reasonable	0	4	0
08-Jun-18	Whistleblowing - Pest Control	Limited	0	5	0
22-Jun-18	Health & Safety	Comprehensive	0	1	1
11-Jan-18	Anti-Fraud & Corruption	Reasonable	0	3	1
09-Mar-18	Gas Safety 2017-18	Reasonable	0	1	0
02-Aug-17	Responsive Maintenance/Voids (Agile Audit)	Comprehensive	0	2	0
22-Jan-18	Development Control	Reasonable	1	0	0
28-Mar-18	ECINS Security Assessment	Limited	2	1	0
16-Aug-17	Right to Buy	Reasonable	0	1	0
15-Jun-17	OPEN Housing/Contractor IT Security Assessment	Reasonable	0	2	0
28-Oct-16	Refuse Collection	Reasonable	0	1	0
31-Oct-16	Main Accounting (MTFP)	Reasonable	0	2	0
		TOTALS	5	26	20

Action Due = The agreed actions are due, but Internal Audit has been unable to ascertain any progress information from the responsible officer.

Being Implemented = The original action date has now passed and the agreed actions have yet to be completed. Internal Audit has obtained status update comments from the responsible officer and a revised action date.

Future Action = The agreed actions are not yet due, so Internal Audit has not followed the matter up.

Ashfield District Council – Audit Progress Report

Audit Assignments with Recommendations Due	Action Due			Being Implemented		
	Significant Risk	Moderate Risk	Low Risk	Significant Risk	Moderate Risk	Low Risk
Transport Stocks & Stores	0	1	1	0	0	1
Electoral Services	0	0	0	0	0	0
Housing Stocks & Stores	0	0	0	0	0	0
Payroll	0	0	0	0	0	1
Rent Arrears	0	0	0	0	0	0
Capital Accounting	0	0	0	0	0	1
Commercial Property Investment	0	0	0	0	0	0
Contract Management	0	0	0	0	0	0
ICT Performance Management	0	0	0	0	2	2
Whistleblowing - Pest Control	0	0	0	0	5	0
Health & Safety	0	0	0	0	0	1
Anti-Fraud & Corruption	0	0	0	0	0	3
Gas Safety 2017-18	0	0	0	0	1	0
Responsive Maintenance/Voids (Agile Audit)	0	0	0	0	0	2
Development Control	0	1	0	0	0	0
ECINS Security Assessment	0	2	0	0	0	1
Right to Buy	0	0	0	0	0	1
OPEN Housing/Contractor IT Security Assessment	0	0	0	0	0	2
Refuse Collection	0	0	0	0	0	1
Main Accounting (MTFP)	0	0	0	0	0	2
TOTALS	0	4	1	0	8	18

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Highlighted Recommendations

The following significant or moderate risk rated recommendations, that have not yet been implemented, are detailed for Committee's scrutiny.

Action Due Recommendations

Transport Stock & Stores	Rec No. 9
Summary of Weakness / Recommendation	Risk Rating
In-year stock checks on high usage and valuable or desirable Transport items were not performed.	Moderate Risk
We recommend that the Council completes frequent stock checks on high usage, valuable and desirable items. The stock checks should be documented and any discrepancies should be investigated and reported to management.	
Management Response/Action Details	Action Date
Quarterly stock checks to be undertaken.	30/09/2018
Status Update Comments	Revised Date

Development Control	Rec No. 9
Summary of Weakness / Recommendation	Risk Rating
Testing noted occasions where personal information had been left on planning documents published on the Council's website.	Moderate Risk
We recommend that applications currently published on the Council's website are checked to ensure all the personal information has been redacted. Procedures should be amended to ensure that information is not placed on the website until it has been fully redacted and subjected to an independent check by a second officer.	
Management Response/Action Details	Action Date
Four actions identified;	31/08/2018
<ol style="list-style-type: none"> 1. Amend procedure to reflect data protection requirements 2. Introduce weekly random checks 3. Await further information from the Government on data for planning 4. Introduce new automated IT system to redact documents 	
Status Update Comments	Revised Date

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ECINS Security Assessment	Rec No. 9
Summary of Weakness / Recommendation	Risk Rating
<p>There were no IP restrictions or two-factor authentication (2FA) process in place for Ashfield DC user access to the e-Cins system.</p> <p>We recommend that the Council raises a formal feature request for the introduction of 2-factor authentication in future releases of the system, or looks to restrict access to an authorised IP range. An acceptable usage policy should be defined for accessing the system outside the Council's private network.</p>	Moderate Risk
Management Response/Action Details	Action Date
<p>Police objected to this during early discussions with the Council and IT. To address these officers will be required to remote desk top into the Council's IT and access E-cins from here. Training and signing a MOU will ensure all officers understand the requirement moving forwards. CP will liaise with system provider to establish if there is an audit trail of IP address (these should all be one IP address).</p>	30/06/2018
Status Update Comments	Revised Date
<p>Ecins have stated that it can be done from the users action logs, however when tested this information was not available. The ECINS webpage whilst accessible to those that know the address is not accessible through any google search or similar.</p>	

ECINS Security Assessment	Rec No. 9
Summary of Weakness / Recommendation	Risk Rating
<p>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.</p> <p>We recommend that management defines, documents and implements comprehensive security based training to all users granted organisation admin rights to allow them to effectively manage the security of the system and its users.</p>	Moderate Risk
Management Response/Action Details	Action Date
<p>This will be raised to the project lead (PCC office) as per audit recommendations for this to be included in training for persons with org admin rights. The e-cins lead for the Council will prepare documents with project lead for review and sign off.</p>	30/09/2018
Status Update Comments	Revised Date

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STATUS OF PREVIOUS AUDIT RECOMMENDATIONS

Recommendations Not Implemented

There were a number of Audit Recommendations that were issued and agreed prior to Ashfield District Council joining the Central Midlands Audit Partnership. 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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