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ASHFIELD DISTRICT COUNCIL

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

Agenda

Audit Committee

Date:	**Monday, 11th March, 2019**
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-dc.gov.uk

01623 457317

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AUDIT COMMITTEE

Membership

Chairman: Councillor Kevin Rostance

Councillors:

Rachel Bissett	Tony Brewer
Jackie James	Rachel Madden
Paul Roberts	Christine Quinn-Wilcox

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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 3rd December, 2018.**	5 - 8
4.	**KPMG: Annual Report on Grants and Returns 2017/18.**	9 - 12
5.	**Mazars: Audit Strategy Memorandum – year ending 31 March 2019.**	13 - 36
6.	**Pension Assumptions for 2018/19 Statement of Accounts.**	37 - 66
7.	**Accounting Policies 2018/19 and other Statement of Account Matters.**	67 - 90
8.	**Audit Progress Report.**	91 - 106
9.	**Treasury Management Policy: submitted to Council, 4th March, 2019.**	
10.	**Internal Audit Plan 2019/20 and Audit Charter.**	107 - 120
11.	**Whistleblowing Policy Annual Update.**	121 - 134
12.	**Corporate Risk**	135 - 182

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AUDIT COMMITTEE

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

on Monday, 3rd December, 2018 at 7.00 pm

Present:	Councillor Kevin Rostance in the Chair;
	Councillors Tony Brewer and Jackie James.
Apologies for Absence:	Councillors Rachel Madden and Paul Roberts.
Officers Present:	Lynn Cain, Ruth Dennis and Peter Hudson.
In Attendance:	Helen Brookes (Mazars), John Cornett (KPMG) and Mandy Marples (CMAP).

AC.08 Declarations of Disclosable Pecuniary or Personal Interests and Non Disclosable Pecuniary/Other Interests

No declarations of interest were made.

AC.09 Minutes

RESOLVED
that the minutes of the meeting of the Audit Committee held on 24th July, 2018, be received and approved as a correct record.

AC.10 KPMG: Annual Audit Letter 2017/18

KPMG Manager, John Cornett, presented the Annual Audit Letter for 2017/18. The Letter provided a summary of the key findings from the 2017/18 audit of the Council's financial statements and the Value for Money (VFM) conclusion and confirmed the issuing of an unqualified opinion and conclusion in respect of both issues.

There had been four key risks identified as part of the 2017/18 audit in respect of Management Override of Controls, Valuation of PPE, Pensions Liabilities and Faster Close, however management had accepted all the recommendations arising from the audit work and had ensured that a suitable mitigation plan had been duly implemented. With regard to the Faster Close, it had been recommended to the Council that it worked more closely with its third parties in future to ensure they were aware of the revised deadlines and had a suitable programme in place to ensure timely output of work as required.

In relation to the VFM conclusion, only one high priority recommendation had been identified in relation to the Authority's liquidity position following work being carried out on two significant matters namely, Delivery of Budgets and Investment Properties. Notwithstanding the fact that KPMG had accepted that the Council's cash flow position had significantly changed since the audit work had been carried out earlier in the year, a high risk recommendation had still been included to ensure the Authority regularly reviewed its cash flow/borrowing requirements to provide for adequate cash balances throughout the financial year.

Committee were asked to note that there would be a further audit fee of £1,500 in addition to the set scale fee of £56,036 (excluding VAT) due to some additional work being undertaken in respect of the new VFM risk identified in 2017/18 as part of the planning process and as identified in the Audit Plan.

Following presentation of the Audit Letter, the Chairman took the opportunity to thank John and KPMG, on behalf of the Committee, for their excellent service to the Authority over the past few years. In return, John thanked the Finance Team and Members (through the work of the Audit Committee) for their staunch support in ensuring the external audit process was undertaken each year in a proficient and resolute manner.

To conclude, the Chairman welcomed Helen Brookes, Audit Manager for Mazars, to the Committee and Members. Mazars had been commissioned to provide external audit services to the Council from the 2019/20 financial year onwards.

RESOLVED
that the Annual Audit Letter for 2017/18, as presented to the Committee by KPMG, be received and noted.

AC.11 **<u>Annual Review of the Local Code of Corporate Governance</u>**

The Director of Legal and Governance (and Monitoring Officer) presented the report and requested Members to consider the revised Local Code of Corporate Governance and note the improvement actions as outlined in the 2017/18 Annual Governance Statement.

A detailed piece of work had been undertaken in the previous year in relation to anti-fraud measures which had formed part of the Local Code of Corporate Governance, setting out the Council's governance arrangements based on guidance published by CIPFA. It was agreed that the Code would be subject to an annual review and would inform the governance framework and the Annual Governance Statement for the forthcoming year.

RESOLVED that
a) the recent review of the Local Code of Corporate Governance be noted;

b) approval be given to the suggested changes to the Code as set out in the report and Appendix 1;

c) the progress made in relation to the actions outlined in the 2017/2018 Annual Governance Statement be received and noted;

d) the proposed process for the preparation of the 2018/2019 Annual Governance Statement be also noted.

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

AC.12 <u>Audit Progress Report</u>

Mandy Marples, CMAP's Audit Manager, presented the report and summarised the audit progress as at 31st October, 2018 with 6 assignments having reached their conclusion during the period. With the agreement of the Director of Legal and Governance (and Monitoring Officer), a change was made to the Audit Plan in October 2018 to enable Internal Audit to assist the Council with an investigation.

As a result of the change, the audits on Strategic Housing, Outdoor Recreation, Customers Services, the Corporate Improvement Programme and Digital Transformation had been withdrawn from the 2018/19 Internal Audit Plan but it was acknowledged that this change would not affect the overall positive coverage of Council services via the Audit Plan.

Members were advised that of the 6 completed assignments, the Contract Management review has only received a Limited assurance and as a result, 4 actions had been agreed by management, with a completion date of 1st December, 2018, to address the issues raised.

Members took the opportunity to ask questions concerning the outstanding significant and moderate risk recommendations and what actions were taken by management to escalate and address the issues to ensure compliance as necessary.

RESOLVED
that audit assignment progress as at 31st October, 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 7.35 pm

Chairman.

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Our ref KPMG/ADCBEN01

Contact Andrew Cardoza
07711869957

4 February 2019

Dear Peter

Ashfield District Council – Certification of claims and returns – annual report 2017/18

Public Sector Audit Appointments requires its external auditors to prepare an annual report on the claims and returns certified for each audited body. This letter is our annual report for the certification work we have undertaken for 2017/18.

In 2017/18 we carried out certification work on only one claim or return, the Housing Benefit Subsidy claim. The certified value of the claim was £31.7 million, and we completed our work and certified the claim on 20 December 2018.

Matters arising

Our certification work on Housing Subsidy benefit claim included:

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

Our certification work identified a number of errors in the original claim. Where the error can be quantified by testing 100% of the population of potentially affected cases the claim can be amended. Where the population is too large for 100% testing to be practical we need to write a

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qualification letter to explain what we found. The errors we found and the way they were dealt with are set out below:

Amendments to claim

The cells that were amended where the original claim had been revised and where testing of 100% the population was carried out were in respect of Non HRA Rent Rebates. The overall impact to the claim was a £30 increase in subsidy claimed.

Qualification Letter

We found a small number of errors in our sample testing which we needed to report as the population were too large for 100% testing. They related to the following:

Rent Rebates

- Incorrect processing of earnings
- Misclassification of eligible overpayments

Rent Allowances

- Incorrect processing of earnings
- Incorrect processing of eligible rent
- Processing claims from the incorrect start date

Consequently we have made no recommendations to the Authority to improve its claims completion process. There were no recommendations made last year and there are no further matters to report to you regarding our certification work.

Certification work fees

Public Sector Audit Appointments set an indicative fee for our certification work in 2017/18 of £19,900. Our actual fee was the same as the indicative fee, and this compares to the 2016/17 fee for this claim of £15,146.

Yours sincerely

Andrew Cardoza
Director

This report is addressed to the Council and has been prepared for the sole use of the Council. 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.psaa.co.uk).

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

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

Ashfield District Council

Year ending 31 March 2019

CONTENTS

This document is to be regarded as confidential to Ashfield District Council. It has been prepared for the sole use of the Audit Committee as the appropriate sub-committee charged with governance. No responsibility is accepted to any other person in respect of the whole or part of its contents. Our written consent must first be obtained before this document, or any part of it, is disclosed to a third party.

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Audit Committee
Council Offices
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NG17 8DA

11 March 2019

Dear Sirs / Madams

Audit Strategy Memorandum – Year ending 31 March 2019

We are pleased to present our Audit Strategy Memorandum for Ashfield District Council for the year ending 31 March 2019.

The purpose of this document is to summarise our audit approach, highlight significant audit risks and areas of key judgements and provide you with the details of our audit team. As it is a fundamental requirement that an auditor is, and is seen to be, independent of its clients, Section 7 of this document also summarises our considerations and conclusions on our independence as auditors.

We consider two-way communication with you to be key to a successful audit and important in:

- reaching a mutual understanding of the scope of the audit and the responsibilities of each of us;
- sharing information to assist each of us to fulfil our respective responsibilities;
- providing you with constructive observations arising from the audit process; and
- ensuring that we, as external auditors, gain an understanding of your attitude and views in respect of the internal and external operational, financial, compliance and other risks facing Ashfield District Council which may affect the audit, including the likelihood of those risks materialising and how they are monitored and managed.

This document, which has been prepared following our initial planning discussions with management, is the basis for discussion of our audit approach, and any questions or input you may have on our approach or role as auditor.

This document also contains specific appendices that outline our key communications with you during the course of the audit, and forthcoming accounting issues and other issues that may be of interest.

Client service is extremely important to us and we strive to continuously provide technical excellence with the highest level of service quality, together with continuous improvement to exceed your expectations so, if you have any concerns or comments about this document or audit approach, please contact me on 0115 964 4744.
Yours faithfully

David Hoose

Mazars LLP

1. ENGAGEMENT AND RESPONSIBILITIES SUMMARY

Overview of engagement

We are appointed to perform the external audit of Ashfield District Council (the Council) for the year to 31 March 2019. The scope of our engagement is set out in the Statement of Responsibilities of Auditors and Audited Bodies, issued by Public Sector Audit Appointments Ltd (PSAA) available from the PSAA website: https://www.psaa.co.uk/audit-quality/statement-of-responsibilities/

Our responsibilities

Our responsibilities are principally derived from the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (NAO), as outlined below:

Audit opinion

We are responsible for forming and expressing an opinion on the financial statements.

Our audit is planned and performed so as to provide reasonable assurance that the financial statements are free from material error and give a true and fair view of the financial performance and position of the Council for the year.

Reporting to the NAO

We report to the NAO on the consistency of Councils' financial statements with the Whole of Government Accounts (WGA) submission. We expect that Ashfield District Council will be below the thresholds required for this reporting, but we are required to issue an assurance statement to the National Audit Office confirming the income, expenditure, assets and liabilities of the Council.

Value for Money

We are required to conclude whether the Council has proper arrangements in place to secure economy, efficiency and effectiveness in it its use of resources. We discuss our approach to Value for Money work further in section 5 of this report.

Electors' rights

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and consider any objection made to the accounts. We also have a broad range of reporting responsibilities and powers that are unique to the audit of local authorities in the United Kingdom.

Our audit does not relieve management or those charged with governance, of their responsibilities. The responsibility for safeguarding assets and for the prevention and detection of fraud, error and non-compliance with law or regulations rests with both those charged with governance and management. In accordance with International Standards on Auditing (UK), we plan and perform our audit so as to obtain reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. However our audit should not be relied upon to identify all such misstatements.

As part of our audit procedures in relation to fraud we are required to enquire of those charged with governance as to their knowledge of instances of fraud, the risk of fraud and their views on management controls that mitigate the fraud risks.

The Council is required to prepare its financial statements on a going concern basis by the Code of Practice on Local Authority Accounting. As auditors, we are required to consider the appropriateness of the use of the going concern assumption in the preparation of the financial statements and the adequacy of disclosures made.

For the purpose of our audit, we have identified the Audit Committee as those charged with governance.

2. YOUR AUDIT ENGAGEMENT TEAM

- David Hoose, Partner
- David Hoose@mazars.co.uk
- 0115 964 4744

- Helen Brookes, Manager
- Helen.Brookes@mazars.co.uk
- 0115 964 4796

3. AUDIT SCOPE, APPROACH AND TIMELINE

Audit scope

Our audit approach is designed to provide an audit that complies with all professional requirements.

Our audit of the financial statements will be conducted in accordance with International Standards on Auditing (UK), relevant ethical and professional standards, our own audit approach and in accordance with the terms of our engagement. Our work is focused on those aspects of your business which we consider to have a higher risk of material misstatement, such as those affected by management judgement and estimation, application of new accounting standards, changes of accounting policy, changes to operations or areas which have been found to contain material errors in the past.

Audit approach

Our audit approach is a risk-based approach primarily driven by the risks we consider to result in a higher risk of material misstatement of the financial statements. Once we have completed our risk assessment, we develop our audit strategy and design audit procedures in response to this assessment.

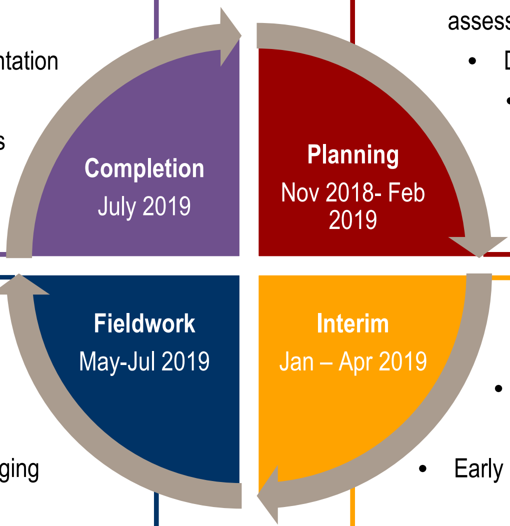
If we conclude that appropriately-designed controls are in place then we may plan to test and rely upon these controls. If we decide controls are not appropriately designed, or we decide it would be more efficient to do so, we may take a wholly substantive approach to our audit testing. Substantive procedures are audit procedures designed to detect material misstatements at the assertion level and comprise tests of details (of classes of transactions, account balances, and disclosures) and substantive analytical procedures. Irrespective of the assessed risks of material misstatement, which take into account our evaluation of the operating effectiveness of controls, we are required to design and perform substantive procedures for each material class of transactions, account balance, and disclosure.

Our audit will be planned and performed so as to provide reasonable assurance that the financial statements are free from material misstatement and give a true and fair view. The concept of materiality and how we define a misstatement is explained in more detail in section 8.

The diagram below outlines the procedures we perform at the different stages of the audit.

- Final review and disclosure checklist of financial statements
- Final partner review
- Agreeing content of letter of representation
- Reporting to Audit Committee
- Reviewing post balance sheet events
- Signing our opinion

- Updating our understanding of the Council
  - Initial opinion and value for money risk assessments
    - Development of our audit strategy
      - Agreement of timetables
        - Preliminary analytical procedures



- Review of draft financial statements
- Reassessment of audit strategy, revising as necessary
- Delivering our planned audit testing
- Continuous communication on emerging issues
- Clearance meeting

- Documenting systems and controls
- Walkthrough procedures
- Controls testing, including general and application IT controls
- Early substantive testing of transactions

3. AUDIT SCOPE, APPROACH AND TIMELINE (CONTINUED)

Reliance on internal audit

Where possible we will seek to utilise the work performed by internal audit to modify the nature, extent and timing of our audit procedures. We will meet with internal audit to discuss the progress and findings of their work prior to the commencement of our controls evaluation procedures.

Management's and our experts

Management makes use of experts in specific areas when preparing the Council's financial statements. We also use experts to assist us to obtain sufficient appropriate audit evidence on specific items of account.

Items of account	Management's expert	Our expert
Defined benefit liability	Barnett Waddingham *Actuary for the Nottinghamshire Pension Fund*	PWC *Consulting actuary appointed by the NAO*
Property, plant and equipment valuation	Ashfield District Council Commercial Property Manager *Internal valuer for General Fund and Housing Revenue Account assets*	Gerald Eve *Valuations expert appointed by the NAO*
Financial instrument disclosures	Link Asset Management *Treasury management advisers*	Not applicable
Business rates appeals provision	Inform CPI *Advisers on NNDR appeals provisions*	Not applicable

Service organisations

International Auditing Standards (UK) define service organisations as third party organisations that provide services to the Council that are part of its information systems relevant to financial reporting. We are required to obtain an understanding of the services provided by service organisations as well as evaluating the design and implementation of controls over those services. The table below summarises the service organisations used by the Council and our planned audit approach.

Items of account	Service organisation	Audit approach
Pension cost (cost of services) Net interest on defined benefit liability Re-measurements of the net defined benefit liability (OCI) Net pension liability	Nottinghamshire Pension Fund *The IAS 19 pension entries that form part of the Council's financial statements are material and are derived from actuarial valuations. The process of obtaining these is co-ordinated by and uses information held and processed by the service organisation.*	We will review the controls operating at the Council over these transactions to gain an understanding of the services provided by the service organisation. Where we conclude that we do not have a sufficient understanding of the services provided by the service organisation we will seek to obtain assurance by using another auditor to perform procedures that will provide the necessary information about the relevant controls at the service organisation.

4. SIGNIFICANT RISKS AND KEY JUDGEMENT AREAS

Following the risk assessment approach discussed in section 3 of this document, we have identified relevant risks to the audit of financial statements. The risks that we identify are categorised as significant, enhanced or standard, as defined below:

Significant risk A significant risk is an identified and assessed risk of material misstatement that, in the auditor's judgment, requires special audit consideration. For any significant risk, the auditor shall obtain an understanding of the entity's controls, including control activities relevant to that risk.

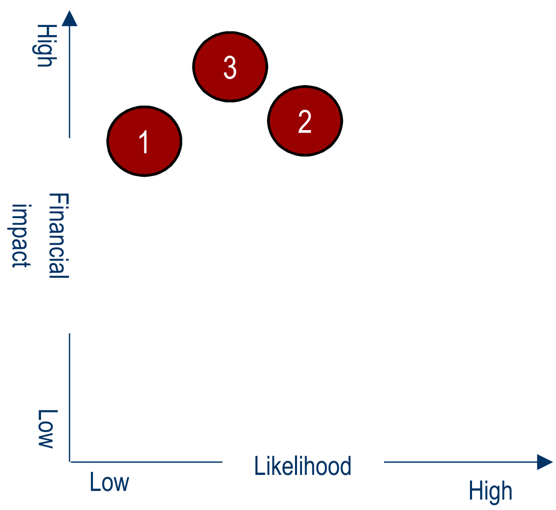
Enhanced risk An enhanced risk is an area of higher assessed risk of material misstatement at audit assertion level other than a significant risk. Enhanced risks incorporate but may not be limited to:

- key areas of management judgement, including accounting estimates which are material but are not considered to give rise to a significant risk of material misstatement; and
- other audit assertion risks arising from significant events or transactions that occurred during the period.

Standard risk This is related to relatively routine, non-complex transactions that tend to be subject to systematic processing and require little management judgement. Although it is considered that there is a risk of material misstatement, there are no elevated or special factors related to the nature, the likely magnitude of the potential misstatements or the likelihood of the risk occurring.

The summary risk assessment, illustrated in the table below, highlights those risks which we deem to be significant. We have summarised our audit response to these risks on the following pages.

At the time of writing this memorandum we are yet to complete our detailed risk assessment work over the Council's key financial systems and general IT controls. We aim to complete this work as part of our interim visit and will update the Audit Committee where we subsequently identify any additional risks.



	Risk
1	Management override of controls
2	Property, plant and equipment valuation
3	Defined benefit liability valuation

4. SIGNIFICANT RISKS AND KEY JUDGEMENT AREAS (CONTINUED)

We provide more detail on the identified risks and our testing approach with respect to significant risks in the table below. An audit is a dynamic process, should we change our view of risk or approach to address the identified risks during the course of our audit, we will report this to the Audit Committee.

Significant risks

	Description of risk	Planned response
1	**Management override of controls** Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.	In relation to the management override of controls we will: • Document our understanding of the processes and controls in place to mitigate the risks identified, and walk through those processes and controls to confirm our understanding; • Test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements; • Review the calculation of management's material accruals, estimates and provisions for evidence of management bias; • Evaluate the business rationale for any significant unusual transactions; • Understand the oversight given by those charged with governance of management processes over fraud; • Sample test accruals and provisions based on established testing thresholds; and • Review material aspects of capital expenditure on property plant and equipment to ensure it meets the relevant accounting requirements to be capitalised.

4. AUDIT RISKS AND KEY JUDGEMENT AREAS (CONTINUED)

Significant risks (continued)

	Description of risk	Planned response
2	**Valuation of property, plant and equipment, investment properties and assets held for sale** The Council's accounts contain material balances and disclosures relating to its holding of property, plant and equipment, investment properties and assets held for sale, with the majority of land and building assets required to be carried at valuation. Due to high degree of estimation uncertainty associated with those held at valuation, we have determined there is a significant risk in this area.	In relation to the valuation of property, plant & equipment, investment properties and assets held for sale we will: • Critically assess the Council's valuers' scope of work, qualifications, objectivity and independence to carry out the required programme of revaluations; • Consider whether the overall revaluation methodologies used by the Council's valuers are in line with industry practice, the CIPFA Code of Practice and the Council's accounting policies; • Assess whether valuation movements are in line with market expectations by using our own valuation expert to provide information on regional valuation trends; • Critically assess the treatment of the upward and downward revaluations in the Council's financial statements with regards to the requirements of the CIPFA Code of Practice; • Critically assess the approach that the Council adopts to ensure that assets not subject to revaluation in 2018/19 are materially correct, including considering the robustness of that approach in light of the valuation information reported by the Council's valuers; and • Test a sample of items of capital expenditure in 2018/19 to confirm that the additions are appropriately valued in the financial statements.

4. AUDIT RISKS AND KEY JUDGEMENT AREAS (CONTINUED)

Significant risks (continued)

	Description of risk	Planned response
3	**Valuation of net defined benefit liability** The Council's accounts contain material liabilities relating to the local government pension scheme. The Council uses an actuary to provide an annual valuation of these liabilities in line with the requirements of IAS 19 Employee Benefits. Due to the high degree of estimation uncertainty associated with this valuation, we have determined there is a significant risk in this area.	In relation to the valuation of the Council's defined benefit pension liability we will: • Critically assess the competency, objectivity and independence of the Nottinghamshire Pension Fund's Actuary, Barnett Waddingham; • Liaise with the auditors of the Nottinghamshire Pension Fund to gain assurance that the controls in place at the Pension Fund are operating effectively. This will include the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS 19 valuation is complete and accurate; • Test payroll transactions at the Council to provide assurance over the pension contributions which are deducted and paid to the Pension Fund by the Council; • Review the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuary, and the key assumptions included within the valuation. This will include comparing them to expected ranges, utilising information provided by PWC, the consulting actuary engaged by the National Audit Office; and • Agree the data in the IAS 19 valuation report provided by the Fund Actuary for accounting purposes to the pension accounting entries and disclosures in the Council's financial statements.

4. AUDIT RISKS AND KEY JUDGEMENT AREAS (CONTINUED)

Consideration of other mandatory risks

Auditing standards require us to consider two standard risks for all organisations:

- Management override of controls; and
- Fraudulent revenue recognition.

We have already considered and identified management override of controls as a significant risk above, but set out our considerations in respect of fraudulent revenue recognition below:

	Description of risk	Planned response
1	**Fraudulent revenue recognition** Our audit methodology incorporates this risk as a significant risk at all audits, although based on the circumstances of each audit, it is rebuttable.	We have evaluated the income and expenditure streams of the Council, taking into account *Practice Note 10 - Audit of Financial Statements of Public Sector Bodies in the United Kingdom*, and do not consider this to be a significant risk for Ashfield District Council as: • there is an overall low risk for local authorities; • there are no particular incentives or opportunities to commit material fraudulent revenue recognition; and • the level of income that does not derive from either grant, taxation and rental income sources is low relative to the Council's overall income streams, and generally represents a number of low value, high volume transactions. We therefore rebut this risk and do not incorporate specific risk procedures over and above our standard fraud procedures to address the management override of controls risk.

4. AUDIT RISKS AND KEY JUDGEMENT AREAS (CONTINUED)

Enhanced risks and key areas of management judgement

Enhanced risks and key areas of management judgement include accounting estimates which are material but are not considered to give rise to a significant risk of material misstatement. These areas of management judgement represent other areas of audit emphasis.

	Area of management judgement	Planned response
1	**Debt impairment** Uncertainty exists that, in the current economic climate, the Council's provision for the impairment of doubtful debts would be sufficient.	We plan to address this judgement by: • Reviewing the level of reported debt as at the 31 March and considering the implications for any material change; • Ensuring that management's methodology for calculating the provision has been consistently applied and is in line with the requirements of the Code; • Testing the collectability of both significant and a sample of other non-significant debtor balances; and • Re-performing the basis of the calculation for the impairment of debtors.
2	**Provision for business rate appeals against the rating list** The issue of a new rating list and a change in the appeals process has created delays in appeals being notified to the Council. Consequently management need to make an assumption over the likely level of appeals that will be successful based on their rating knowledge.	We plan to address this judgement by: • Reviewing the basis of the Council's calculation of its provision by recalculating the provision, evaluating the key assumptions of the provision, vouching movements in the provision and confirming completeness of entries; • Assessing whether the provision has been calculated and recorded in accordance with the Council's accounting policy; • Assessing whether the amount provided at the period end is appropriate, taking into account the Council's anticipated actual liability; and • Assessing whether the reconciliation of movements during the period and description of the nature of the provision have been adequately disclosed in the financial statements.

4. AUDIT RISKS AND KEY JUDGEMENT AREAS (CONTINUED)

Enhanced risks and key areas of management judgement (continued)

	Area of management judgement	Planned response
3	**Minimum revenue provision (MRP)** Local authorities are normally required each year to set aside some of their revenues as a provision for debt in respect of capital expenditure financed by borrowing or long term credit arrangements, by reference to the prior year's closing Capital Financing Requirement. The amount to be set aside each year is not prescribed although an overarching principle of prudency is expected to be adopted. This is supported by statutory guidance as to how this could be achieved and the Council is required to have regard to this in setting its MRP policy. Management judgement is therefore exercised is determining the level of its prudent provision.	We plan to address this judgement by: • Reviewing the Council's MRP policy to ensure that it has been developed with regard to the statutory guidance; • Assessing whether the provision has been calculated and recorded in accordance with the Council's policy; • Assessing whether the amount provided for the period is appropriate, taking into account the Council's Capital Financing Requirement; and • Confirming that any charge has been accounted for in accordance with the Code.

5. VALUE FOR MONEY

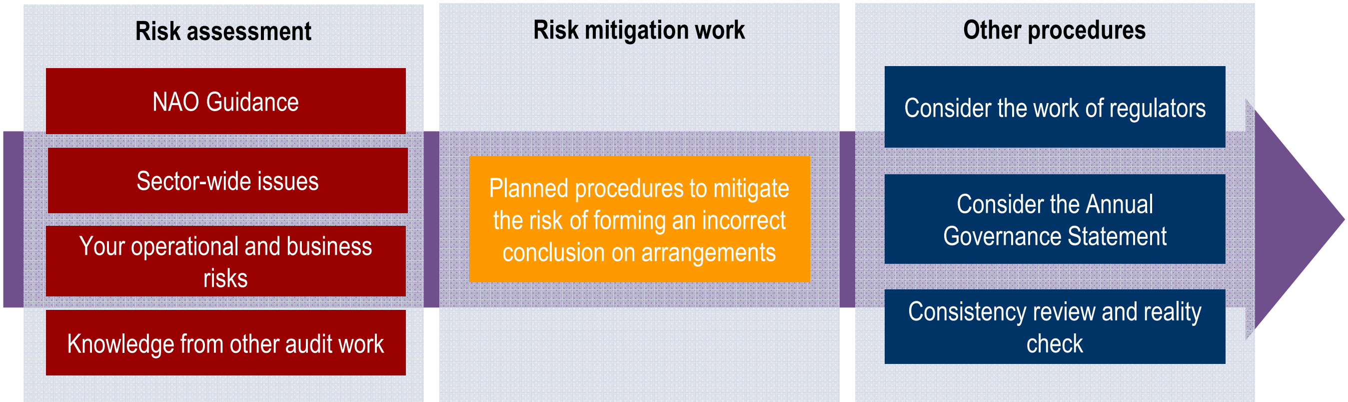
Our approach to Value for Money
We are required to form a conclusion as to whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out, and sets out the overall criterion and sub-criteria that we are required to consider.

The overall criterion is that, 'in all significant respects, the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.'

To assist auditors in reaching a conclusion on this overall criterion, the following sub-criteria are set out by the NAO:

- informed decision making;
- sustainable resource deployment; and
- working with partners and other third parties.

A summary of the work we undertake to reach our conclusion is provided below:



Significant value for money risks
The NAO's guidance requires us to carry out work at the planning stage to identify whether or not a Value for Money (VFM) significant risk exists. Risk, in the context of our VFM work, is the risk that we come to an incorrect conclusion rather than the risk of the arrangements in place at the Council being inadequate. As outlined above, we draw on our deep understanding of the Council and its partners, the local and national economy and wider knowledge of the public sector.

5. VALUE FOR MONEY (CONTINUED)

Significant risks

For the 2018/19 financial year, we have identified the following significant risks to our VFM work:

Description of significant risk	Planned response
Financial resilience The continual pressures on local government finances are well documented and the Council has experienced a significant decrease in government grant funding since 2010/11. In response to the projected future budget deficits caused by these falling central government funding levels and increases in service demands, the Council has established a Transformation Plan focusing on modernising services, innovation and better use of technology. The Council has set a balanced budget for 2018/19, anticipating utilising reserves and achieving transformation savings. The current forecast is a small surplus for the year on the General Fund and a larger surplus on the Housing Revenue Account . The medium term financial plan (MTFP), covering the period from 2019/20 to 2023/24, forecasts a deficit of around £2 million per year, before the delivery of savings. The budget is based on a number of assumptions around inflation, business rates income and pay increases. There is a risk that the Council will not generate sufficient new income streams and deliver projected savings from transformation which are crucial in bridging the budget gap whilst meeting its strategic priorities.	We will critically review whether the Council has arrangements in place to ensure financial resilience, specifically that the MTFP has duly taken into consideration the latest available information on factors such as: • funding reductions; • business rate reform; • fair funding; • salary and general inflation; • demand pressures; • restructuring costs; and • sensitivity analysis given the degree of variability in the above factors. We will review the delivery of savings in 2018/19 and progress to identify savings for 2019/20 – 2023/24 and evaluate the impact on the Council's revenue reserves.
Investments in commercial property The Council has identified the use of its capital and treasury activities as one way of generating new income streams. The Council spent £14.98 million on investment properties in 2017//18 with the expectation that they will generate annual rental income of over £1 million rental income. In 2018/19, the Council has purchased a further investment property for £4.33 million which is expected to generate annual rental income of £0.29 million, with plans for further expenditure of £6 million approved for the year. Whilst the investment decisions are projected to deliver optimised financial returns with both revenue and capital growth, the strategy presents a significant value for money risk in considering whether the Council has exposed itself to risks that it has not anticipated, including: • Poor financial forecasting; • Insufficient commercial expertise; and • Poor investment decisions due to insufficient legal and due diligence work.	We will critically review whether the Council has: • Exposed itself to too much financial risk through its borrowing and investment decisions; • Ensured that it has been mindful of changes in the accounting and regulatory environment when undertaking any sensitivity analysis as part of its investment decision making process; • Ensured that an appropriate level of legal and due diligence work has been undertaken prior to making specific investment decisions; • Responded appropriately to the revised Statutory Guidance on Local Government Investments, to ensure that there is appropriate transparency to understand the exposure that the Council has as a result of its borrowing and investment decisions; and • Ensured that Members have sufficient expertise to understand the complex transactions that they have ultimate responsibility for approving.

6. FEES FOR AUDIT AND OTHER SERVICES

Fees for work as the Council's appointed auditor

At this stage of the audit we are not planning any divergence from the scale fees set by PSAA as communicated in our fee letter of 25 April 2018.

Service	2017/18 fee	2018/19 fee
Code audit work	£56,036	£43,148

Fees for non-PSAA work

We have not been separately engaged by the Council to carry out any additional work over the fees outlined above in relation to our appointment by PSAA.

Should the Council wish us to undertake any additional work, before agreeing to this we will consider whether there are any actual, potential or perceived threats to our independence. Further information about our responsibilities in relation to independence is provided in section 7.

Services provided to other entities within the Council's group

We have not been engaged by any of the Council's group entities to provide any audit, or non-audit, services in 2018/19.

7. OUR COMMITMENT TO INDEPENDENCE

We are committed to independence and are required by the Financial Reporting Council to confirm to you at least annually, in writing, that we comply with the Financial Reporting Council's Ethical Standard. In addition, we communicate any matters or relationships which we believe may have a bearing on our independence or the objectivity of the audit team.

Based on the information provided by you and our own internal procedures to safeguard our independence as auditors, we confirm that in our professional judgement there are no relationships between us and any of our related or subsidiary entities, and you and your related entities creating any unacceptable threats to our independence within the regulatory or professional requirements governing us as your auditors.

We have policies and procedures in place which are designed to ensure that we carry out our work with integrity, objectivity and independence. These policies include:

- all partners and staff are required to complete an annual independence declaration;
- all new partners and staff are required to complete an independence confirmation and also complete computer-based ethics training;
- rotation policies covering audit engagement partners and other key members of the audit team;
- use by managers and partners of our client and engagement acceptance system which requires all non-audit services to be approved in advance by the audit engagement partner.

We confirm, as at the date of this document, that the engagement team and others in the firm as appropriate, and Mazars LLP are independent and comply with relevant ethical requirements. However, if at any time you have concerns or questions about our integrity, objectivity or independence please discuss these with David Hoose in the first instance.

Prior to the provision of any non-audit services David Hoose will undertake appropriate procedures to consider and fully assess the impact that providing the service may have on our auditor independence.

As we have not been engaged to carry out any non-audit work to date, no threats to our independence have been identified. Any emerging independence threats and associated identified safeguards will be communicated in our Audit Completion Report.

8. MATERIALITY AND MISSTATEMENTS

Summary of initial materiality thresholds

Threshold	Initial threshold (£'000s)
Overall materiality	1,792
Performance materiality	1,255
Trivial threshold for errors to be reported to the Audit Committee	54

Materiality

Materiality is an expression of the relative significance or importance of a particular matter in the context of financial statements as a whole. Misstatements in financial statements are considered to be material if they, individually or in aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Judgements on materiality are made in light of surrounding circumstances and are affected by the size and nature of a misstatement, or a combination of both. Judgements about materiality are based on consideration of the common financial information needs of users as a group and not on specific individual users.

The assessment of what is material is a matter of professional judgement and is affected by our perception of the financial information needs of the users of the financial statements. In making our assessment we assume that users:

- have a reasonable knowledge of business, economic activities and accounts;
- have a willingness to study the information in the financial statements with reasonable diligence;
- understand that financial statements are prepared, presented and audited to levels of materiality;
- recognise the uncertainties inherent in the measurement of amounts based on the use of estimates, judgement and the consideration of future events; and
- will make reasonable economic decisions on the basis of the information in the financial statements.

We consider materiality whilst planning and performing our audit based on quantitative and qualitative factors.

Whilst planning, we make judgements about the size of misstatements which we consider to be material and which provide a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

The materiality determined at the planning stage does not necessarily establish an amount below which uncorrected misstatements, either individually or in aggregate, will be considered as immaterial.

We revise materiality for the financial statements as our audit progresses should we become aware of information that would have caused us to determine a different amount had we been aware of that information at the planning stage.

Our provisional materiality is set based on a benchmark of gross revenue expenditure in 2017/18. We have calculated a headline figure for materiality but have also identified separate levels for procedures designed to detect individual errors, and also a level above which all identified errors will be reported to the Audit Committee.

We consider that gross expenditure remains the key focus of users of the financial statements and, as such, we base our materiality levels around this benchmark.

8. MATERIALITY AND MISSTATEMENTS (CONTINUED)

We have set our materiality threshold at 2% of the benchmark based on the 2017/18 audited financial statements.

Based on the 2017/18 audited financial statements we anticipate the overall materiality for the year ending 31 March 2019 to be £1,792k.

After setting initial materiality, we continue to monitor materiality throughout the audit to ensure that it is set at an appropriate level.

Performance Materiality

Performance materiality is the amount or amounts set by the auditor at less than materiality for the financial statements as a whole to reduce, to an appropriately low level, the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. In setting performance materiality we have taken into account that this is our first year of audit and accordingly we do not hold extensive cumulative audit knowledge about the Council's financial statements. We have therefore set our performance materiality at 70% of our overall materiality being £1,255k.

As with overall materiality, we will remain aware of the need to change this performance materiality level throughout the audit to ensure that it remains set at an appropriate level.

Specific items of lower materiality

We have also calculated materiality for specific classes of transactions, balances or disclosures where we determine that misstatements of a lesser amount than materiality for the financial statements as a whole, could reasonably be expected to influence the decisions of users taken on the basis of the financial statements. We have set specific materiality for the following items of account:

Item of account	Specific materiality (£'000s)
Officers' remuneration	5*
Termination payments	113
Members' allowances and expenses	77
External audit costs	9

* Reflecting movement from one salary band to another

Misstatements

We aggregate misstatements identified during the audit that are other than clearly trivial. We set a level of triviality for individual errors identified (a reporting threshold) for reporting to the Audit Committee that is consistent with the level of triviality that we consider would not need to be accumulated because we expect that the accumulation of such amounts would not have a material effect on the financial statements. Based on our preliminary assessment of overall materiality, our proposed triviality threshold is £54k based on 3% of overall materiality. If you have any queries about this please do not hesitate to raise these with David Hoose.

Reporting to the Audit Committee

To comply with International Standards on Auditing (UK), the following three types of audit differences will be presented to the Audit Committee:

- summary of adjusted audit differences;
- summary of unadjusted audit differences; and
- summary of disclosure differences (adjusted and unadjusted).

APPENDIX A – KEY COMMUNICATION POINTS

ISA (UK) 260 'Communication with Those Charged with Governance', ISA (UK) 265 'Communicating Deficiencies In Internal Control To Those Charged With Governance And Management' and other ISAs (UK) specifically require us to communicate the following:

Required communication	Audit Strategy Memorandum	Audit Completion Report
Our responsibilities in relation to the audit of the financial statements and our wider responsibilities	✓	
Planned scope and timing of the audit	✓	
Significant audit risks and areas of management judgement	✓	
Our commitment to independence	✓	✓
Responsibilities for preventing and detecting errors	✓	
Materiality and misstatements	✓	✓
Fees for audit and other services	✓	
Significant deficiencies in internal control		✓
Significant findings from the audit		✓
Significant matters discussed with management		✓
Our conclusions on the significant audit risks and areas of management judgement		✓
Summary of misstatements		✓
Management representation letter		✓
Our proposed draft audit report		✓

APPENDIX B – FORTHCOMING ACCOUNTING AND OTHER ISSUES

Changes relevant to 2018/19

IFRS 9 Financial Instruments - the standard replaces IAS 39 and introduces significant changes to the recognition and measurement of the Council's financial instruments, particularly its financial assets.

Although the accounting changes may be complex and may require the reclassification of some instruments, it is likely that the Council will continue to measure the majority of its financial assets at amortised cost.

For Councils that hold instruments that will be required to be measured at fair value under the new standard, there may be instances where changes in these fair values are recognised immediately and impact on the general fund. We are aware that, following the Ministry of Housing, Communities and Local Government consultations, a statutory override will be put in place to mitigate the impact of these fair value movements on the Council's general fund balance.

IFRS 15 Revenue from Contracts with Customers - the 2018/19 Code also applies the requirements of IFRS 15, but it is unlikely that this will have significant implications for most local authorities.

There are no other significant changes to the Code of Practice on Local Authority Accounting (the Code) for 2018/19.

Changes in future years

Accounting standard	Year of application	Implications
IFRS 16 – Leases	2020/21	We anticipate that the new leasing standard will be adopted by the Code for the 2019/20 financial year. IFRS 16 will replace the existing leasing standard, IAS 17, and will introduce significant changes, particularly for lessees. The requirements for lessors will be largely unchanged from the position in IAS 17. Lessees will need to recognise assets and liabilities for all leases (except short-life or low-value leases) as the distinction between operating leases and finance leases is removed. The introduction of this standard is likely to lead to significant work being required in order to identify all leases which the Council is party to.

APPENDIX C – MAZARS' CLIENT SERVICE COMMITMENT

We are here because of our clients; serving them in the best way we can is part of our DNA. We operate a Code of Conduct which drives our client service commitment in all areas, as set out below.

Report To:	**AUDIT COMMITTEE**	**Date:**	**11 MARCH 2019**
Heading:	**PENSION ASSUMPTIONS FOR 2018/19 STATEMENT OF ACCOUNTS**		
Portfolio Holder:	**N/A**		
Ward/s:	**N/A**		
Key Decision:	**NO**		
Subject to Call-In:	**NO**		

Purpose of Report

The report is to allow members to consider the proposed assumptions to be used by the Pension Fund Actuary in preparing the International Accounting Standard (IAS) 19 – Employee Benefits figures to be reported in the Council's Annual Statement of Accounts for 2018/19.

Recommendation(s)

Members are asked to consider the Actuary's briefing note attached as Appendix A and the proposed IAS 19 assumptions detailed within it, and to agree the assumptions as the basis for the calculation of the pension figures required for the 2018/19 Statement of Accounts.

Reasons for Recommendation(s)

It is best practice that the actuarial assumptions intended to be used in preparing the IAS 19 figures within the Statement of 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 2018/19 Statement of Accounts.

Alternative Options Considered

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

Detailed Information

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

1.2 To calculate the cost of earned benefits for inclusion in the Statement of Accounts, the Nottinghamshire County Council Pension Fund schemes Actuary, Barnett Waddingham, use certain assumptions to reflect expected future events, which may affect those costs. The assumptions used are designed to lead to the best estimate of the future cash flows that will arise under the scheme liabilities. Any assumptions that are affected by economic conditions should reflect market expectations at the balance sheet date.

1.3 The calculated costs and the underlying assumptions, based upon the advice of the Actuary and the administering authority, Nottinghamshire County Council will be used in preparing the Council's 2018/19 Accounts.

1.4 Ashfield District Council's net pension liability (the difference between the assets held and projected liabilities) as at 31 March 2018 was calculated at £96.697m. This is a material component of the Council's balance sheet, and therefore its net worth. As such it is important that the Council is supportive of the assumptions being made by the actuary in their calculations. This year's net position will be affected by the assumptions used.

1.6 The results of the overall valuation can be volatile from year to year as the fund's investments are in a range of asset types whose performance will vary from year to year while liabilities are assessed on the basis of corporate bond yields. The results to some degree reflect the relative movements in these financial instruments.

1.7 The responsibility for setting the assumptions rests with the employer and alternative assumptions can be used by the Actuary. However, the Actuary would impose additional fees for this work. The accounting requirements of IAS 19 do not require that every individual estimate is a "best estimate". Directors (or equivalent) of the organisation should be satisfied that the combined effect of the assumptions as a whole is reasonable.

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

1.9 The proposed financial assumptions for 2018/19 are detailed below:

- **Expected Return on Assets.** The Actuary anticipates that a typical local Government Pension Fund might achieve similar levels to the levels assumed at 31 March 2018. Although this may vary depending on the individual funds investment strategy.
- **Discount Rate.** The discount rate is applied to the employer's liabilities to calculate their future values. This discount rate applied by the Actuary is derived by reference to market yields on high quality corporate bonds and by calculating a Single Equivalent Discount Rate (SEDR). The rates used are those that match the duration of the employer's liability. This is consistent with the approach proposed by the Actuary and adopted by Ashfield District Council last year.
- **Inflation Expectations.** The increases in pensions in the Local Government Pension are based on the Consumer Prices Index (CPI). As there is limited information on CPI- linked assets the Actuary derives an implied Retail Prices Inflation (RPI) assumption and adjusts for the differences between RPI and CPI. The levels of future Retail Prices Inflation (RPI) are assessed based on the yields on fixed interest and index linked government securities over the period of the duration of the liabilities by calculating a Single Equivalent Inflation Rate (SEIR). The Actuary has assessed the gap between RPI and CPI going forward to be a reduction of 1.0%. This is consistent with the approach proposed by the Actuary and adopted by Ashfield District Council last year.
- **Salary Increases** – The Actuary has proposed to use the assumption that salary increases are in line with CPI to 2020, then they increase in line with CPI plus 1.5%. This is consistent with the approach proposed by the Actuary and adopted by Ashfield District Council last year.

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

Estimated effect of changes in Actuary's assumptions on employers liability in 2018/19

Assumption	**Duration of Individual Employee Liability (Years)**			
	10	**15**	**20**	**25**
Discount Rate (SEDR)	Decrease of 1%	Decrease of 2%	Decrease of 3%	Decrease of 4%
Inflation (SEIR)	No significant change	Increase of 1%	Increase of 1%	No significant change
Overall Expected Impact	No significant change	Decrease of 1%	Decrease of 2%	Decrease of 4%

1.11 It should also be noted that the assumptions are based on market information to 25 January 2019. Due to Brexit it is hard to predict how markets will change from now until the accounting date, and it is very difficult to estimate how markets will react if the UK exits the EU on 29th March as scheduled.

Implications

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

Legal:
There are no legal implications.

Finance:

Budget Area	**Implication**
General Fund – Revenue Budget	There are no direct financial implications as a result of this report, as it sets out assumptions that the Actuary uses to calculate the pension position for the Council under IAS 19 to show the estimated net value of the Council's portion of the pension fund (assets less liabilities). Changes in assumptions will affect the net position, but this has a nil overall change in the resources available to the Council on the balance sheet as any changes to the income and expenditure statement are reversed through statutory accounting entries.
General Fund – Capital Programme	None
Housing Revenue Account – Revenue Budget	As above in General Fund
Housing Revenue Account – Capital Programme	None

Risk:

Risk	Mitigation
None	

Human Resources:
There are no human resources impacts

Equalities:
There are no equalities impacts

Other Implications:
None

Reason(s) for Urgency
N/A

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

Report Author and Contact Officer

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BARNETT WADDINGHAM
beyond the expected

Accounting reporting as at 31 March 2019

Employer briefing note pre-accounting date

Barnett Waddingham LLP

31 January 2019

Contents

BARNETT WADDINGHAM
beyond the expected

Accounting reporting as at 31 March 2019

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

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

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

How has the accounting position changed?

As we will not know the assumptions that will be adopted for accounting disclosures until after 31 March 2019, we have utilised the latest market statistics available. The following analysis uses market statistics as at 25 January 2019. **It is very likely that market conditions at 31 March 2019 will be different.**

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

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

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

- What were asset returns for the twelve months to 31 March 2019?
- What were corporate bond yields as at 31 March 2019?
- What were market expectations of inflation as at 31 March 2019?

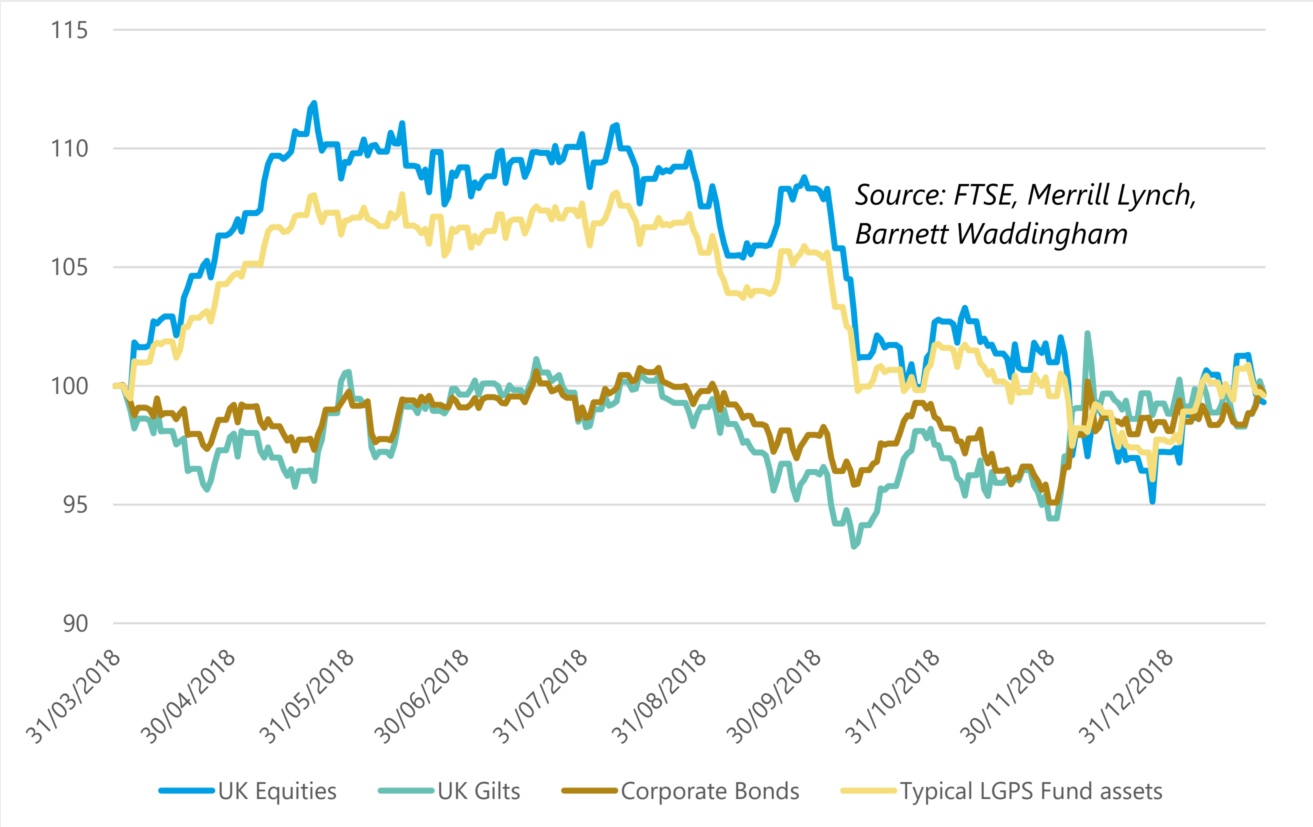
We appreciate that some of the terminology in this report may not be familiar and therefore we would recommend also reading our Glossary and FAQs document for a more detailed explanation on some of the jargon used here. This document has been circulated with this briefing note but please get in touch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

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

BARNETT WADDINGHAM
beyond the expected

Asset returns

The following chart plots returns from the major asset classes since 31 March 2019 alongside the return that would have been achieved by a Fund invested 75% in equities, 20% in corporate bonds and 5% in gilts.



Equity returns have been particularly volatile over the period to 25 January 2019 with the value of equities, increasing significantly during April and May before falling sharply in October and December.

Despite the value of gilts and corporate bonds also falling at some point over the period, the value of each of the three indices shown above are at similar levels, at 25 January 2019, to those at 31 March 2018.

Therefore, based on the allocation outlined above, a typical LGPS Fund might expect the value of fund assets at this date to be similar to those at the last accounting date, however, this could vary considerably depending on each Fund’s investment strategy and net cashflow profile.

If Fund returns have been around this level, asset returns will have been lower than the discount rate assumed last year and this will have led to an actuarial loss on the assets, increasing the accounting deficit.

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

Changes to accounting assumptions

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

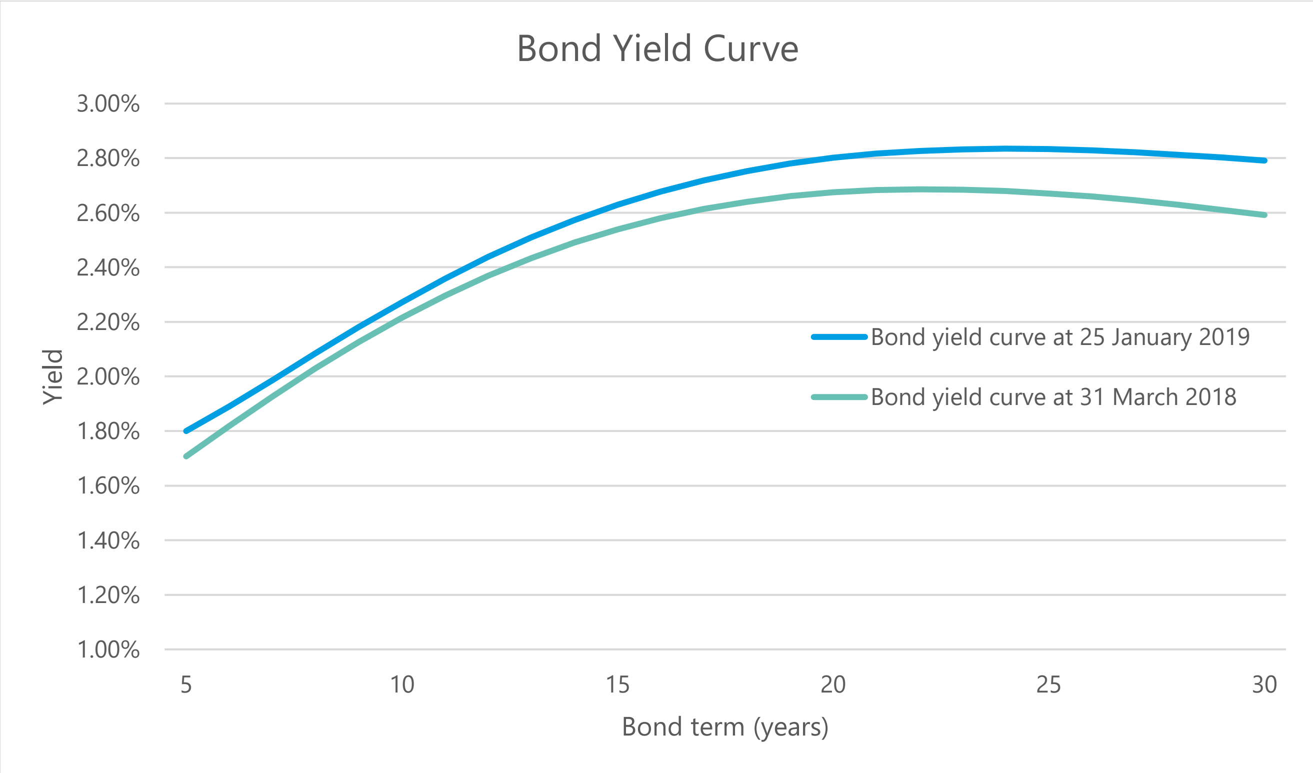
Discount rate

Under both the FRS102 and IAS19 standards the discount rate should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The approach we adopted to derive the appropriate discount rate at the previous accounting date is known as the Single Equivalent Discount Rate (SEDR) methodology. We intend to adopt the same approach for assumptions used for accounting disclosures at 31 March 2019.

We use sample cashflows for employers at each duration year (from 2 to 30 years) and derive the single discount rate which results in the same liability value as that which would be determined using a full yield curve valuation (essentially each year's cashflows has a different discount rate). This discount rate is known as the SEDR. In carrying out this derivation we use the annualised Merrill Lynch AA rated corporate bond yield curve and assume the curve is flat beyond the 30 year point.

The standard assumptions set for an employer will be based on their individual duration. For example, an employer with an estimated liability duration of 13 years will adopt assumptions consistent with those derived using the 13 year cashflows.

The below graph shows the bond yield curve at the last accounting date along with the yield curve at 25 January 2019:



You will see that the bond yield at 25 January 2019 is higher than that at 31 March 2018 at all terms. As a result, the discount rate assumed would be higher at 25 January 2019 than at 31 March 2018. All else equal, this would result in a lower value being placed on the defined benefit obligation.

Sample SEDRs are set out in the table below based on market conditions at 25 January 2019:

Duration (years)	25 January 2019
10	2.50%
15	2.65%
20	2.70%
25	2.75%

Assumptions are rounded to the nearest 0.05%.

The below table sets out the estimated effect of the change in discount rate assumed based on the same sample durations:

Duration (years)	Estimated effect of change in discount rate on employer's liabilities
10	Decrease of 1%
15	Decrease of 2%
20	Decrease of 3%
25	Decrease of 4%

Inflation expectations

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

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

Retail Price Index (RPI) assumption

Similar to the SEDR approach described above we intend to adopt a Single Equivalent Inflation Rate (SEIR) approach in deriving an appropriate RPI assumption.

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

Consistent with the SEDR approach, assumptions are rounded to the nearest 0.05% and we intend to use sample cashflows for employers at each duration year (from 2 to 30 years) in deriving the assumptions for employers.

Sample SEIRs are set out in the table below based on market conditions at 25 January 2019:

Duration (years)	25 January 2019
10	3.40%
15	3.40%
20	3.35%
25	3.30%

Difference between RPI and CPI

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

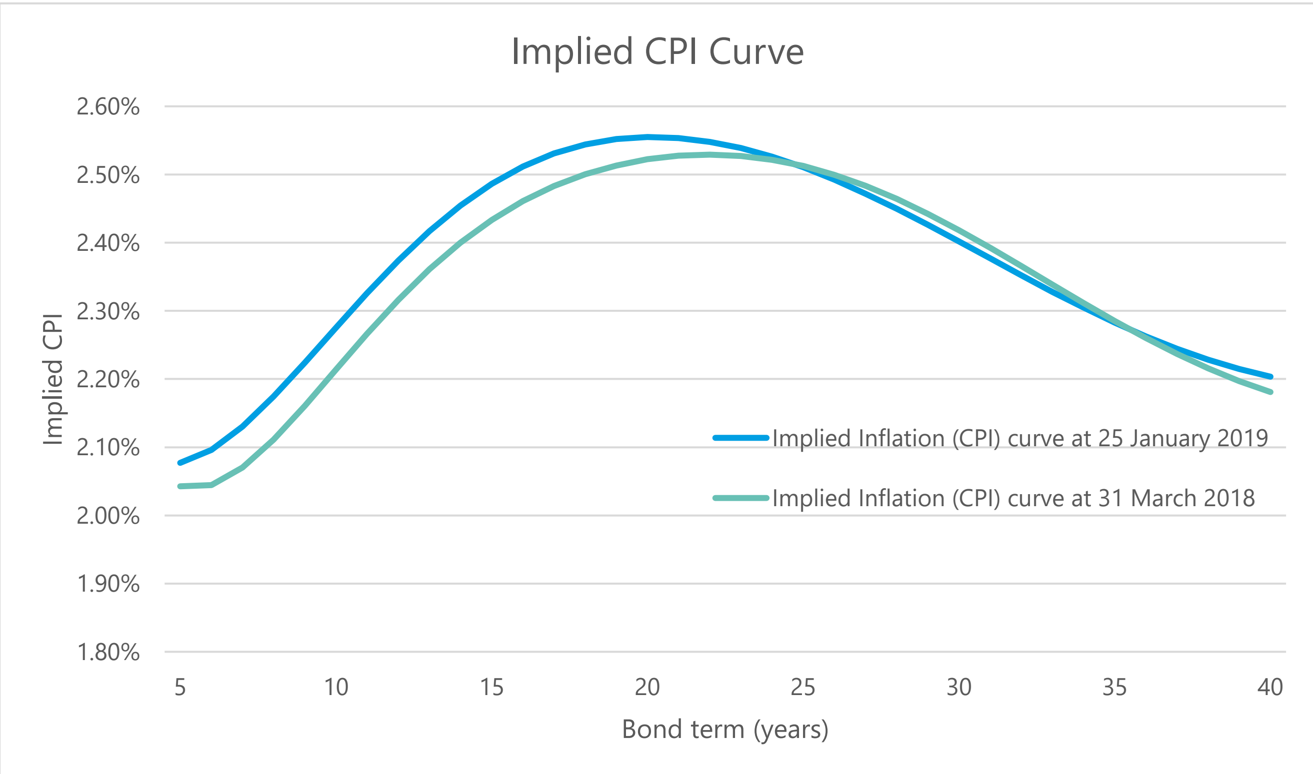
The difference between RPI and CPI can be split between the 'formula effect' and differences between the compositions of the two indices. The formula effect results from technical differences in the way the two indices are calculated so it is reasonable to assume it will be persistent, although the calculation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

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

We have assumed that CPI inflation will, on average, be 1.0% lower than RPI. This is consistent with that assumed at the previous accounting date.

Consumer Price Index (CPI) assumption

The resulting implied CPI curve at 25 January 2019 is shown below along with the implied CPI curve at the last accounting date for comparison:



As shown above, the implied CPI curve at 25 January 2019 is slightly higher than that at 31 March 2018 at earlier terms but very similar at later terms. As a result, expect the assumed level of pension increase to be slightly higher than or very similar to the previous year.

The below tables set out the assumed pension increase assumptions at sample durations, based on market conditions at 25 January 2019, as well as the estimated effects due to the change in the inflation assumption from last year's standard assumption to this year's:

Duration (years)	25 January 2019
10	2.40%
15	2.40%
20	2.35%
25	2.30%

Duration (years)	Estimated effect of change in inflation on employer's liabilities
10	No significant change
15	Increase of 1%
20	Increase of 1%
25	No significant change

Please note the CPI increase assumption at the 10 year duration is the same as at 15 year duration. This may not be the case for all durations between 10 and 15 years.

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

Salary increases

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

For English Funds, we intend to use the salary increase assumption from the 2016 actuarial valuation. For all English Funds, this means assuming that salary increases are in line with CPI to 31 March 2020 then increases in line with CPI plus 1.5%. This is consistent with the approach adopted last year.

For Scottish Funds, we intend to use the salary increase assumption from the 2017 actuarial valuation. For all Scottish Funds, this means a single long-term salary increase assumption of CPI plus 1.0% with no short term adjustment.

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

Bespoke financial assumptions

As mentioned above, the responsibility for setting assumptions ultimately belongs to the employer and therefore if an employer was to request alternative assumptions then we would be happy to use these in producing our report. The approaches described above are the standard approaches we will adopt to derive financial assumptions, however, we are happy to advise individual employers on the range of assumptions they may be able to adopt.

As part of this advice we are able to provide employers with a deficit modeler which provides an indication of the impact of any changes to their accounting position.

If you would like more information on the options available to employers regarding bespoke assumptions please feel free to contact publicsector@barnett-waddingham.co.uk or your usual Barnett Waddingham contact. However, please be aware that both requesting and receiving advice on bespoke assumptions will incur additional fees.

Service accrued over the period

The change in employer's deficit will also be affected by the difference in the cost of benefits accrued over the period and the level of contributions paid by the employer and employees.

The service cost accrued over the year is based on the assumptions at the start of the period, i.e. at the previous accounting date. Employers' contributions may consist of contributions towards funding any deficit as well as funding the cost of benefits being accrued on an ongoing funding basis. These contributions are likely to have been calculated using different assumptions than under IAS19/FRS102 and may therefore differ from the service cost calculated for the period.

Depending on the membership profile of the employer; the cost of benefits accrued over and above the level of contributions paid may have a more significant effect on the level of deficit than the change in financial assumptions and investment performance.

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Overall expected results

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

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

The effect of the changes in the financial assumptions on an employer's liabilities are dependent on the assumptions adopted as well as the specific duration of the employer's liabilities. Typically employers with greater liability durations are more sensitive to changes in financial assumptions as benefits will be paid over a longer term. The table below describes the estimated effects for employers at liability durations of exactly 10, 15, 20 and 25 years: based on assumptions derived as at 25 January 2019:

Duration (years)	Estimated effect of change in financial assumptions rate on employer's liabilities
10	No significant change
15	Decrease of 1%
20	Decrease of 2%
25	Decrease of 4%

Based on market conditions at 25 January 2019, employers who receive reports at March would typically expect to see a small decrease in the value of the defined benefit obligation as a result of changes in assumptions. However, the value of liabilities will increase with interest accumulated over the year; offsetting any reduction in liability value from the change in assumptions.

Of course the impact on deficits will also depend on asset performance and overall funding position. As shown in the section above, based on market conditions to 25 January 2019 and the investment strategy of a 'Typical Fund', assets are expected to have increased at a rate lower than the level of interest on their deficit, thereby increasing the size of employers' deficits.

In addition, as mentioned above the change in employer's deficits will also be affected by the difference in the cost of benefits accrued over the period and the level of contributions paid by the employer and employees. For less mature employers, this may have a more significant effect on the level of deficit than the change in financial assumptions and investment performance.

Brexit effect

Market movements

It's difficult to predict how markets will change from now until the accounting date, to add to that unpredictability, the UK is scheduled to leave the European Union on 29 March 2019. Therefore, any market shock on or after that date is likely to affect accounting disclosures produced at 31 March 2019.

For this reason our usual caveat that 'analysis uses market statistics as at 25 January 2019 and it is likely that market conditions at 31 March 2019 will be different' applies more than ever.

Auditor views

It should also be highlighted that auditors continue to look for greater accuracy in the roll forward approach used to calculate employers' results. This includes the approach used to determine each employer's share of fund assets at the accounting date.

Given the tight timescales for local authorities to submit their final accounts we appreciate that it is not always possible to wait until the final net asset statement at 31 March is available to begin producing accounting disclosures. As a result, we request details of the fund's assets at the most recent date available and, for the remaining period, we assume that returns are in line with relevant market indices.

Considering the expected volatility of markets around the accounting date, we expect the difference between the estimated value of fund assets and the actual final value will be placed under greater scrutiny by auditors.

In order to reduce the chance of having to revise any reports we recommend that employers engage with their auditors and the administering authority of the fund as early as possible to ensure they are comfortable with the information being used to calculate results.

Appendix 1

Adjustments to fees

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

As examples of this:

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

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

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FRS102/IAS19 Glossary and FAQs

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

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

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

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

Background

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

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

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

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

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

Glossary of terms

Included in this section:

Actuarial gains & losses

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

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

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

The components of the actuarial loss on liabilities are:

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

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

For more details on experience items, please see the "Gains and Losses" section of the FAQs.

Administration expenses

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

Contributions by employer including unfunded

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

For more information on the inclusion of **unfunded benefits**, please see the "Do I need to include unfunded benefits on my balance sheet?" section of the FAQs.

Current service cost

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

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

Curtailment

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

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

Defined benefit obligation

This is the value of the past service liabilities, calculated using service to the accounting date (estimated where necessary) and allows for several assumptions such as future increases to salaries, future mortality rates, future inflation rates etc. The key assumption used to calculate these liabilities is the discount rate.

Discount rate

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

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

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

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

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

Duration

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

Demographic assumptions

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

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

Interest cost

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

Interest on assets

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

Liabilities

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

Net interest on defined liability

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

Past service cost

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

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

Present value of defined benefit obligations

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

Re-measurements

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

Service cost

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

Settlement

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

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

Term

Please see definition of **duration** above.

Unfunded benefits

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

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

Frequently asked questions (FAQs)

Included in this section:

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Balance sheet

How are my assets calculated?

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

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

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

More details on how we calculate employers' assets can be found in the below Appendix

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

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

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

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

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

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

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

Assumptions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Why is the inflation assumption different to current inflation levels?

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

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

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

One of the objectives of FRS102 and IAS19 is to ensure that organisations all account for pension costs on a consistent market-related basis so there is not intended to be a huge amount of scope to deviate away from typical market assumptions. We do provide a recommended set of assumptions but the employer is ultimately responsible for the assumptions that are adopted.

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

Pension costs

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

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

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

Why is the current service cost different from the previous year?

The **current service** cost is the cost of benefits accrued over the period based on the assumptions at the start of the period i.e. the assumptions at the previous accounting date.

Therefore this will be affected by:

- the difference in the assumptions adopted at the previous accounting date compared to the assumptions adopted at the accounting date preceding the previous accounting date; and
- the change in payroll over the accounting period compared to that over the previous accounting period.

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

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

Gains and losses

What is an experience gain or loss?

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

What does actual less expected return on Fund assets mean?

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

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

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

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

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

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

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

What is the change in assumptions?

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

What is the impact of the recent GMP equalisation ruling?

It is our understanding that HMT have confirmed that the judgement "does not impact on the current method used to achieve equalisation and indexation in public service pension schemes" which is set out here.

Our valuation assumption for GMP is that Funds will pay limited increases for members that have reached SPA by 6 April 2016, with the Government providing the remainder of the inflationary increase. For members that reach SPA after this date, we have assumed that Funds will be required to pay the entire inflationary increase. Therefore we don't believe we need to make any adjustments to the liabilities as a result of the ruling.

Appendix 1 Employer asset allocation

One of the most common questions we are asked by employers is how their asset amount has been calculated. This short paper sets out exactly how we do this and is aimed at both employers and their advisers.

Notional assets

Assets are not separately held for each employer; the Fund holds assets in respect of all the employers in the Fund and each employer has a notional share of these assets. For example, the contributions an employer makes into the Fund are not paid into a separate employer account and invested independently, but are paid into the Whole Fund along with all other employers' contributions and invested as a whole. However, they are taken into account when calculating a notional asset figure for actuarial valuations and employer work.

Asset Calculation – Actuarial Valuations

Assets are fully re-apportioned at each triennial funding valuation. To do this for an employer, we accumulate the notional market value of assets from the previous funding valuation with respect to the Fund's returns from the published accounts. We also allow for the cashflows in respect of the employer which include employer and employee contributions, pensions and retirement lump sums paid, and transfers in and out etc. If we know the exact date of the cashflow then we allow for this in our calculation, otherwise we assume the cashflow occurs halfway through the year. This will include any notional transfers within the Fund between the employers, even though no actual cash has been paid into or out of the Fund.

We also adjust the assets by a smoothing factor to be consistent with our measurement of the liabilities. We essentially look at the asset value over each day for the six month period around the valuation date (based on published market indices) and take the average.

Asset Calculation – Accounting valuations

In order to calculate asset values for accounting valuations, the starting point is the most recent valuation and the process is then similar to the above but may involve approximations. For example, if the Fund's actual returns have not yet been calculated for any period, we will calculate the notional return based on suitable market indices.

We use the estimated market value for FRS102 and IAS19 calculations therefore no smoothing factor is applied.

Report To:	**AUDIT COMMITTEE**	**Date:**	**11 MARCH 2019**
Heading:	**ACCOUNTING POLICIES FOR 2018/19 AND OTHER STATEMENT OF ACCOUNTS MATTERS**		
Portfolio Holder:	**N/A**		
Ward/s:	**N/A**		
Key Decision:	**NO**		
Subject to Call-In:	**NO**		

Purpose of Report

This report requests approval by the Audit Committee of the accounting policies that the Council proposes to adopt for the current financial year in the preparation of the Statement of Accounts 2018/19.

The report also outlines the impact of changes to the Code of Practice on Local Government Accounting on the production of the 2018/19 Statement of Accounts process.

Recommendation(s)

1) Audit Committee approve the Accounting Policies detailed at Appendix 1 to this report.

2) Members are requested to note that any proposed amendments or changes to these policies and associated relevant financial implications will be reported back to this Committee.

Reasons for Recommendation(s)

Part 3 of the Annual Accounts and Audit Regulations 2015 (the Regulations) requires the Council to produce an annual Statement of Accounts. In accordance with International Financial Reporting Standards (IFRS), the Statement of Accounts must include a statement of accounting policies.

The Regulations also require a draft of the Statement of Accounts to be prepared and certified by the responsible financial officer by 31 May. In accordance with best practice for local authorities, the draft accounting policies should be reviewed by Audit Committee before the draft 2018/19 Statement of Accounts is produced.

In addition, where IFRS allows a degree of choice, Audit Committee should be aware of and confirm the choices made.

Alternative Options Considered

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

Detailed Information

Introduction

1.1 The Accounting Policies adopted by the Council determine the accounting treatment that is applied to transactions during the financial year and in the preparation of the Statement of Accounts at the year-end. They determine the specific principles, bases, conventions, rules and practices that will be applied by the Council in preparing and presenting its financial statements. The accounting policies are published within the Statement of Accounts in accordance with the Chartered Institutes of Public Finance and Accountancy (CIPFA) Code of Practice on Local Government Accounting (the Code of Practice) and incorporate the requirements of International Financial Reporting Standards (IFRS).

1.2 The approval of the accounting policies to be applied by the Council demonstrates that due consideration has been given to the policies to adopt and apply and that those charged with corporate governance are fully informed prior to the commencement of the Statement of Accounts preparation.

Accounting Policies

1.3 The accounting policies are reviewed each year by officers to ensure all accounting policies previously approved are still relevant and are in accordance with the latest version of the Code of Practice and IFRS requirements. Any new requirements are added to the policies and any policies, which are no longer relevant or have no material effect to the Statement of Accounts, are removed.

1.4 The following accounting standards have been adopted by the Code of Practice in 2018/19:

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers

The application date and initial adoption date of the above standards is 1 April 2018.

1.5 The new standards are not expected to have a material effect on the Statement of Accounts. On initial application, there is no requirement to restate the preceding year's financial information for IFRS 9 & IFRS 15 implications.

1.6 Any changes to the accounting policies in relation to IFRS 9, IFRS 15 are included in Appendix A, highlighted in ***bold italics***.

1.7 The accounting policies have also been updated at Note 24 to include details of the fair value accounting policy, which reflects the requirement of IFRS 13 – Fair Value Measurement, which was adopted in 2015/16.

1.8 CIPFA intend to issue an accounting Bulletin giving further guidance on matters for the production of the Statement of Accounts. At the time of this report, the Bulletin has not been issued, once issued it will be taken into account when producing the statements.

Implications

Corporate Plan:

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

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

Finance:

This report is effective for the Statement of Accounts 2018/19:

Budget Area	Implication
General Fund – Revenue Budget	There are no direct financial implications. The report outlines the policies to be adopted for production of timely and accurate accounts and demonstrates consideration of other legal and accounting issues attributable to their production.
General Fund – Capital Programme	
Housing Revenue Account – Revenue Budget	
Housing Revenue Account – Capital Programme	

Risk:

Risk	Mitigation
None	

Human Resources:
There are no human resources impacts

Equalities:
There are no equalities impacts

Other Implications:
None

Reason(s) for Urgency
N/A

Background Papers
Appendix A – Statement of Accounting Policies

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Statement of Accounting Policies

1. General Principles

The Statement of Accounts summarises the Council's transactions for the financial year 2018/19 and its position at the year-end 31st March 2019. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015. These Regulations require the accounts to be prepared in accordance with proper accounting practices. These practices under Section 21 of the 2003 Act primarily comprise of the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and International Financial Reporting Standards (IFRS).

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

2. Accruals of Income and Expenditure

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

- ***Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.***

- Supplies are recorded as expenditure when they are consumed; where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet;

- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made;

- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

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

3. Cash and Cash Equivalents

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

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

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

4. Exceptional Items

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

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

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

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

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

6. Charges to Revenue for Non-Current Assets

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

- Depreciation attributable to the assets used by the relevant service.

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

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

7. Employee Benefits

a. Benefits payable During Employment

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

b. Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer’s employment before the normal retirement date or an officer’s decision to accept voluntary redundancy in exchange for those benefits. These are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

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

c. Post Employment Benefits

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

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

- The liabilities of the Scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method, i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions including mortality rates, employee turnover rates and projections of projected earnings for current employees.

- Liabilities are discounted to their value at current prices using a discount rate based on an appropriate rate of return on high quality corporate bonds.

- The assets of the Fund attributable to the Council are included in the Balance Sheet at their fair value.

    a) Quoted securities – current bid price
    b) Unquoted securities – professional estimate
    c) Unitised securities – current bid price
    d) Property – market value

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

- Service Cost comprising

    a) Current Service Cost - the increase in liabilities as result of years of service earned this year - allocated in the Comprehensive Income and Expenditure Account to the services for which the employees worked

    b) Past Service cost - the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years - debited to the Surplus or Deficit on Provision of Services in the Comprehensive Income and Expenditure Account as part of Non-Distributed Costs

    c) Net interest on the net defined liability (asset), i.e. the net interest expense for the Council – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments

d) Re-measurement comprising:

- the return on plan assets – excluding amounts included in net interest on the defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- actuarial gains and losses - changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

e) Contributions paid to the Fund - Cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

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

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

- **Discretionary Benefits**

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

8. Events after the Reporting Period

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

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events,

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

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

9. Financial Instruments

a. Financial Liabilities

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

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

Borrowing

Borrowing is classed as either a long-term liability, if it is repayable after 12 months or longer, or a current liability, if it is repayable within 12 months. Borrowing is shown in the Balance Sheet at amortised cost, using the effective interest rate that applies to the individual loans that comprise the total borrowing held by the Council, plus where appropriate, the amount of external interest accrued on loans where an effective interest calculation has not been made. This applies generally to outstanding PWLB loans, where the rate of interest on the loan does not vary over the life of the loan. Generally, the interest that is charged to the Comprehensive Income and Expenditure Statement financing section is the amount due in the year under the loan agreement, except where this is adjusted under effective interest rate calculations to meet the requirements of the 2018/19 Code.

Gains and Losses on Debt Re-structuring

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

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

b. Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- ***amortised cost***
- ***fair value through profit or loss (FVPL), and***
- ***fair value through other comprehensive income (FVOCI)***

The authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost.

Loans and Receivables

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

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

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

c. Expected Credit Loss Model

The authority recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the authority.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

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10. Government Grants and Contributions

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

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

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

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

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

Non-specific Grants

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

11. Intangible Assets

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

During 2018/19, no Council assets met the ‘Intangible Assets’ definition.

12. Interests in Companies and Other Entities

The Council has no material interests in companies and other entities that have the nature of subsidiaries, associates and jointly controlled entities and require it to prepare group accounts.

(a) Joint Crematorium Committee

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

13. Inventories and Long Term Contracts

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

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

14. Investment Properties

The Council does hold properties for investment purposes.

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

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

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

15. Leases

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

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

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

a. Operating Leases

The Council as Lessee

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

The Council as Lessor

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

b. Finance Leases

The Council as Lessee

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

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

The Council as Lessor

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

16. Overheads and Support Services

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

17. Property, Plant and Equipment

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

Recognition

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

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

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

Measurement

Assets are initially measured at cost, which comprises all expenditure that is directly attributable to bringing an asset into working condition for its intended use. The Council does not capitalise borrowing costs incurred whilst assets are under construction
Assets are then carried in the Balance Sheet using the following measurement bases:

Asset Category	**Basis of Valuation**
Property, Plant and Equipment	Fair value determined in the existing use of the asset
Dwellings	Fair value in the existing use value for social housing
Investment Properties	Fair value to reflect market conditions at the end of the reporting period
Infrastructure, community assets and assets under construction	Depreciated historic cost once the asset becomes operational

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

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

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

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

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

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

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where there is an indication that there is a material impairment in the value of an asset when compared to the carrying value an impairment loss is recognised. The impairment loss is written down to the revaluation reserve to the extent that any balance for that asset is held within the revaluation reserve. Where there is no balance or an insufficient balance then the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

Disposals and Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than continued service use then it is reclassified as an asset held for sale. The asset is re-valued immediately before classification and then carried at the lower of this amount or fair value less costs of disposal. Where there is a subsequent decrease in the valuation determined on classification to Asset held for sale then a loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in the fair value of assets held for sale are only recognised to the extent that they reverse a previous loss recognised within the

Comprehensive Income and Expenditure Statement. Depreciation is not charged on Assets Held for Sale.

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

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

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

Depreciation

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

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

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

Componentisation

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

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

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

18. Heritage Assets

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

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

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

Non Balance Sheet Items
The Council also holds a collection of items that are not recognised on the Balance Sheet as cost information is not readily available and the Council believes that the benefits of obtaining the valuation for these items would not justify the cost. These items are believed to have a value of £10k or less. The

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

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

19. Provisions, Contingent Liabilities and Contingent Assets

a. Provisions

Provisions are made where an event has taken place that gives the Council an obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged to the appropriate service revenue account in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

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

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

b. Contingent Liabilities

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

c. Contingent Assets

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

20. Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate revenue account in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against Council Tax for the expenditure.

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

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

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

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

22. Value Added Tax

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

23. The Collection Fund

i) Council Tax

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

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

ii) Business Rates

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

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

24. Fair Value Measurement

The authority measures some of its non-financial assets such as investment properties and potentially some of its financial instruments at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly

transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

a) in the principal market for the asset or liability, or
b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The authority measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.
When measuring the fair value of a non-financial asset, the authority takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.
Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the authority's financial statements are categorised within the fair value hierarchy, as follows:

- ***Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date***

- ***Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly***

- ***Level 3 – unobservable inputs for the asset or liability.***

central midlands audit partnership

Ashfield District Council – Audit Progress Report

Audit Committee: 11th March 2019

Ashfield

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Our Vision

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

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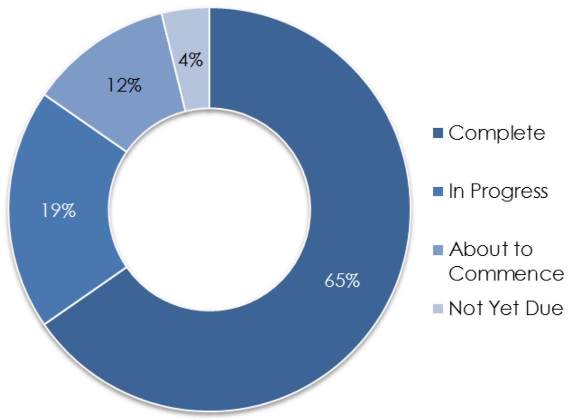
CMAP central midlands audit partnership

Providing Excellent Audit Services in the Public Sector

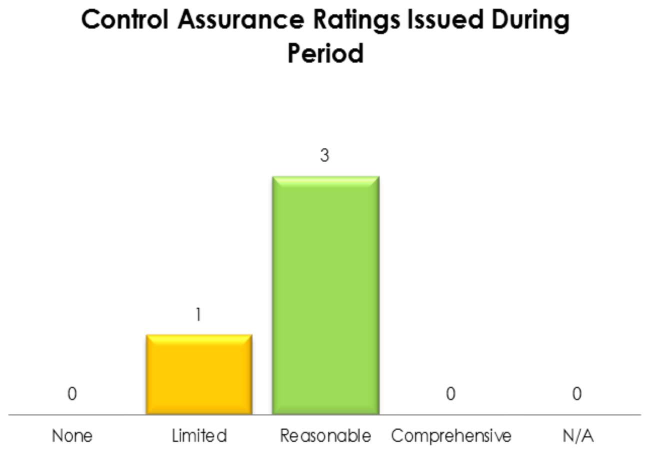
Ashfield District Council – Audit Progress Report

AUDIT DASHBOARD

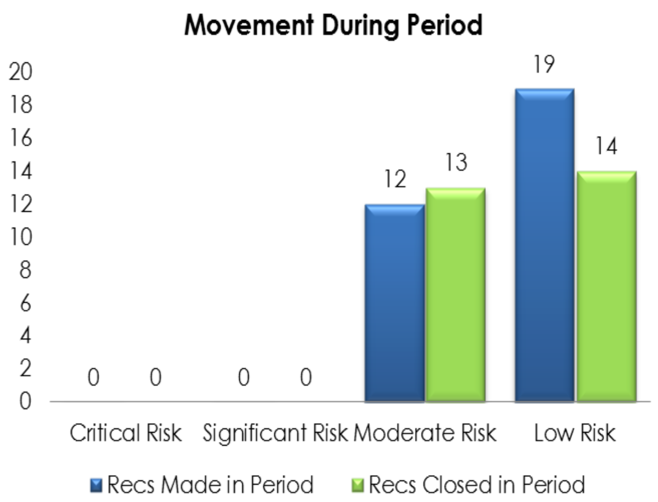
Plan Progress



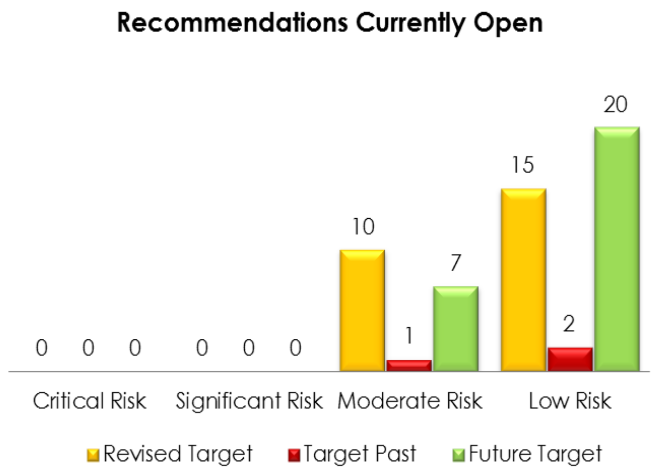
Assurance Ratings



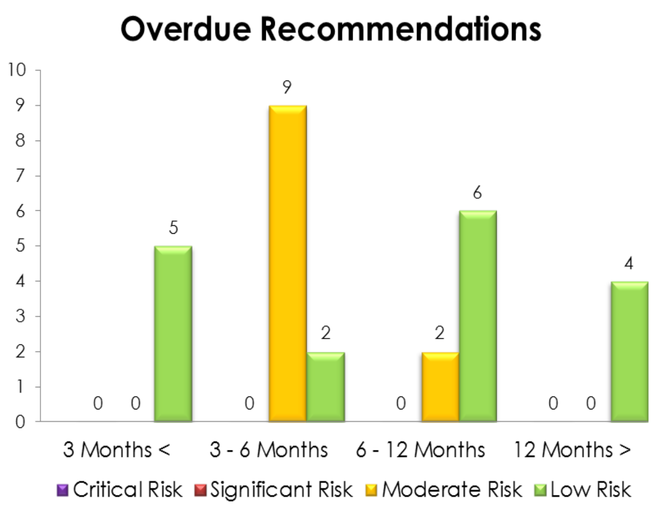
Recommendations



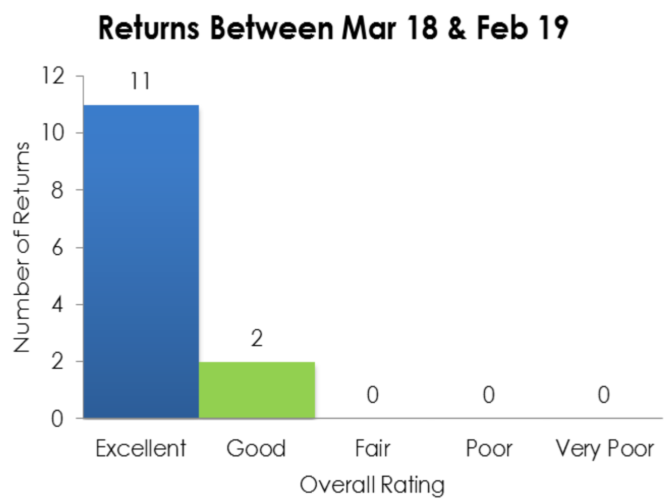
Recommendations



Recommendations



Customer Satisfaction



AUDIT PLAN

Progress on Audit Assignments

The following table provides the Committee with information on how audit assignments were progressing as at 14th February 2019.

2018-19 Jobs	Status	% Complete	Assurance Rating
Anti-Fraud & Corruption	Not Allocated	0%	
Data Protection	In Progress	15%	
Electoral Services	Final Report	100%	Comprehensive
Treasury Management/Banking Services	Fieldwork Complete	90%	
Web Server Security	In Progress	50%	
Risk Registers	Final Report	100%	Reasonable
Commercial Property Portfolio	Allocated	0%	
Universal Credit	Allocated	5%	
Council Tax & NDR	Allocated	5%	
Transport Stocks & Stores	Final Report	100%	Reasonable
Waste Management/ Whitespace	Final Report	100%	Reasonable
Safeguarding	In Progress	50%	
Fleetwave	Fieldwork Complete	80%	
Licensing	Final Report	100%	Reasonable
Housing Stocks & Stores	Final Report	100%	Comprehensive
Depot Investigation	Final Report	100%	Limited
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%	Comprehensive
ICT Performance Management	Final Report	100%	Reasonable
Payroll	Final Report	100%	Reasonable
Commercial Property Investment	Final Report	100%	Reasonable
Pest Control	Final Report	100%	Limited

Audit Plan Changes

With the agreement of the Council's Director of Legal and Governance (& Monitoring Officer) in February 2019, changes were made to the Internal Audit Plan to address emerging risks identified by management.

- Management requested that Internal Audit provided further assistance to the Council with an ongoing Investigation. As such the time originally assigned to the audit of Procurement will be utilised for the investigation, and the audit will be withdrawn from the 2018-19 plan.

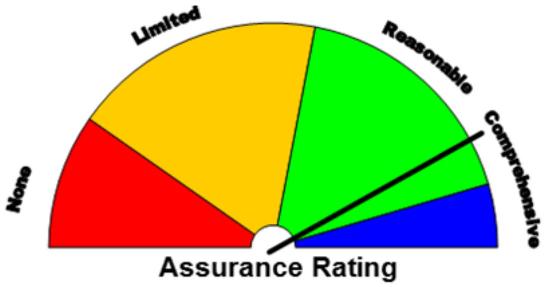
AUDIT COVERAGE

Completed Audit Assignments

Between 1st November 2018 and 14th February 2019, 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	
Waste Management (Whitespace)	Reasonable	0	0	1	4	0%
Depot Investigation	Limited	0	0	6	8	14%
Licensing	Reasonable	0	0	3	4	57%
Risk Registers	Reasonable	0	0	2	3	0%
TOTALS		**0**	**0**	**12**	**19**	**19%**

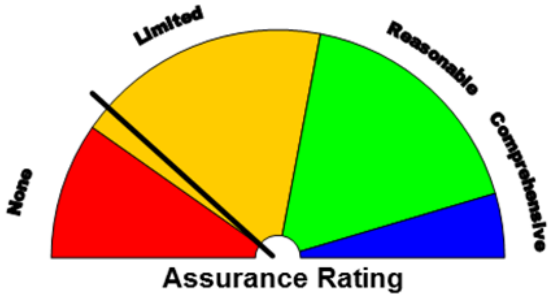
Waste Management (Whitespace)



Control Objectives Examined	Controls Evaluated	Adequate Controls	Partial Controls	Weak Controls
The Whitespace system is being fully and effectively utilised by the Waste Management section.	12	7	4	1
TOTALS	**12**	**7**	**4**	**1**

Summary of Weakness	Risk Rating	Agreed Action Date
There had been no official review of Whitespace to ensure it was working effectively since its implementation in February 2017.	Low Risk	31/07/2019 Future Action
The Whitespace system had not been fully utilised and could be further developed to enhance the efficiency of the Pest Control service.	Moderate Risk	31/03/2019 Future Action
The Whitespace system was recording Bulky waste service income in a text box and therefore was not efficiently utilising the management reporting facilities available.	Low Risk	31/03/2019 Future Action
The sweeper routes for sweepers 1 and 3 had not been finalised and therefore were not being used to monitor the rounds.	Low Risk	31/03/2019 Future Action
The Trade Waste service was not using the Whitespace system. The Trade Waste module had been purchased but not implemented.	Low Risk	31/03/2019 Future Action

Depot Investigation



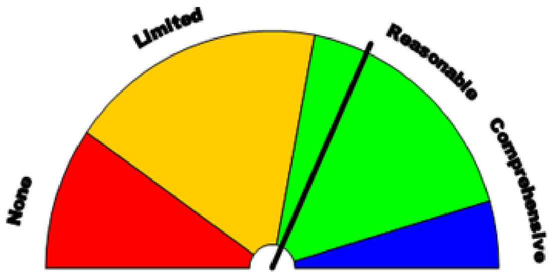
Scope

Following an investigation at the Depot, it was agreed with the Director of Legal and Governance that Internal Audit would evaluate the adequacy of a number of systems and process at the Depot and some related ICT issues. This report dealt with the system weaknesses identified during the investigation and recommends what Audit considers to be appropriate control improvements.

Summary of Weakness	Risk Rating	Agreed Action Date
The Zeus time recording system was not being used fully and consistently across the Service.	Moderate Risk	30/09/2019 Future Action
Management and staff were not always adhering to the Council's Leave Policy with meeting requests being used to request and approve leave.	Moderate Risk	01/04/2020 Future Action
We were informed by the Investigating officer that the Transport Manager's Purchase card had been photocopied and was available for use, unsecured in the general office.	Moderate Risk	31/10/2019 Future Action
There were variances between Directorates over the controls in place for the authorisation and the recording and retention of supporting information for Purchase card usage.	Moderate Risk	31/10/2019 Future Action
Employees are using their personal accounts to purchase Council supplies from online stores such as Amazon, which retain Purchase card information.	Low Risk	31/10/2019 Future Action
The processes for issuing, using and recording door access control had not been followed for the Paxton Net 2 Access Control system at the Depot.	Low Risk	31/01/2019 Future Action
The Booker Cash and Carry cards had not been securely retained and one had been used by a non-employee for their personal use. There were no checks in place to monitor card usage.	Low Risk	31/10/2019 Future Action
Tesco Delivery had been used to purchase £3,788 of canteen supplies from August 2017 to July 2018 instead of purchasing through the Council's account with Bookers.	Low Risk	30/09/2019 Future Action
An item had been purchased for £565 and had been charged to the Neighbourhood Response General cost code, but had not been ordered by the section. This had not been identified through budget monitoring.	Low Risk	31/07/2019 Future Action
The ICT Mobile Working and Removable Media Policy had not been adhered to, as no requesting email could be provided before read/write access had been granted to the USB device identified during the investigation. There was also no physical inspection of USB	Moderate Risk	30/01/2019 Future Action

devices before authorising their use on Council devices.		
Asset management records were not always accurate in relation to the Council's PC/Laptops owners, physical whereabouts, and lifecycle status.	Low Risk	30/04/2019 Future Action
Employees did not appear to be suitably 'security aware', in relation to identifying and reporting suspect USB devices attached to their desktop computers.	Low Risk	28/02/2019 Future Action
Some employees have not been closing down their PC's when they leave work. Additionally we noted that some employees did not lock their computer at all during the day.	Moderate Risk	31/01/2019 Future Action
The Human Resources Shared Service could not provide a Job description for a post within the Waste and Environment Section to support an internal investigation.	Low Risk	01/04/2019 Future Action

Licensing



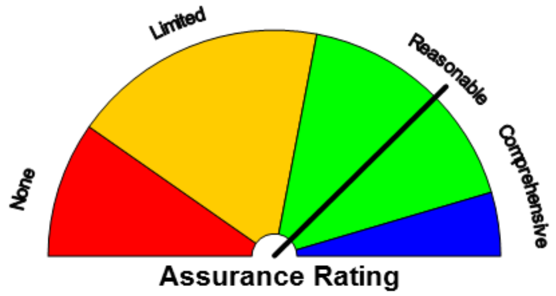
Assurance Rating

Control Objectives Examined	Controls Evaluated	Adequate Controls	Partial Controls	Weak Controls
The Council has robust and effective processes and procedures in place for the issue of licences.	9	6	2	1
Fees and charges related to licensing are regularly reviewed and income received is accurately recorded and accounted for.	7	5	1	1
Expired licences are detected and acted upon.	3	1	2	0
TOTALS	**19**	**12**	**5**	**2**

Summary of Weakness	Risk Rating	Agreed Action Date
Procedural guidance notes were not dated or versions controlled and were not in place for all aspects of licensing.	Low Risk	31/12/2019 Future Action
The Licensing Section had not been recording when there were no responses received to consultations.	Low Risk	01/02/2019 Action Due
Access to the licensing system was not restricted to only those officers with a genuine business need.	Moderate Risk	01/01/2019 Implemented
There is no reconciliation of income received to licences issued. In addition, the Civica App system did not require the receipt number to be recorded for all licences.	Low Risk	1/01/2019 Implemented

The Council's fees for two areas were in excess of the maximum fees stipulated by the Gambling (Premises Licence Fees) (England and Wales) Regulations 2007.	Moderate Risk	01/12/2018 Implemented
For 5 out of 12 cases tested, there was no evidence that reminders had been sent out before the licence expiry date.	Low Risk	01/02/2019 Action Due
A Taxi licence had not been suspended when the vehicle had failed to be presented for its 6 month inspection and it had not been cancelled promptly when the renewal payment had not been received.	Moderate Risk	01/01/2019 Implemented

Risk Registers



Control Objectives Examined	Controls Evaluated	Adequate Controls	Partial Controls	Weak Controls
Robust controls are in place in respect of the identification, recording, updating and monitoring of risks in the Council's Corporate Risk Register.	11	6	4	1
TOTALS	**11**	**6**	**4**	**1**

Summary of Weakness	Risk Rating	Agreed Action Date
Corporate Leadership Team and the Audit Committee did not appear to be reviewing the Council's Corporate Risk Register in line with the timetable stipulated within the Corporate Risk Management Strategy and Process document.	Moderate Risk	30/09/2019 Future Action
The minutes provided from Corporate Leadership Team meetings, Audit Committee and Council Cabinet suggested that general discussions around the Council's Risk Register took place, rather than the focus being on individual risks and their ratings.	Low Risk	30/06/2019 Future Action
The Council had not formally considered and documented its risk appetite.	Moderate Risk	30/09/2019 Future Action
There appeared to be no formal mechanism for capturing risks identified outside of the typical process (i.e. those identified by Service Directors through the service plans).	Low Risk	30/09/2019 Future Action
There was no evidence to confirm that Members had been suitably trained to fulfil their responsibilities in respect of risk management.	Low Risk	31/07/2019 Future Action

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
14-Feb-19	Risk Registers	Reasonable	-	-	5
10-Jan-19	Depot Investigation	Limited	-	1	11
30-Jan-19	Licensing	Reasonable	2	-	1
23-Oct-18	Transport Stocks & Stores	Reasonable	-	1	2
15-Oct-18	Electoral Services	Comprehensive	-	-	1
03-Jan-19	Waste Management (Whitespace)	Reasonable	-	-	5
23-Oct-18	Housing Stocks & Stores	Comprehensive	-	1	-
07-Jun-18	Payroll	Reasonable	-	1	-
27-Mar-18	Rent Arrears	Comprehensive	-	-	1
27-Apr-18	Capital Accounting	Comprehensive	-	1	-
24-Apr-18	ICT Performance Management	Reasonable	-	2	-
08-Jun-18	Pest Control	Limited	-	5	-
22-Jun-18	Health & Safety	Comprehensive	-	-	1
11-Jan-18	Anti-Fraud & Corruption	Reasonable	-	3	-
09-Mar-18	Gas Safety 2017-18	Reasonable	-	1	-
02-Aug-17	Responsive Maintenance/Voids	Comprehensive	-	2	-
22-Jan-18	Development Control	Reasonable	1	-	-
28-Mar-18	ECINS Security Assessment	Limited	-	3	-
16-Aug-17	Right to Buy	Reasonable	-	1	-
15-Jun-17	OPEN Housing IT Security Assessment	Reasonable	-	2	-
31-Oct-16	Ashfield - Main Accounting (MTFP)	Reasonable	-	1	-
		Totals	**3**	**25**	**27**

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.

Audit Assignments with Recommendations Due	Action Due			Being Implemented		
	Significant Risk	Moderate Risk	Low Risk	Significant Risk	Moderate Risk	Low Risk
Depot Investigation	-	-	-	-	-	1
Licensing	-	-	2	-	-	-
Transport Stocks & Stores	-	-	-	-	-	1
Housing Stocks & Stores	-	-	-	-	-	1
Payroll	-	-	-	-	-	1
Capital Accounting	-	-	-	-	-	1
ICT Performance Management	-	-	-	-	2	-
Pest Control	-	-	-	-	5	-
Anti-Fraud & Corruption	-	-	-	-	-	3
Gas Safety 2017-18	-	-	-	-	1	-
Responsive Maintenance/Voids	-	-	-	-	-	2
Development Control	-	1	-	-	-	-
ECINS Security Assessment	-	-	-	-	2	1
Right to Buy	-	-	-	-	-	1
OPEN Housing IT Security Assessment	-	-	-	-	-	2
Ashfield - Main Accounting (MTFP)	-	-	-	-	-	1

TOTALS	-	1	2	-	10	15

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

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. 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.	Moderate Risk
Management Response/Action Details	Action Date
Four actions identified; 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	31/08/2018
Status Update Comments	Revised Date

Being Implemented Recommendations

ECINS Security Assessment	Rec No. 2
Summary of Weakness / Recommendation	Risk Rating
There were no IP restrictions or two-factor authentication (2FA) process in place for Ashfield DC user access to the e-Cins system. 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.	Moderate Risk
Management Response/Action Details	Action Date
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. To liaise with system provider to establish if there is an audit trail of IP address (these should all be one IP address).	30/06/2018
Status Update Comments	Revised Date
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. The PCC hold the contract with the service supplier and pay for the system on behalf of the County. There is a countywide e-cins meeting with the programme manager (appointed by the OPCC) as well as local meetings between ADC and the programme manager and all audit recommendations have been raised.

ECINS Security Assessment	Rec No. 10
Summary of Weakness / Recommendation	Risk Rating
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. 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.	Moderate Risk
Management Response/Action Details	Action Date
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.	30/09/2018
Status Update Comments	Revised Date
The PCC hold the contract with the service supplier and pay for the system on behalf of the County. There is a countywide e-cins meeting with the programme manager (appointed by the OPCC) as well as local meetings between ADC and the programme manager and all audit recommendations have been raised.	

ICT Performance Management	Rec No. 1
Summary of Weakness / Recommendation	Risk Rating
Despite commitment to performance management in the Councils 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. We recommend that Management defines performance management metrics for the IT service, and implements policies and procedures for monitoring and reporting compliance. Metrics, goals and targets should also be subject to annual review.	Moderate Risk
Management Response/Action Details	Action Date
There is a review of the ICT Helpdesk due shortly where performance metrics will be defined and agreed.	01/09/2018
Status Update Comments	Revised Date
We will ensure PIs are created and reported from within the new Helpdesk/Service Desk software we are hoping to shortly procure. After discussion with Gedling's ICT Manager we decided it would be best to wait for the software to be available. This is in case we are unable to produce the correct stats for PIs we have created.	29/03/2018

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ICT Performance Management	Rec No. 2
Summary of Weakness / Recommendation	Risk Rating
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. We recommend that Management defines a schedule for reviewing performance of incident and request resolution times, and ensures any agreed actions are documented in minutes which are retained.	Moderate Risk
Management Response/Action Details	Action Date
There is a review of the ICT Helpdesk due shortly where performance metrics will be defined and agreed.	01/09/2018
Status Update Comments	Revised Date
We have had a demo of the Helpdesk/Service Desk software used by Gedling Borough Council, Sysaid. They demonstrated the reports that can be produced by the system and how they report their own Performance Indicators. We are currently creating a business plan to request the funds to purchase a system. We had looked at a number of other systems. One that looked excellent was called Footprints but the price was prohibitive. Once the new system is purchased we will configure it from the start to produce meaningful Performance Indicators.	29/03/2018

Pest Control	Rec No. 2
Summary of Weakness / Recommendation	Risk Rating
There was no reconciliation of expected pest control income to actual income received in the ledger. We recommend that a monthly reconciliation of expected pest control income to actual income received is completed, evidenced with the date and name of the compiling officer, and, subject to management scrutiny.	Moderate Risk
Management Response/Action Details	Action Date
Monthly reconciliations will be undertaken.	31/08/2018
Status Update Comments	Revised Date
	20/12/2018

Pest Control	Rec No. 3
Summary of Weakness / Recommendation	Risk Rating
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. We recommend that Management review the security and accountability for the pest control stock.	Moderate Risk

Management Response/Action Details	Action Date
The stock will be moved to the Depot. The options for holding stock securely and ensuring accountability are being explored by management.	31/08/2018
Status Update Comments	**Revised Date**
	20/01/2019

Pest Control	Rec No. 4
Summary of Weakness / Recommendation	**Risk Rating**
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. We recommend that Management undertake a comprehensive review of the system of stock control for pest control supplies ensuring that appropriate controls are in place over the receipt, issue and check of stock which are supported by comprehensive procedural guidance.	Moderate Risk
Management Response/Action Details	**Action Date**
The system of stock control will be reviewed and new procedures will be introduced that control the issue, receipt and retention of stock; procedural notes will be drawn up to provide guidance. An independent stock check will be carried out on a quarterly basis.	30/10/2018
Status Update Comments	**Revised Date**
	30/11/2018

Pest Control	Rec No. 5
Summary of Weakness / Recommendation	**Risk Rating**
There was no control of the stock on the Pest Control Vans and the use of stock per job was not recorded. We recommend that the van stock is formally recorded noting batch numbers etc. to ensure the Council can trace the use of stock items to particular jobs for accountability and costing purposes.	Moderate Risk
Management Response/Action Details	**Action Date**
This will be introduced with the revised stock control system, as per recommendation 4.	31/10/2018
Status Update Comments	**Revised Date**
	31/12/2018

Pest Control	Rec No. 6
Summary of Weakness / Recommendation	**Risk Rating**
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. We recommend that Management review the security, storage and disposal of chemical waste to ensure that it is stored and disposed of appropriately.	Moderate Risk

Management Response/Action Details	Action Date
Chemical waste will be stored at the Depot and will be securely stored until disposal.	31/08/2018
Status Update Comments	**Revised Date**
	31/12/2018

Gas Safety	Rec No. 4
Summary of Weakness / Recommendation	**Risk Rating**
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. We recommend that management complete a formal bench marking process to ascertain how the Senior Technical Officer (Gas) post compares with comparable organisations in terms of salary and duties. The results of the benchmarking should be discussed with the Directors and Corporate Leadership Team to ensure that adequate succession planning is in place.	Moderate Risk
Management Response/Action Details	**Action Date**
I am currently investigating similar posts within other Authority's and how the current Senior Technical Officer (Gas Compliance) role compares in terms of duties, responsibilities and remuneration etc. Based on the current service reviews and the repair and maintenance of the Council's gas assets/appliances in Public Buildings etc that currently fall under the Asset Management Section, I would consider that based on the specialist nature of these works, it would be prudent from a risk perspective for these to be transferred under the Senior Technical Officer (Gas Compliance), which in turn would impact on his current duties. Once sourced, an update will be provided to Paul Parkinson in the first instance to establish how this fits in with the broader service review and longer term succession planning.	30/06/2018
Status Update Comments	**Revised Date**
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.	30/03/2019

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.

central midlands audit partnership

Ashfield District Council –
Internal Audit Plan 2019-20 & Audit Charter

Audit Committee: 11th March 2019

Ashfield

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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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CMAP central midlands audit partnership

Providing Excellent Audit Services in the Public Sector

Introduction

Purpose of Report

The purpose of this report is for the Board to approve the Internal Audit Charter and Annual Internal Audit Plan for 2019-20.

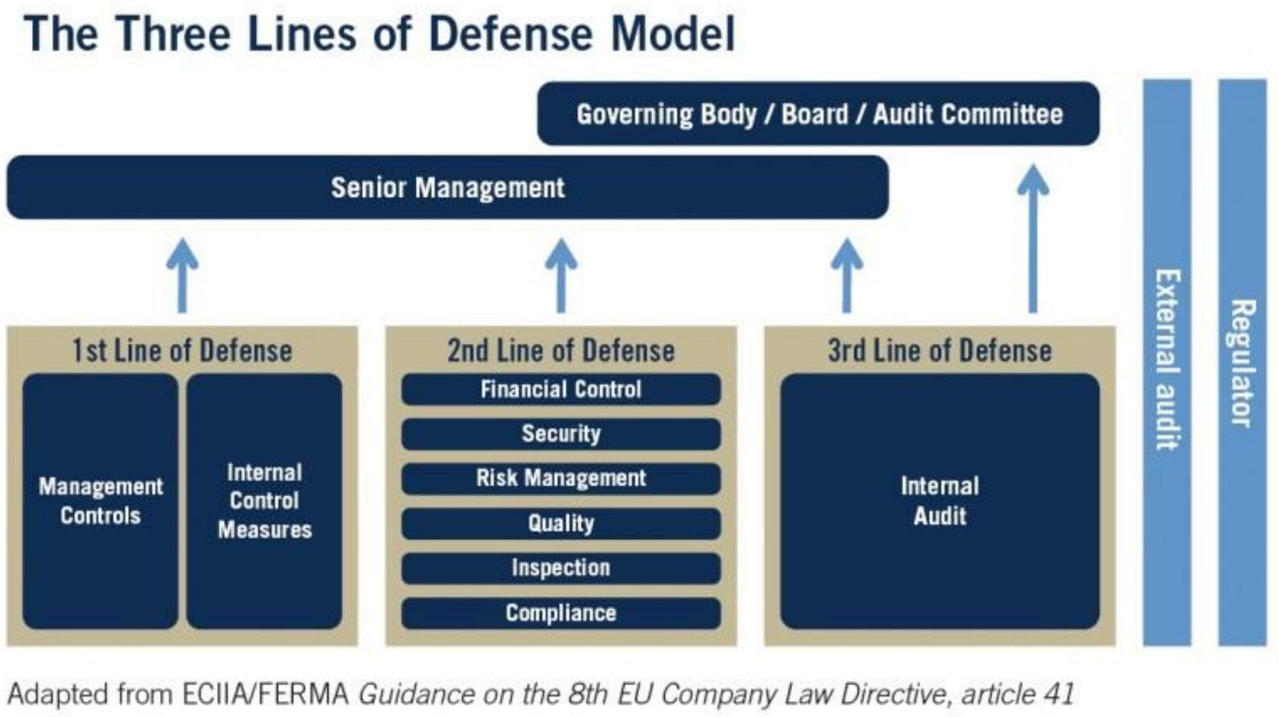
Role of Internal Audit

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

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

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

Internal Audit is part of the organisation's governance framework which can be summarised in the three lines of defence model shown below.

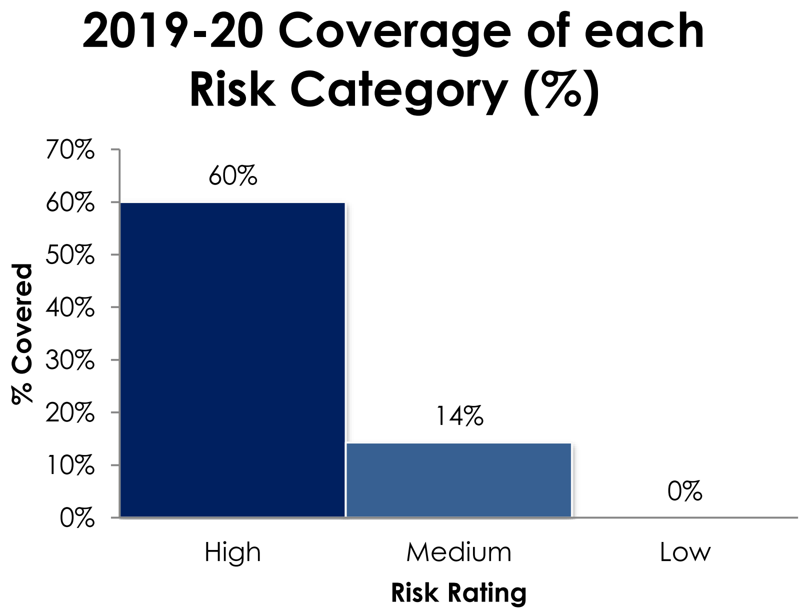


Internal Audit Plan

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

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

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



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

Internal Audit Charter

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

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

Approach to Audit Planning

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

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

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

Once the scores for each of the 81 auditable areas identified have been input to the risk model, along with the date when the area was last audited, the risk model will automatically generate a plan of suggested audit coverage. Senior management are consulted on the proposed plan and their views are taken account of before producing the final, ranked list of areas to audit. This year's risk assessment identified 10 High risk areas, 70 Medium risk areas and 1 Low risk area.

The organisation's External Auditors were also consulted to ensure that the proposed coverage, where possible, complements their work.

Types of Audit Work

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

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

Control categories with examples

Preventive
Separation of duties, access controls, authorisation

Detective
Exception Reports, reconciliations, control totals, error reports

Directive
Accounting manuals, documented procedures, training and supervsion

Corrective
Error, incident and complaint handling, virus isolation

Separation of Duties
Division of duties between the appointment and payment of staff

Organisational
Budgets, Performance taregts and KPI's

Authorisation
Authority Levels, spending limits, passwords and user ID

Personnel
Recruitment and selection, staff appraisal procedures

Supervision
Day-to-day oversight of staff and physical activities

Physical
Door entry systems, restricted access to files

Accounting
Control account and bank reconciliation

Management
Team meetings and briefings, CRSA

Source: Chartered Institute of Internal Auditors – Resources – Control

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

- **Infrastructure** - Infrastructure audits cover perimeter defences, authentication, management and monitoring, and devices. Infrastructure audits help provide assurance that the organisation's private network is protected from internet attacks, unauthorised or inappropriate access via local or remote attacks, and also ensure the organisation has the necessary monitoring and incident analysis to maintain and analyse the Network.

- **Applications** - Application audits cover thin and fat client applications, and both internal (Intranet) or external (Web) applications. Applications audits typically focus on CIAA (**C**onfidentiality, **I**ntegrity, **A**vailability and **A**ccountability risks) to ensure attackers cannot exploit vulnerabilities to gain unauthorised access to sensitive corporate data.

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

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

Client Support Work

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

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

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

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

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

Brought Forward Jobs - A number of incomplete audits from the 2018-19 Audit Plan will need to be concluded in 2019-20.

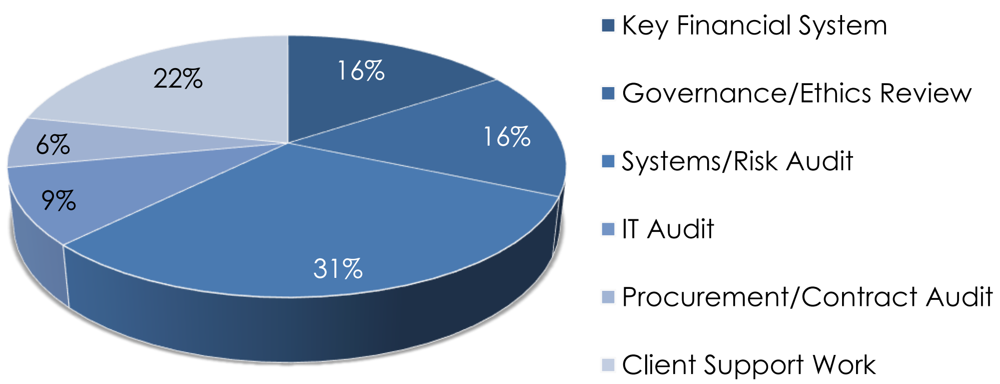
Appendix A - Audit Plan Detail

Our risk assessment of the organisation activities, in consultation with senior management, has concluded that the following audits will be undertaken in 2019-20:

Audit Plan Assignments	Risk Rating	Indicative Quarter
Key Financial Systems Reviews		
Accounting Systems	High	Q4
Creditors (including purchase cards)	Medium	Q4
Revenue Systems	High	Q3
Governance/Ethics Reviews		
Anti-Fraud & Corruption	Medium	Q2
Information Governance	Medium	Q2
Corporate Improvement/Transformation	High	Q3
Procurement/Contract Reviews		
Procurement	High	Q1
System/Risk Reviews		
Data Quality & Performance Management	Medium	Q2/Q3
Customer Services/E-Payments	Medium	Q3
People Management	Medium	Q3
Community Protect/ASB/Domestic Violence	Medium	Q1
Fire Safety	Medium	Q1
Homelessness	Medium	Q4
Asset Management	Medium	Q1
IT Audit Reviews		
IT Policy Compliance	High	Q1
IT Consultancy	High	Q3

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

Audit Plan 2019-20 per Type of Audit



Appendix B - Audit Charter

Purpose & Mission

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

Standards for the Professional Practice of Internal Auditing

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

Authority

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

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

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

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

The Audit Committee authorises the internal audit service to:

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

Independence & Objectivity

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

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

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

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

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

Internal auditors will:

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

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

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

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

Scope of Internal Audit Activities

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

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

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

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

- Any response to risk by management that may be unacceptable to the organisation.

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

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

Responsibility

The Chief Audit Executive has the responsibility to:

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

- Ensure adherence to the organisation's relevant policies and procedures, unless such policies and procedures conflict with the internal audit charter. Any such conflicts will be resolved or otherwise communicated to senior management and the Audit Committee.
- Ensure conformance of the internal audit service with the Standards, with the following qualifications:
    - If the internal audit service is prohibited by law or regulation from conformance with certain parts of the Standards, the Chief Audit Executive will ensure appropriate disclosures and will ensure conformance with all other parts of the Standards.
    - When the Standards are used in conjunction with requirements issued by CIPFA, the Chief Audit Executive will ensure that the internal audit service conforms with the Standards, even if the internal audit service also conforms with the more restrictive requirements of CIPFA.

Quality Assurance & Improvement Programme (QAIP)

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

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

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Central Midlands
Audit Partnership

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Ashfield DISTRICT COUNCIL

Report To:	**AUDIT COMMITTEE**	**Date:**	**11 MARCH 2019**
Heading:	**WHISTLEBLOWING POLICY ANNUAL UPDATE**		
Portfolio Holder:	**NOT APPLICABLE**		
Ward/s:	**NOT APPLICABLE**		
Key Decision:	**NO**		
Subject to Call-In:	**NO**		

Purpose of Report

To provide the Committee with an annual update in relation to the Whistleblowing Policy and how the policy has operated in the preceding 12 months.

Recommendation(s)

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

Reasons for Recommendation(s)

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

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

Alternative Options Considered
(with reasons why not adopted)

None.

Detailed Information

The Audit Committee last reviewed the policy at its meeting on 19 March 2018 and approved minor changes to the document.

Paragraph 8.1 of the current Whistleblowing Policy states that:

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

Review of Policy

A review of the policy has been undertaken. It is recommended that the policy is amended to note the details of the new s151 Chief Finance Officer.

Committee is asked to approve the revised policy, which is attached as Appendix 1. The revised policy will also be reported to the Standards and Personnel Appeals Committee on 18 March 2019 for approval.

The Whistleblowing Policy is published on the website and on the internal intranet.

Application of Policy during the Preceding 12 Months

During the past 12 months there have been 6 reported incidents of whistleblowing drawn to the Monitoring Officer's attention. Given the confidential nature of the complaints this report can only refer anonymously and in high level terms, especially in relation to those complaints which are ongoing. A summary of the complaints is set out below:

COMPLAINT REFERENCE	NATURE OF COMPLAINT	STATUS OF COMPLAINT	OUTCOME/ACTION TAKEN
2018-01	Anonymous complaint. Alleged that a driver was driving at work whilst under the influence of alcohol/drugs. Alleged that work items had been going missing.	Closed	Insufficient detail provided to follow up the complaints formally. An audit of stock was carried out No further action.
2018-02	Complaints about the same alleged incident were received from two members of the public (one anonymous and one named). The complaint related to alleged inappropriate comments.	Ongoing	An initial investigation was carried out which demonstrated there was some foundation to the complaints. Referred on for formal investigation under the grievance/disciplinary procedure.

2018-03	Anonymous complaints received via a trade union. The Complaint related to alleged inappropriate comments and management conduct.	Closed	An initial investigation was carried out and the complaint was partially substantiated. Management and Leadership training required for the Head of Service, identified at PDR. The inappropriate comments were considered under the disciplinary procedure. The investigation concluded that inappropriate comments had been made and this was upheld at the hearing. A Management Instruction letter was issued regarding future behaviour.
2019-01	Anonymous complaints received via a trade union. Complaints related to alleged breaches of the agile working guidelines.	Closed.	An investigation was carried out. The complaint was not substantiated. Recommendations made in respect of: • time recording whilst agile working • clarifying some elements of the guidelines • communication of the guidance to employees.
2019-02	Anonymous complaint alleging unfair treatment of staff and management conduct.	Closed.	Insufficient detail was provided to follow up the complaints formally. No further action.

2019-03	Anonymous complaints received via a trade union. Complaint alleged officers took annual leave instead of sick leave.	Closed.	An investigation was carried out. The complaint was not substantiated.

Previous Application of Policy

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

YEAR	TOTAL NUMBER OF COMPLAINTS	NO FURTHER ACTION	MANAGEMENT RECOMMENDATIONS	DISCIPLINARY/GRIEVANCE INVESTIGATION
2010	4	1	2	1
2011	0	N/A	N/A	N/A
2012	3	0	2	1 (ACTION TAKEN)
2013	1	0	0	1 (ACTION TAKEN)
2014	4	1	1	3 (2 WITH ACTION TAKEN)
2015	2	1	1	0
2016	2	0	1	1
2017	3	1	1	1
2018	3	1	0	2
2019	3 (to date)	2	1	0

Implications

Corporate Plan:
The Council is committed to treating its employees fairly and respectfully.

The Council aims to be an employer of choice and an organisation people want to work for.

Legal:

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

Finance:

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

Risk:

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

Human Resources:

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

Equalities:

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

Other Implications:

None

Background Papers

None

Report Author and Contact Officer

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ASHFIELD DISTRICT COUNCIL

WHISTLEBLOWING POLICY

Director of Legal and Governance
(Monitoring Officer)

APPROVED:
Audit Committee – 11 March 2019
Standards Committee – 18 March 2019

REVIEW:
March 2020

Version Control

Version Number	Detail
Original	January 2008
Revised V1	January 2011
Revised V2 due	1st July 2013
Revised V2 (Website)	25 February 2014
Revised V3	14th April, 2014
Revised V4	20 July 2015
Revised V5	14 March 2016
Revised V6	28 March 2018
Revised V7	18 March 2019

WHISTLEBLOWING POLICY

1. Introduction

1.1 All of us at one time or another has concerns about what is happening at work. Usually these concerns are easily resolved. However, when they are about unlawful conduct, financial malpractice or dangers to the public or the environment, it can be difficult to know what to do.

1.2 You may be worried about raising such issues or may want to keep the concerns to yourself, perhaps feeling it's none of your business or that it's only a suspicion. You may feel that raising the matter would be disloyal to colleagues, managers or to the organisation. You may decide to say something but find that you have spoken to the wrong person or raised the issue in the wrong way and are not sure what to do.

1.3 Ashfield District Council is committed to the highest possible standards of openness, probity and accountability. In line with that commitment we encourage employees and others with serious concerns about any aspect of the Council's work to come forward and voice those concerns. It is recognised that certain cases will have to proceed on a confidential basis. This policy document makes it clear that you can do so without fear of reprisals. This Whistleblowing Policy is intended to encourage and enable you to raise serious concerns within the Council rather than overlooking a problem or reporting it outside.

2. Aims of this Policy

2.1 This policy aims to:

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

3. Scope of this Policy

3.1 In this Policy, "Whistleblowing" means the reporting by employees of suspected misconduct, illegal acts or failure to act within the Council.

3.2 This Policy is intended to enable those who become aware of wrongdoing in the Council affecting some other person or service, to report their concerns at the earliest opportunity.

3.3 The Policy is not intended to replace existing procedures:

- If your concern relates to your own treatment as an employee, you should raise it under the existing grievance or harassment procedures

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

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

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

The concern may be something that relates to:

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

4. Safeguards

Your Legal Rights

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

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

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

Harassment or Victimisation

4.2 The Council recognises that the decision to report a concern can be a difficult one to make, not least because of the fear of reprisal from those responsible for the malpractice. The Council will not tolerate harassment or victimisation and will take action to protect you when you raise a concern in good faith. The Council's disciplinary procedures will be used against any employee who is found to be harassing or victimising the person raising the concern or who has disclosed the name of the whistleblower to any person other than those named in this document.

Confidentiality

4.3 The Council will do its best to protect a person's identity when a concern is raised. During the course of an investigation attempts will be made to find independent corroborating evidence to allow a person's identity to remain confidential. However, it must be recognised that in some circumstances identities will have to be revealed to the person the allegation is made against and those making the allegation may be asked to provide written or verbal evidence in support of the allegation. If the matter is reported to the Police or another external body they may be unable to guarantee to withhold a person's identity.

4.4 If a person's identity is to be disclosed, he or she will be told before the disclosure and the reasons why disclosure is necessary. The Council will offer advice and guidance on the procedures and arrangements in the event of a person having to give evidence to an external body or in court.

Anonymous Allegations

4.5 This policy encourages you to put your name to your allegation. Concerns expressed anonymously are much less powerful, but they will be considered at the discretion of the Monitoring Officer in consultation with the Chief Executive Officer.

4.6 In exercising the discretion, the factors to be taken into account would include:

- the seriousness of the issues raised
- the credibility of the concern
- the likelihood of confirming the allegation from attributable sources

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

Untrue Allegations

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

5. How to raise a concern

Make an immediate note of your concern

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

Reporting your concern

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

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

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

Position	Contact (External)	E-mail
Chief Finance Officer	(01623) 457362	p.hudson@ashfield.gov.uk

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

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

5.4 The earlier you express the concern, the easier it is to take action.

5.5 Although you are not expected to prove the truth of an allegation, you will need to demonstrate to the person contacted that there are sufficient grounds for your concern.

5.6 You may wish to consider raising your concern with a colleague first and you may find it easier to do so if there are two (or more) of you who have shared the same experience or concerns.

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

6. What the Council will do

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

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

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

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

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

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

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

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

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

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

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

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

7. How the matter can be taken further

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

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

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

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

8. The Responsible Officer

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

Agenda Item 12

Ashfield DISTRICT COUNCIL

Report To:	**AUDIT COMMITTEE**	**Date:**	**11th MARCH 2019**
Heading:	**CORPORATE RISK**		
Portfolio Holder:	**LEADER**		
Ward/s:			
Key Decision:	**NO**		
Subject to Call-In:	**NO**		

Purpose of Report

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

Recommendation(s)

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

Reasons for Recommendation(s)

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

Alternative Options Considered
(with reasons why not adopted)

None

Detailed Information

Context/Background

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

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

The full corporate risk register is appended to this report.

Corporate Risk Register

Risk Rating Summary

	2012/13 Qu 4	2013/14 Qu 4	2014/15 Qu4	2015/16 Qu4	2016/17 Qu4	2017/18 Qu4	2018/19 Qu3
Significant	23	15	10	10	9	7	4
Medium	10	11	9	7	6	10	10
Low	1	8	7	5	2	3	10
Total	34	34	26	22	17	20	24

Our approach is to focus our review of those risks where we believe that we have a high ability to influence and therefore seek ways to reduce or mitigate the risk. Current assessments indicate that significant risks continue to slightly reduce whilst the total number of Corporate Risks has increased with the introduction of risks related to Brexit (rated low) and 3 new risks in respect of the leisure centre of which 2 are low and one is medium risk. The risk involving Overpayments for housing benefit has also been removed as the only control over the level of overpayments we have is the level of Local Authority error Overpayments, which represents less than 10% of the total, and all of that is returned back from the Government therefore there is no loss to the Council

New additional risks are currently being considered for incorporation into the Corporate Risk Register:-
- workforce planning, in respect of risks relating to resilience, recruitment and retention and succession planning
- job families implementation risks

Those significant risks remaining are (* mitigatable, and no improvement in last 12 months):-
- Ethical framework *
- Failure to identify savings required by Medium Term Financial Strategy (MTFS)*
- Level of central government funding

Corporate Risk Strategy

The Corporate Risk Strategy was reviewed early in the 2018/19 financial year in order to ensure that it continues to meet the needs of the organisation and aligns with the Public Risk Management Association model known as ‘’The Alarm national performance model for risk management in public services’’ . This model is comprehensive and focuses on seven strands of risk management activity, by which the organisation can measure current performance against recognised achievement levels for each of the seven strands. The model provides the basis for clear performance indicators and acts as a catalyst for improved risk management performance within the organisation. It will also inform assurance in corporate governance terms and the further embedding of risk management across the organisation. Four membership subscriptions to ALARM have been purchased and this will allow for the access to training and development resources which will be used in a rolling program to further embed risk management across the organisation.

The Improvement and Project Officer from Corporate Services and Transformation has visited every Directorate Management Team (DMT) to discuss managing risks using the ALARM model and at the next joint Extended Leadership and Aspring Leadership Team (ELT/ALT) forum in March this will be further embedded as the Midlands Chair of ALARM will be presenting a session in relation to managing risk using the ALARM model.

The following analysis of corporate risk has been undertaken using the ALARM model for risk maturity assessment.

Maturity type	Definition	Number of risks
Averse	Low risk/low opportunity	0
Cautious	Low to medium risk/low to medium opportunity	4
Open	Medium risk/medium opportunity	16
Hungry	High risk/high opportunity	4

	Averse	Cautious	Open	Significant/Hungry
Appetite description	Avoidance of risk and uncertainty is a key objective	Preference for safe delivery options that have a low degree of risk and may only have limited potential for reward.	Prepared to consider all potential delivery options and choose the one that is most likely to result in successful delivery and acceptable level of reward and value for money.	Willing to be innovative and to choose options offering potentially higher business rewards (despite greater inherent risk)

A recent evaluation of the management of risks across the Council was undertaken in order to understand the levels of risk currently being managed. The ALARM model encourages a risk culture over the entire organisation. The analysis concluded further improvements can be made:-

- Robust identification and management of project related risk - There are still numerous projects that are currently being managed where there is little or no risk management visible as there is a lack of documentation of risks attached to these projects and recorded in our performance system. Further embedding is required of the benefits of robust risk management and the recording of risks where projects are in delivery.
- Adequate identification and review of internal control measures to ensure effective management and mitigation of risk.

<u>Risk Audit Update</u>

An Internal Audit of risk was undertaken in 2016/17, previous outstanding recommendations which have now been completed are:-

- *Ensure employees attend risk management training* –completed and incorporated into corporate training programme for Corporate Leadership Team (CLT) and ELT leadership levels. We now have ALARM membership and are able to use the training resources. Webinars have been placed in HELIOS and the Midlands Chair of ALARM has been asked to attend the next ELT/ALT conference in March 2019 to present risk management using the ALARM model.

This will ensure that the use of the ALARM model is further embedded throughout the organisation.

- *Ensure risk management training built into Member training schedule* –completed and incorporated into Member training programme. This will be monitored and evaluated by the Service Manager, Democratic Services & Scrutiny in conjunction with the Learning & Development Manager.
- *Reports to Members should include a section on the implications associated with Risk* – completed and now incorporated into the report template. The Improvement & Project Officer in Corporate Services and Transformation will work with the Service Manager, Democratic Services and Scrutiny to ensure that support is provided so that the absence of risk reporting is addressed.
- *Council undertake an exercise to identify its current risk maturity level using the ALARM model. The results of this should then highlight any areas for improvement and inform a plan of action to achieve the desired level of risk maturity and risk appetite* – the Corporate Risk Strategy has been reviewed and updated in order to facilitate improved performance against the ALARM model. A risk maturity assessment has been conducted in relation to corporate risks. An evaluation of each service directorate has been completed and forms a part of this report to CLT. Monitoring of the risk maturity and appetite will continue to be included in future reports to CLT.

Recent Internal Audit 2018/19 outcome was of reasonable assurance, recommendations were:-

- *For Corporate Leadership Team and Audit Committee to review the Councils corporate risks in accordance with the quarterly time frequency stipulated within the Corporate Risk Management 'Strategy and Process document.* The Service Manager – Corporate Services and Transformation will ensure that corporate risk is reported on a quarterly tracker basis to CLT and bi-annual basis to Audit Committee (every March and September).
- *The discussions that take place as part of the above process should be minuted accordingly with sufficient detail provided which evidences that corporate risks are subject to the appropriate degree of scrutiny afforded to identify risks which could impact on the delivery of the Council's strategic objectives.* Raised and agreed with secretaries.
- *The Council formally assesses and documents its risk appetite as soon as practically possible. As a core consideration of the Council's risk management approach, formally documenting its risk appetite could help the Council to make informed decisions, achieve its goals and support sustainability*. Risk appetite has now been assessed for all corporate and service level risks and incorporated into reports, concluding with this report to Audit Committee.
- *A formal procedure is established and documented within the Corporate Risk Management Strategy and Process, which ensures that those risks identified outside of the typical process for identifying and escalating potential risks are captured for discussion and decision by CLT, i.e. Council committees.* A review of the corporate risk strategy and methodology will be undertaken by September 2019
- *In accordance with the ALARM best practice guidance, all Council Members should receive training on risk management, given that all Elected Members, Council Cabinet and Audit Committee have specific responsibilities in respect of the Council's risk management framework, it is important that Members are appropriately trained such that they are able to actively support the Council in its management of risks and also challenge and scrutinise the Council's risk position. Evidence of the training given to Members should be retained.* This action will be reviewed as part of development of Member Induction following local elections in May this year.

Implications

Corporate Plan:

Effective risk management will enable the delivery of corporate and service level priorities, particularly ensuring our people, structures, systems, processes and practices are 'fit for purpose' and remove barriers to improvement and growth. Risks concerning the ability to deliver our Corporate Priorities, performance and improvement will continue to be reviewed at service and corporate level. All types and levels of risk will be maintained and managed through Pentana.

Legal:

No direct legal implications

Finance:

Budget Area	Implication
General Fund – Revenue Budget	There may be resource implications to the improvement or mitigation of risk. Financial risks are incorporated into the Corporate Risk Register. Risk management training will be provided by ALARM and a charge has been incurred for four membership subscriptions which translates into a corporate membership at a cost of £666.00.
General Fund – Capital Programme	
Housing Revenue Account – Revenue Budget	
Housing Revenue Account – Capital Programme	

Risk:

Risk	Mitigation
Ineffective risk management impacting upon ability to effectively and successfully deliver against corporate priorities through associated projects in a timely, cost effective manner	• Risk management training and awareness across the organisation • Regular review of corporate and service level risks • Further embedding the project management framework and importance of good risk management

Human Resources:

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

Equalities:
No direct impact

Other Implications:
(if applicable)

Reason(s) for Urgency
(if applicable)

Reason(s) for Exemption
(if applicable)

Background Papers
(if applicable)
Corporate Risk Strategy – updated May 2018
Detailed Corporate Risk Register – Quarter 3 2018/19

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Ashfield
DISTRICT COUNCIL

Corporate Risk Management Strategy & Process

Version	Date	Status (draft, approved, signed off	Author	Change Description
V1.0	16/04/18	draft	C Clarke	Updated in line with Alarm model
V2.0	18/04/18	Revised draft	C Clarke	Changes to text & graphics
V3.0	24/04/18	Revised draft	C Clarke	Change to risk matrix
V4.0	25/04/18	Final Draft	C Clarke	Additional inclusions in Appendices
V5.0	18/05/18	Final	C Clarke	Variation to matrix

Approved for submission to Sponsor, given by		Date	
Sponsor sign off to proceed with project identification, given by		Date	

Distribution List

Name	Organisation	Job title / Dept.

Contents

1. Ashfield District Council Risk Management Strategy - Introduction

1.1 Philosophy and aims

Our philosophy:
Ashfield District Council will seek to embed risk management into its culture, processes and structure to ensure that opportunities are maximised. Ashfield District Council will ensure that the resources and support is available to assist managers to identify, understand and manage risks, and learn how to accept the right risks. Adoption and application of this strategy will deliver success in delivering services to the customers of Ashfield District Council.

1.2 Purpose

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

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

1.3 What is risk management?

Risk definition: Risk is uncertainty of outcome. The delivery of an organisation's objectives is surrounded by uncertainty which both poses threats to success and offers opportunity for increasing success. Risk is defined as this uncertainty of outcome, whether positive opportunity or negative threat, of actions and events

Risk Management can be defined as:

> **"**Risk management is the process of identifying risks, evaluating their probability and potential consequences and determining the most cost effective methods of controlling and /or responding to them. It is not an end in itself. Rather, risk management is a means of maximising opportunities and minimising the costs and disruption to an organisation caused by undesired events" 'Risk Management – A Key to Success,' published by ALARM

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

Risk management will be used as a strategic tool and an essential part of effective and efficient management and planning within the organisation.

1.4 Risk Management policy statement

Risk is the chance of something happening that will have an impact on what we set out to achieve.

Risk management is the process for dealing with this effectively – identifying, evaluating, prioritising and mitigating the risks. It is not an end in itself. Effectively managing our risks means that we can maximise opportunities and minimise the costs and disruption to the Council caused by undesired events.

Risk appetite is the “amount and type of risk that an organization is prepared to pursue, retain or take". This is reviewed annually alongside this framework.

As an organisation we have identified our strategic risks and have a process in place to control and monitor them. We regularly review them (at least annually) to ensure that the corporate risk register remains up-to-date. We also have a system in place to identify project and operational risks at an early stage and again to control and monitor them effectively.

The aim is to manage risk rather than to eliminate it. Too little attention to the control of risk will lead to unnecessary losses and poor performance. An overzealous approach to risk control can stifle creativity and service delivery and may mean that opportunities for improvement are missed. Successful risk management means getting the balance right, thereby making the best use of available resources. We identify actions to reduce negative risks to an agreed acceptable level and this is monitored via the risk register.

The management of risk should not be viewed in isolation; it forms an integral part of the Council’s business. The risk management process forms part of the service planning framework. In addition risk management techniques can be used when considering new service delivery methods or policy options. Much risk management already takes place intuitively.

There is clear ownership of risks at all levels within the authority and we expect partner organisations and contractors to have suitable risk management arrangements.

1.5 Why do we need a risk management strategy?

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

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

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

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

1.6 Benefits of risk management

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

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

1.7 Link to Corporate Objectives

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

1.8 Risk appetite

The ISO 31000 risk management standard refers to risk appetite as the:

"Amount and type of risk that an organization is prepared to pursue, retain or take".

This is reviewed annually by CLT alongside the review of this framework and the corporate risk register.

The appropriate level will depend on circumstances and must be appropriate given our corporate objectives. For example, where public safety is involved our appetite will tend to be low, while for an innovative project that is a key part of our transformation programme, it may be higher, recognising that there will be uncertainty and the potential for things to go wrong but the potential rewards will be higher too.

1.8.1 Risk appetite categories

Averse: Avoidance of risk and uncertainty; minimal exposure to risk preferred; consequently likely to be low potential for reward / achieving a stretching objective; corresponding risk score = **low**

Cautious: Preference for safe options with a low to medium degree of risk only; again this is likely to consequently reduce the potential for reward / achieving a stretching objective; tight controls in place; corresponding risk score = **low to medium**

Open: Willing to consider all potential options and choose the one most likely to achieve the objective, while also providing an acceptable level of reward and value for money; balanced approach recognising that things may go wrong but we will learn from them; corresponding risk score = **medium**

Hungry: Eager to be innovative and to choose options offering potentially higher rewards, despite greater inherent risk; willing to tolerate uncertainty and accept possibility of significant loss; corresponding risk score = **high**

Risk Tolerance: This can be interpreted as an organization's or stakeholder's readiness to bear the risk after risk treatment in order to achieve its objectives**.**

2. Implementing a risk management process

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

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

2.1 The Risk Management Cycle

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

Step 1 Identifying risks facing the Council.

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

Step 2 Analysing the risks

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

Step 3 Prioritising the risks

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

Step 4 Managing of the risks through action plans

The risks are then managed through the development of appropriate risk management action plans. The Corporate standard template incorporates risk identification and action planning. This is managed through the performance management software ''Pentana''.

Step 5 Monitoring of the action plans and the risks

Risks are managed through the performance management framework at least once every six months, whilst monitoring the delivery of the service and corporate action plans. The information is held in the performance management software ''Pentana''.

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

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

2.2 Roles and Responsibilities

The successful management of risk is a collective responsibility for all Members and employees. The council has a duty to the community to manage its resources economically, efficiently and effectively.

It is the responsibility of **all Elected Members** to be aware of the risk management implications of their actions, decisions and public statements. All decision making reports include a section identifying any key risks. Elected Members can ask for these and any other risks which they have identified to be fed into the Council's risk process e.g. an operational risk may be passed to the service manager to lead on, a strategic risk may be passed to Audit & Governance Committee and/or Cabinet to debate.

It is the responsibility of **Cabinet Members**:

- To agree an effective strategy and framework to manage risks within the Council
- To set the Council's risk appetite in conjunction with senior managers and the Audit & Governance Committee
- To receive exception reports on risk management (focused at the strategic level) as part of the established quarterly monitoring and to recommend action where necessary
- To agree the Council's response to its highest risks i.e. doing what is practicable to reduce the risk, whilst not using a disproportionate amount of resource
- To formally consider risk management implications when making decisions
- To hold the Audit & Governance Committee and CMT accountable for the effective management of risk
- Monitoring the Council's risk management and internal control arrangements via annual reports to Cabinet, and regular Priority Theme Board Programme Highlight reports

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

The **Leader of the Council** is the Cabinet lead on risk management issues. It is their responsibility to promote awareness of potential risk implications at Cabinet level. For example, to pay particular attention to the risk elements in decision making reports; to be available to colleagues to discuss risks; to be satisfied that the risk arrangements are in place and working well; to present the quarterly risk information to Scrutiny & Cabinet.

It is the responsibility of the **Audit & Governance Committee**:

- To have an overview of risk management in the Council
- To carry out an annual review of the risk management framework, including the risk appetite, and to recommend it to Cabinet for approval
- To carry out an annual review of the strategic risk register and to recommend it to Cabinet for approval

Corporate Leadership Team (CLT)

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

Corporate Leadership Team's key tasks are:

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

Risk Management Sponsor – Strategic Planning Risk

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

Responsibilities will include:

- compile, and report biannually (from Pentana), to CLT all corporate risks, including the risks escalated up from the Directorate level, and lead their identification, assessment and management of strategic risks on a biannual basis
- produce an annual report to Cabinet on the progress of strategic risk management, the risks, and action in managing them,
- support and advise the CLT on strategic risk management issues
- communicate the benefits of effective strategic risk management to all members of Ashfield District Council

- ensure the alignment of risk within strategic planning and performance and improvement processes

Service Managers

- To have an overview of risk management in the Council at officer level
- To contribute to the annual review of the risk management framework, including risk appetite
- To ensure that the Council's risk management framework is applied in their service areas by identifying, assessing, reporting and monitoring risks and setting risk appetites
- To contribute to the management of strategic risks in support of CLT

It is the responsibility of **Project leads**:

- To ensure that the Council's risk management framework is applied to their project by identifying, assessing, reporting and monitoring risks and setting the risk appetite
- To exception report via reporting at intervals agreed with the Project Sponsor.

All Employees

- To be aware of the Council's risk management framework
- To have an understanding of the risks that arise within their area of work
- To participate in risk management training as appropriate
- To challenge practices, identify new ways of doings things and be innovative
- To learn lessons from risk management rather than apportion blame and to concentrate at least as much on how risks have been managed in any given situation rather than just the outcome if something goes wrong

2.3 Reporting and monitoring

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

Service Risk Registers in Pentana should be reviewed as a minimum quarterly by the respective Service Manager.

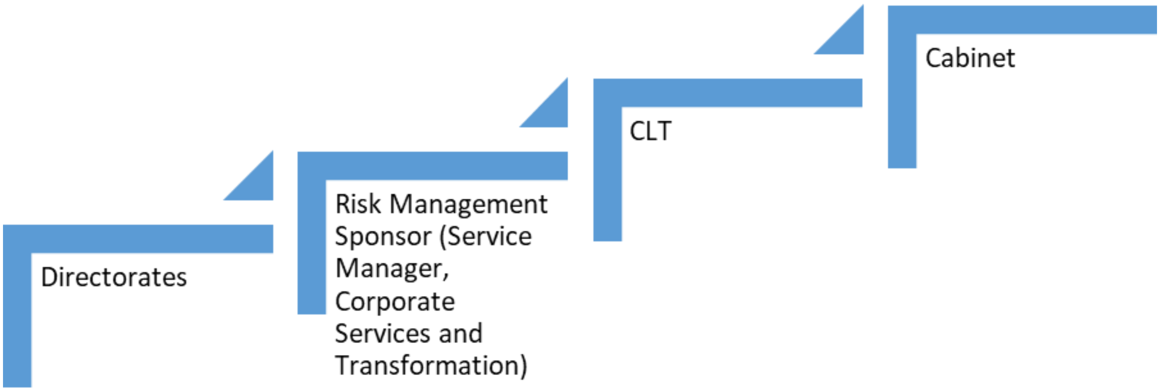
Service Directors are responsible for escalating risks, those above the risk tolerance line to the Corporate Leadership Team who will determine if they should be included on the Corporate Risk Register. This should be done through the Risk Management Sponsor – Strategic Planning.

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

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

The framework for reporting risk is summarised below:

Risk assessments will be included in all policies and reports, as well as in our partnership working arrangements, so that risk is considered in everything the Council
doe



Conclusion

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

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

Appendix 1 – The risk management process

Risk identification	•Document the objectives as a starting point •What are we trying to achieve? e.g. Corporate plan, service plan, project objectives •Identify risk/s - prompts available •What might stop us from achieving our objectives?
Risk analysis	•How likely is the risk to occur? •What would be the impact if the risk did occur?
Prioritisation	•Agree timescales to be used e.g. 12 to 18 months time period or 3 to 4 year period •Annual planning •Setting of priorities at Programme board and by project sponsor/project manager levels for programmes & projects
Risk management	•Set the risk appetite •What level of risk is acceptable? •Identify actions to help control the risk
Monitoring & reporting	•Quarterly monitoring and reporting (Corporate and service levels) for projects the intervals will be as agreed in the PID •Ensure that the risk register is updated and reported on
Response	•Response(s) to a given risk should reflect the risk type

	Almost definite P6	12	16	20	24
	Almost certain P5	10	14	16	20
	Probable P4	6	12	12	16
	Possible P3	3	8	8	12
	Hardly ever P2	2	4	4	8
	Never P1	1	2	3	4
		I Negligible	**2 Minor**	**3 Major**	**4 Critical**
		IMPACT			

Averse Grey – Low risk/low opportunity
Cautious Green – Low to medium risk/low to medium opportunity
Open Blue – Medium risk/medium opportunity
Hungry Red – High risk/high opportunity

Stage 1 - risk Identification

Corporate Risk will be managed and monitored by CLT in partnership with the Service Manager – Corporate Services and Transformation. However it will be for each Directorate to decide upon the appropriate approach to identifying its key risks as this process is cascaded down throughout Ashfield District Council.

The categories of risk to prompt identification and to help to identify the cause / source of risks are:

Contractual/Supplier	Governance	Physical
Customer/Citizen	Legal	Political
Economic	Legislative/Regulatory	Procurement/Competitive
Environmental	Managerial/Professional	Social/People
Financial	Partnership	Technological

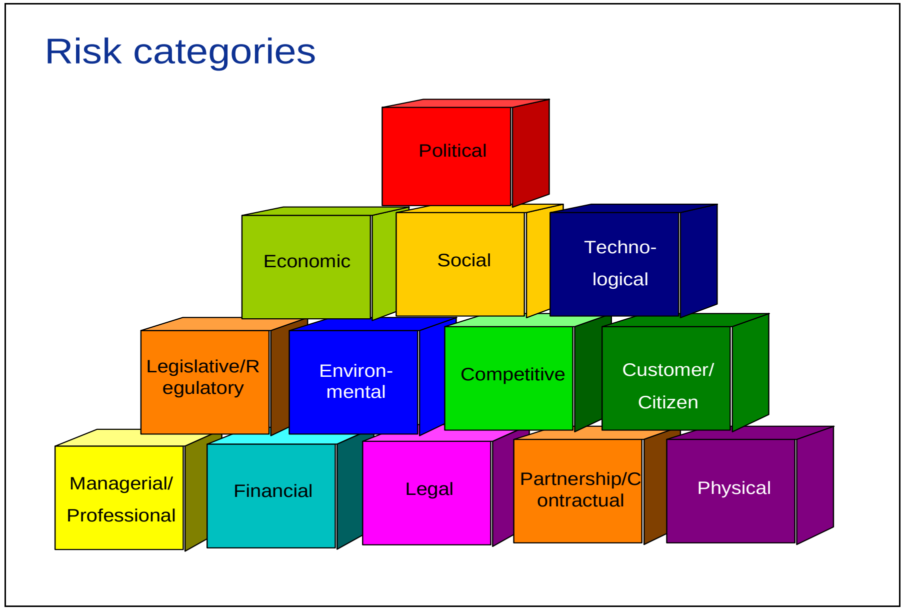
Other prompts for identifying risks include:

Actions in service plans	Changes in processes
Decision-making reports	Finance
Health and safety risks	Partnership working
Policy changes	Project management process e.g. new business case

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

Service Level Strategic Planning and Performance Management –

Each Service will review any relevant risks in the achievement of performance and improvement activity, and therefore achievement of Corporate Priorities. This will be undertaken quarterly as well as refreshed annually as part of the service planning process. The Corporate Timeline Managers Checklist includes prompts for service managers to review risk on a regular basis (Appendix 2)



Risk	Definition	Examples
Political	Associated with the failure to deliver either local or central government policy or meet the local administration's manifest commitment	New political arrangements, Political personalities, Political make-up
Economic	Affecting the ability of the council to meet its financial commitments. These include internal budgetary pressures, the failure to purchase adequate insurance cover, external macro level economic changes or consequences proposed investment decisions	Cost of living, changes in interest rates, inflation, poverty indicators
Social	Relating to the effects of changes in demographic, residential or socio-economic trends on the council's ability to meet its objectives	Employee levels from available workforce, ageing population, health statistics

Technological	Associated with the capacity of the Council to deal with the pace/scale of technological change, or its ability to use technology to address changing demands. They may also include the consequences of internal technological failures on the council's ability to deliver its objectives	E-Gov. agenda, IT infrastructure, Employee/client needs, security standards
Legislative	Associated with current or potential changes in national or European law	Human rights, appliance or non-appliance of TUPE regulations
Environmental	Relating to the environmental consequences of progressing the council's strategic objectives	Land use, recycling, pollution
Professional/ Managerial	Associated with the particular nature of each profession, internal protocols and managerial abilities	Employee restructure, key personalities, internal capacity
Financial	Associated with financial planning and control	Budget overspends, level of council tax, level of reserves
Legal	Related to possible breaches of legislation	Client brings legal challenge
Physical	Related to fire, security, accident prevention and health and safety	Offices in poor state of repair, use of equipment
Partnership/ Contractual	Associated with failure of contractors and partnership arrangements to deliver services or products to the agreed cost and specification	Contractor fails to deliver, partnership agencies do not have common goals
Competitive	Affecting the competitiveness of the service (in terms of cost or quality) and/or its ability to deliver best value	Fail to win quality accreditation, position in league tables
Customer/ Citizen	Associated with failure to meet the current and changing needs and expectations of customers and citizens	Managing expectations, extent of consultation

Stage 2 – Risk analysis

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

Evaluate likelihood and impact

Likelihood/Probability					
1 Never	**2 Hardly Ever**	**3 Possible**	**4 Probable**	**5 Almost certain**	**6 Almost definite**
Never happened	**No more than once in last 10 years**	**Happened a few times in last 10 years**	**Happened in last 3 years**	**Happened last year**	**More than once in last year**
Will almost never to happen	**Extremely unlikely again in year**	**Could happen in year**	**Possibility it might happen in year**	**Likely to happen in year**	**Expected to happen in year**

Impact/Consequences				
	Service delivery	**Finance**	**Reputation**	**People**
4 Critical	**Interruption to core service Failure of key project**	**Severe costs incurred; Financial loss of >10% of the tolerance set Impact on whole Council; Statutory intervention**	**Significant media interest seriously affecting public opinion**	**Loss of life; Major causalities**

	Service delivery	Finance	Reputation	People
3 Major	**Key targets missed Some services compromised**	**Significant costs incurred Financial loss of >5% of the tolerance set Resetting of budgets required Service budgets exceeded**	**Local media interest and significant social media commentary; Comment from Inspectors; Impact on public opinion**	**Serious injuries; Traumatic experience; Exposure to dangerous conditions**
2 Minor	**Management action required to address short term difficulties**	**Some costs incurred Financial loss of <5% of the tolerance set Minor impact on budgets; (managed by Service Manager)**	**Limited local publicity; Mainly within local government community; Causes staff concern**	**Minor injuries or discomfort; Feelings of unease**
1 Negligible	**Managed within normal daily routines**	**Little loss anticipated Financial loss within the tolerance set**	**Little or no publicity; Little staff comment**	

Stage3 - Prioritisation

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

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

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

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

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

The risk matrix is given below:

PROBABILITY	**Almost definite P6**				
	Almost certain P5				
	Probable P4				
	Possible P3				
	Hardly ever P2				
	Never P1				
		I1 Negligible	**I2 Minor**	**I3 Major**	**I4 Critical**
		IMPACT			

Stage 4 - Risk Management

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

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

Stage 5 - Monitoring and reporting

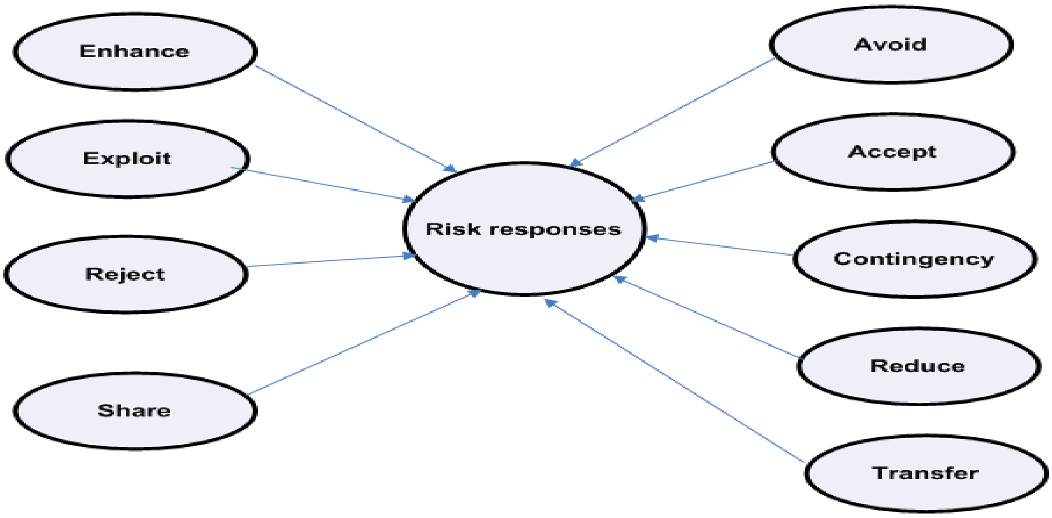
Monitoring the progress of action plans will be done as part of the Council's Performance Management process. This ensures the integration of risk management with other processes and ultimately ensure its profile and success is maintained. This is achieved through the recording and monitoring of risks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

The strategic risk register is reviewed annually and updated and reported quarterly in the quarterly report to CLT, Scrutiny, Cabinet and Audit Committee.

The operational risk register holds service specific, project and partnership risks and is also updated quarterly with exception reporting in the quarterly report at the discretion of Heads of Service e.g. if the risk has increased sufficiently to cause concern corporately or if additional mitigating action is required.

Stage 6 – Response

The response(s) to a given risk should reflect the risk type, the risk assessment (likelihood, impact, and criticality) and the organisation's attitude to risk. There are a number of possible responses to risks and as risks can be threats or opportunities these include responses that are suitable for potential opportunities



Risk response	Description
Threats	
Avoid	The risk is avoided e.g. change in strategy
Transfer	Some or all of the risk is transferred to a 3rd party
Reduce	Action is taken to reduce either the likelihood of the risk occurring or the impact that it will have
Accept	The risk may be accepted perhaps because there is a low impact or likelihood
Contingency	A plan is put in place to respond if the risk is realised
Opportunities	
Share	An opportunity is shared with a partner or supplier to maximise the benefits e.g. through use of shared resource/technology
Exploit	A project could be adjusted e.g. to take advantage of a change in technology or a new market
Enhance	Action is taken to increase the likelihood of the opportunity occurring or the positive impact it could have. e.g. Strategic/commercial opportunities such as new partnerships, new capital investment
Reject	No action is taken and the chance to gain from the opportunity is rejected. Contingency plans may be put in place should the opportunity occur.- Political or environmental e.g. new transport links, change of government bringing positive changes in policy/opportunities

Links to other risk-related areas of work

- Fraud awareness and training – Finance team
- Emergency planning and business continuity – Corporate Risk Manager
- Insurance – Finance team
- Health & Safety – Health & Safety officer
- Information management and security – ICT Technical & Security Manager

Appendix 2 – Corporate Timeline Service Managers Checklist

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

Appendix 3 – The Risk Register & Action Plan –

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2018/2019 Risk Register & Action Plan

Last updated by	C Clarke	18/05/2018
Approved by		
Document Owner		

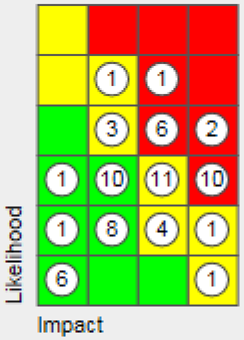
INDEX

Risk Matrix

PROBABILITY or LIKLIHOOD					
	Almost definite P6				
	Almost certain P5				
	Probable P4				
	Possible P3				
	Hardly ever P2				
	Never P1				
		I1 Negligible	I2 Minor	I3 Major	I4 Critical
		IMPACT			

(ADC)RSK/17/18 Risks 17-18

Register | Description

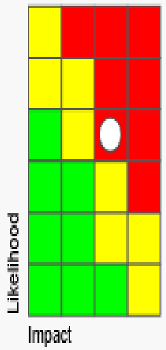


Sub-Risks 19 21 / 66

Risk Matrix **6x4** 6x4 Risk Matrix

(ADC) CR029 [Corporate Risk] Failure to identify savings required by MTFS

Current | Compare | Description



Impact 3 Critical

Likelihood 4 Significant

Score 12

Assessment 3x4 Critical - Significant

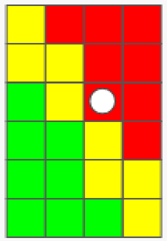
Date Reviewed 23 May 2018

Next Assessment due 01 Jul 2018

Update

(ADC) ENV014 CSR budget cuts - lack of money to deliver Service

Current | Compare | Description



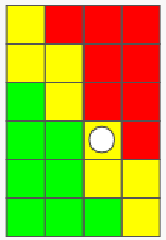
Impact	3 Critical	Assessment	3x4 Critical - Significant
Likelihood	4 Significant	Date Reviewed	31 Mar 2017
Score	12 —		

Next Assessment due 01 Jun 2017

Update

(ADC) FR034 Council Tax & NNDR

Current | Compare | Description



Impact	3 Critical	Assessment	3x3 Critical - Low
Likelihood	3 Low	Date Reviewed	07 Feb 2018
Score	9 —		

Next Assessment due 01 May 2018

Update

Risk Review Timetable

	April 18	May 18	June 18	July 18	August 18	Sep18	Oct 18	Nov 18	Dec 18	Jan 19	Feb 19	March 19
Cabinet			X					X				
CLT		X			X			X			X	
DMT		X		X		X		X		X		X
Service areas	X		X		X		X		X		X	
Programme Boards **		X		X		X		X		X		X

**** where there is no Programme Board then the Service Director in their role as Corporate Programme Lead will review the risks with the Project Manager. For Programme Boards a risk report on live projects will be produced by the Corporate Performance and Improvement Team.**

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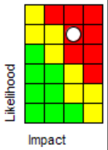
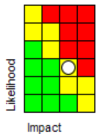
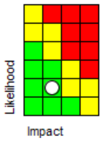
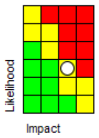
Previous Cabinet report: http://node70.ashfield-dc.gov.uk/documents/s8390/Corporate%20Scorecard%20Quarter%202%20Performance.pdf

Risk Management reporting: https://ashfield.pentanarpm.uk/portals/view/11787/adc-corporate-risk

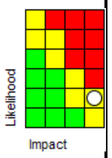
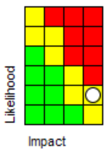
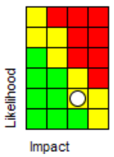
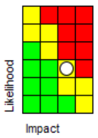
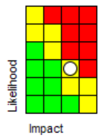
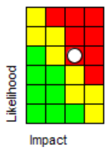
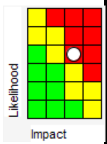
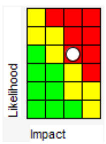
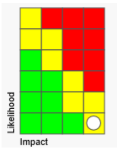
Ashfield District Council Corporate Risk Register – Analysis

Quarter 3 2018/19

Place and Economic Growth Priority

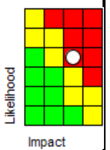
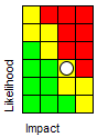
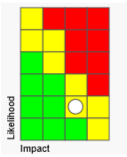
Code	Title	Year End 16/17	Year end 17/18	Qu 3 18/19	Change	Consequences of the Risk Occurring	Ability to Inf. / BC Link	Resp for Action	Mitigating Actions	Comments	Last Reviewed
(ADC) CR040	Failure to have adopted LDF / Local Plan				Reduced to low	• Diminish ability to stimulate economic growth • Increase likelihood of a developer lead approach to devt. • Maximises potential for a ward of costs against the authority •New approach to plan. High risk. Members Aware. •Local Plan now at preferred approach. Need to publish next stage. Failure to achieve will set back timetable. •If plan requires subsequent revision, will add delays.	X	Christine Sarris	Need alternative approach to development with Members through adoption of Core Strategy Regular engagement with Members to bring them on board Keeping abreast of latest challenges; work with Planning Advisory Service for proof-reading Work with elected members to address concerns Provide professional guidance Keeping a clear audit trail of engagements with developers and consultees	As we are starting afresh and the timetable has just been developed for the next two years there is limited risk at this time. CLT determined currently at risk of judicial review – therefore this risk will be reviewed and amended in relation to broader risks of not having local plan in place. Review of risk awaited	5 Oct 2018
(ADC) CR086	Loss of planning appeals	new	new			surpass the 10% limit and end up in special measures		Christine Sarris	Councillor training, Officer training & monitoring	The major planning applications are reviewed on a regular basis. At this time there is no significant risk. If however we lose two or three major applications at appeal over the next year this risk will increase.	5 Oct 2018

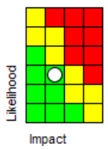
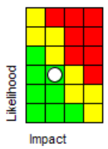
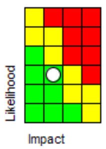
Communities and Environment Priority

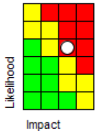
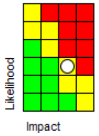
Code	Title	Year End 16/17	Year end 17/18	Qu 3 18/19	Change	Consequences of the Risk Occurring	Ability to Inf.	Mitigating Actions	Resp for Action	Comments	Last Reviewed
(ADC) CR071	[Corporate Risk] Failure to demonstrate compliance with TEEP assessment under Waste Framework Directive				Reduced still medium	• Full redesign and expansion of waste services • Additional cost incurred	Medium	TEEP assessment to be reviewed annually by JWMC Ensure TEEP compliance with trial review	Sam Dennis	Exploring options for separate food waste collection as part of County Wide response to formal consultation on the government's new Waste and Resources Strategy. Ashfield currently collects separate glass and garden waste which supports TEEP principles. Kerbside co-mingles recyling has been assessed for the County using TEEP principles and the current system of waste treatment sort enables compliance.	28th Jan 2019
(ADC) CR072	[Corporate Risk] Failure to meet requirement of Waste Directive to achieve 50% recycling rate by 2020				Increased to significant	• potential fines from EU • reputational damage	High	development of Scrutiny review in September 2016 Discussions with County regarding innovative options is ongoing	Sam Dennis	The Council is engaging with other authorities to respond to the Government's consultation around the new Waste and Resources strategy. The strategy includes food and garden waste, which would enable increased recycling for all local authorities.	22nd Feb 2019
(ADC) CR083	Failure to Support and Safeguard Vulnerable people				Reduced to medium	• Significant adverse outcomes for vulnerable people suffering with mental health issues • Reputation of the council and its partners • Financial impact through lack of working in joined up manner		Working with NCC and other districts to review opportunity to improve closer working with mental health services Development of a strategy to support and safeguard vulnerable people	Rebecca Whitehead	As of the start of 2019 the Complex Case Panel now meets on a fortnightly basis rather than monthly ensuring greater efficiency; with high risk cases being heard by the multi-agency panel and actions being undertaken and tracked more swiftly. A growing number of partners are attending and making referrals with new engagement by CRC probation and the CCG which is bringing	4th Feb 2019

Code	Title	Year End 16/17	Year end 17/18	Qu 3 18/19	Change	Consequences of the Risk Occurring	Ability to Inf.	Mitigating Actions	Resp for Action	Comments	Last Reviewed
										additional resource into problem solving and managing cases. The Complex Case team is a district wide service and benefits from partner agencies secondments into the team and the specialist DV caseworker to support and safeguard vulnerable residents.	

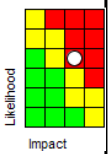
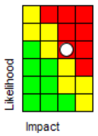
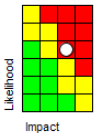
Housing Priority

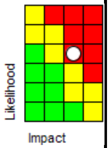
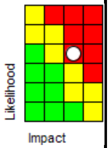
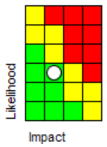
Code	Title	Year End 16/17	Year end 17/18	Qu 3 18/19	Change	Consequences of the Risk Occurring	Ability to Inf. / BC Link	Mitigating Actions	Respons for Action	Comments	Last Reviewed
(ADC) CR046	[Corporate Risk] Introduction of Universal Credit				No change	• Potential loss of HRA rental income if tenants receiving UC choose not to pay rent (Profiling of current tenants as at 20/2/17 show that there is a risk to the rent roll (circa £11 million) as there will be around 3200 tenants affected. 2380 –high risk and 820 medium risk). This does not include those tenant who have working age partners.	Low	There is a dedicated officer for Welfare Reform in the Tenancy Service Section. This Officer has close links with the DWP. There is a formalised internal process for managing UC cases. There is a UC action plan in place. This needs reviewing regularly especially around resource	Nikki Moss	The controls remain the same. UC rents cases are being monitored closely to ensure appropriate support is in place for tenants. Arrears attributed to UC continue to increase week on week. This is expected and is line with other Social Housing Providers across the country. Arrears are monitored very closely each week to ensure appropriate actions are being taken and support is provided.	20th Feb 2019

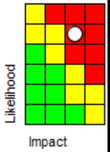
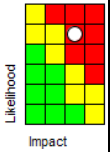
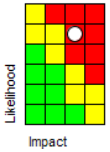
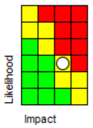
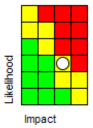
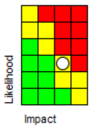
Code	Title	Year End 16/17	Year end 17/18	Qu 3 18/19	Change	Consequences of the Risk Occurring	Ability to Inf. / BC Link	Mitigating Actions	Respons for Action	Comments	Last Reviewed
							X	requirements to manage the process. The Council operates an agency agreement with DWP to assist residents who wish to claim UC The Welfare Reform Group brings together a series of different disciplines and partners to ensure the Council's response to UC remains pro-active and robust			
(ADC) CR062	Inability to deliver affordable housing				No change	• Targets not met • lack of new affordable housing going forward	Low	Use of S106 funding Tackling empty homes Close working with Planning Services Work with private landlords via the Landlords Forum Enforcement to tackle poor standard housing	Phil Warrington	It is still possible to deliver affordable housing through acquisitions, RP developments and s106 obligations. However there are currently fewer opportunities to pick up the latter.	10th Jan 2019

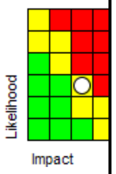
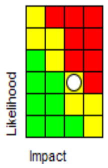
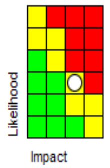
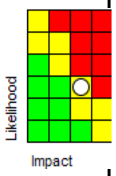
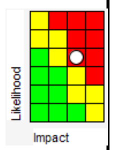
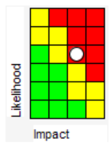
Code	Title	Year End 16/17	Year end 17/18	Qu 3 18/19	Change	Consequences of the Risk Occurring	Ability to Inf. BC Link	Mitigating Actions	Respons for Action	Comments	Last Reviewed
(ADC) CR081	CR081 Temporary Accommodation – insufficient units to meet demand	New			Reduced to medium	• Finance – higher bed and breakfast costs • Statute – failure to meet statutory duty	Yes	Filter in more properties as become available through tenancy voids Find additional resource to manage properties	P Warrington	Lower risk as demand for TA has reduced and expectation is this will be a long term shift.	18 Feb 2019

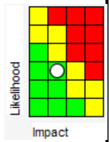
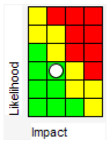
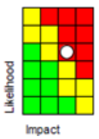
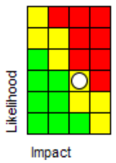
Organisational Improvement Priority

Code	Title	Year End 16/17	Year end 17/18	Qu 3 18/19	Change	Consequences of the Risk Occurring	Ability to Inf. BC Link	Mitigating Actions	Respons for Action	Comments	Last Reviewed
(ADC) CR029	[Corporate Risk] Failure to make required savings as identified in MTFS				No change	•Council cannot fund full range of services in future •Pressure on General Fund reserves	Medium √	CLT and Cabinet will work together to identify savings and income generation opportunities Generate additional income For 2017/18, £1m of savings have been identified, and these workshops will continue throughout 2017, with the aim of identifying a further £1m of savings/addition income for 2018/19.	Pete Hudson	Basis for presenting a balanced draft budget for 2019/20 agreed in principle 21/01/19. MTFS update report will be submitted to Cabinet in February 2019. Significant uncertainty re funding for 2020/21 and 2021/22 due to Fair Funding Review, Business Rates re-set and potential changes to the distribution arrangements for New Homes Bonus. Current indications are a £2.1m and £2.5m funding gap for these respective years.	21 Jan 2019

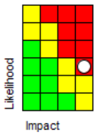
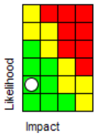
Code	Title	Year End 16/17	Year end 17/18	Qu 3 18/19	Change	Consequences of the Risk Occurring	Ability to Inf. BC Link	Mitigating Actions	Respons for Action	Comments	Last Reviewed
(ADC) CR033	[Corporate Risk] Ability to achieve efficiencies and compliance from procurement reviews / improvement				Reduced to low	•Penalties for non-compliance with legislation •Inability to meet MTFS savings targets if procurement savings not achieved	Medium	Agreement of a new Procurement Strategy setting out clear guidance for spending managers Review of Procurement Arrangements (Shared Procurement Unit) to ensure objectives are being met Particular emphasis on small value procurement (under £25k) to ensure that the Council has legally compliant processes in place	Justin henry	Slight decrease on this PI. The efficiencies we hoped for have not yet materialised. We have had several successes in cost avoidance with new tenders, proving that the relationship with City is working, and there are a significant number of immediate, corporate priority projects being worked on.	7 Jan 2019

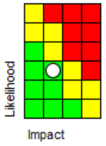
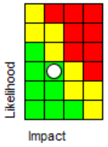
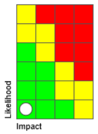
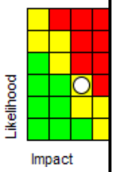
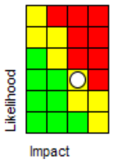
Code	Title	Year End 16/17	Year end 17/18	Qu 3 18/19	Change	Consequences of the Risk Occurring	Ability to Inf. BC Link	Mitigating Actions	Respons for Action	Comments	Last Reviewed
(ADC) CR003	[Corporate Risk] Members' Ethical Framework – Failure to demonstrate high standards of behaviour				No change	•Significant resource to deal with implications of Code of Conduct Complaints. •Potential for negative perception of the Council which impacts upon the Council's reputation Potentially adverse impact upon the workings of the Council •New legislation does not provide "strong" sanctions for breaches to the Code which may make regulation of poor ethical behaviour difficult and leave complainants dissatisfied with outcomes.	High X	Standards and Personnel Appeals Committee approves an annual work programme which includes an annual review. A review of the Members' Code of Conduct Complaints Process will be carried out during 2017/2018in accordance with the recommendations of the LGA Peer Challenge 2017. Present Quarterly Complaint Monitoring reports to Standards and Personnel (Appeals) Committee	Ruth Dennis	Standards and Personnel Appeals Committee approves an annual work programme which includes an annual review The Members' Code of Conduct Complaints Process was reviewed and a revised process approved in May 2018 in accordance with the recommendations of the LGA Peer Challenge 2017 Present Quarterly Complaint Monitoring reports to Standards and Personnel (Appeals) Committee A report summarising the Committee on Standards in Public Life – report on Local Government Ethical Standards will be presented to Committee in March 2019 to update members on potential changes to the current system and to consider what action the Council may be able to take to implement best practice proposals prior to any future legislative changes taking place.	18 Feb 2019
(ADC) CR005	[Corporate Risk] High levels of sickness absence				No change	•Productivity •Financial •Employee morale •Service delivery •Remaining staff placed under	High √	Robust management of sickness absence procedures by managers and robust procedures - Revised Absence Mgt Policy implemented Effective monitoring - monthly monitoring reports	Karen Barke	Absence is on the increase mainly linked to LTS, work is being undertaken to try and address this and close monitoring is being undertaken.	10 Jan 2019

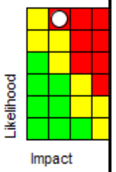
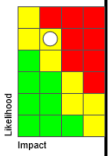
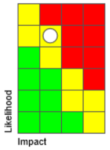
Code	Title	Year End 16/17	Year end 17/18	Qu 3 18/19	Change	Consequences of the Risk Occurring	Ability to Inf. / BC Link	Mitigating Actions	Respons for Action	Comments	Last Reviewed
						increased pressure •Reputational damage		highlighting service area absence to assist CMG and managers in absence management Employee support mechanisms - Employee assistance programme implemented Appropriate occupational health support – Occ Health provision reviewed			
(ADC) CR032b-a	Business Rates appeals are higher than forecast				No change	Negative impact a MTFS ; further savings required		A prudent approach is taken to estimating likely successful appeals.	C Scott	Business Rates Appeals in 2018-19 have been lower than expected, however, this provides no indication of how the next 12 months will progress. The Appeals provision for 2019-20 has been increased by £1.1m. Of this, £800,000 is to cover the potential losses from ATM assessments (that are currently being challenged through the Supreme Court by the VOA). If the Appeal is successful then all ATM assessments will end and any Business Rates paid since 1st April 2010 will have to be refunded. The additional £300k is an estimate to cover Check, Challenge and Appeal cases (CCA).	8 Feb 2019
(ADC) CR032b-c	Level of central government funding 2020 onwards				No change	Negative impact a MTFS ; further savings required		The Council will contribute to any consultation when proposals are announced, emphasising the need for resources to be allocated to deprived areas.	P Hudson	Existing BR retention levels to remain for 2019/20. Government is currently consulting on Fair Funding the impact of which will be known later in the year and will affect 2020/21 budgets onwards.	21 Jan 2019

Code	Title	Year End 16/17	Year end 17/18	Qu 3 18/19	Change	Consequences of the Risk Occurring	Ability to Inf. BC Link	Mitigating Actions	Respons for Action	Comments	Last Reviewed
(ADC) CR082	Commercial property investment	new			No change	• Decrease in capital value of the property • Inability of tenant to pay or request for renegotiation of rent • Reduced income		Robust monitoring arrangements for portfolio – stability of tenant, stability of market and macro economics Ensure adequate lease length (greater than 7 years) Ensure property investment in most advantageous asset class Ensure tenant has good financial standing and passes regular credit analysis (D+B) Property reserve to offset short term voids	Justin Henry	No change from previous assessment. Broad spread on the number of properties, with financially strong tenants insulate the Council from average, "normal" macro shocks. A level of uncertainty around Brexit increases the probability of impacts; however, we will not be able to accurately assess this until after the parliamentary vote on the PM's deal. CLT request to review and update re revised Code	26 Nov 2018
CR085	Loss of Capita financial services	new			Reduced to medium	• Potential loss of income to the organisation for a period of time • Reputational damage • Loss of method of payment with cash until new arrangement in place • Potential loss of transaction data for 1 working day		• Review current contract • Put in place a Contingency plan •	Craig Bonar/ Pete Hudson	Current status remains same. Research indicates MOD have recently commissioned Capita Financial Services despite continuing high risk levels. Situation will continue to be monitored closely	28 Feb 2019

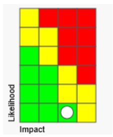
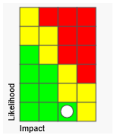
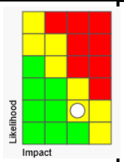
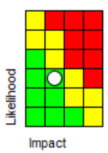
DELETED RISKS

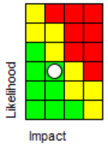
Code	Title	Year End 16/17	Year end 17/18	Qu3 18/19	Change	Consequences of the Risk Occurring	Ability to Inf. / BC Link	Mitigating Actions	Resp for Action	Comments	Last Reviewed
(ADC) CR073a	[Key Risk] Idlewells Market				Risk reduced and finishes in Quarter 3	*Loss of Trade *Low occupancy rates *New product doesn't sell *Contract dispute *Landlords dispute *Structural and ME failures •Reputation (public expectations) •Financial – claims •VAT increase to traders •Increase on insurance costs *Delays on opening *Funding agreement not achieved -reclaim	High	*Contract Programme - Regular inspection and monitoring *Business plan produced and updated * Pre letting campaign * Communication plan – monitor/update Risk register in place for all aspects of the project/monitored Contract signed – Regular meetings/Site/ internal *Quarter monitoring D2N2 grant.	Theresa Hodgkinson	Asbestos removed from all designated areas and certificated evidence of work carried out received Refurbishment completed and handed back to ADC on 11th December 2017 Snagging list created and resolutions sought through 12 month post works period Market hall 50% occupied on handover. Two new traders in place since handover, further new trader in place mid-February 2018 Communication plan in place for promoting the market as a place to do business Positive marketing in partnership with Idlewells shopping Centre First 'Trader day ' held on the 26th January – seven prospective traders interviewed on the day / one verbal acceptance	01-Feb-2018

Code	Title	Year End 16/17	Year end 17/18	Qu3 18/19	Change	Consequences of the Risk Occurring	Ability to Inf. / BC Link	Mitigating Actions	Resp for Action	Comments	Last Reviewed
(ADC) CR074	[Corporate Risk] Overpayment of Housing Benefit				deleted	- loss of subsidy - increasing burden of debt collection	High	Mini re-structure Offsite processing capacity Improved training		The only control over the level of Overpayments we have is the level of Local Authority error Overpayments, which represents less than 10% of the total, and we get all of this back from the Government anyway, so there is no loss for ADC. The bulk of Overpayments are as a result of Claimant error and fraud (failure to notify of change of circumstances), which is outside of our control. .Risk can therefore be removed	
(ADC) CR032b-b	NHS Trusts successfully lobby for charitable status and pay significantly reduced business rates				deleted	Negative impact a MTFS ; further savings required		The Council is supporting the LGA's action against the hospitals.		This matter has now been resolved and the NHS have withdrawn their application Risk removed	18 Oct 2018
CR084	Failure to be prepared for the Implementation of new Data Protection Legislation (General Data Protection Regulations) in May 2018	new		 new	No change	• Fine for non-compliance compliant up £14m or 2% gross annual turnover. • Reputation – through reporting of breaches and issues/ any form of enforcement action on the ICO website.	Yes	• Establish GDPR project team • Detailed project plan to ensure compliance	Ruth Dennis and Sarah Hall	Implementation of GDPR occurred in May 2018 and it is suggested that this risk is removed and replaced with a risk relating to the ongoing control and review of protecting personal data in relation to GDPR	Nov 2018

Code	Title	Year End 16/17	Year end 17/18	Qu3 18/19	Change	Consequences of the Risk Occurring	Ability to Inf. BC Link	Mitigating Actions	Resp for Action	Comments	Last Reviewed
(ADC) CRO79	[Corporate Risk] Impact of the impending 1% rent reduction on the Councils ability to invest in new build & existing housing stock	 	 	 	No change	Reduced headroom / ability to borrow in the HRA Revisions required to the 30 year plan Changes / reduced capital programme in the short term Fewer new affordable homes being delivered Reduced service delivery to existing tenants	medium	Wider review of the way the Council manage its housing stock Reduce spend in the current capital programme Review viability of 30 year HRA plan	Paul Parkinson/ Nicky Moss	The 30 year HRA business plan has been produced which sets out limitations and efficiencies. The amenity charge is to be increased from 2019/20. This will generate more income. Responding to CLT request that risk has been deleted to be replaced with a new risk which has been broadened in relation to HRA business plan viability,	1 Nov 2018

NEW RISKS

Code	Title	Year End 2016/17	Year End 2017/18	Qu 3 18/19	Change	Consequences of the Risk Occurring	Ability to Inf.	Mitigating Actions	Respons for Action	Comments	Last Reviewed
CR200	Kirkby Leisure Centre VFM project – failure to complete the project on time				n/a – new risk	• Reputational damage • Delay on delivery benefits		To be determined	Theresa Hodgkison		22 Feb 2019
CR201	Kirkby Leisure Centre VFM project – overspend impacts the finances of the council				n/a – new risk	• Impact on budget and reduction in financial benefits		To be determined	Theresa Hodgkison		22 Feb 2019
CR202	Kirkby Leisure Centre VFM project – failure to secure match funding				n/a – new risk	• Financial impact on the Council		To be determined	Theresa Hodgkison		22 Feb 2019
New	Workforce planning – critical posts			Tbd		increase resilience, recruitment and retention, succession planning			Craig Bonar	New risk to be determined	New risk to be determined
New	Job families			Tbd		Tbd			Craig Bonar	New risk to be determined	New risk to be determined
New	ongoing control and review of protecting personal data in relation to GDPR			tbd		Tbd				New risk to be determined	
CR088	Sustainability of HRA business plan and ability to invest in current and new stock				n/a – new risk	tbd			P Warrington	New risk to be determined	New risk to be determined

Code	Title	Year End 2016/17	Year End 2017/18	Qu 3 18/19	Change	Consequences of the Risk Occurring	Ability to Inf.	Mitigating Actions	Respons for Action	Comments	Last Reviewed
New	Brexit				n/a – new risk	Economic-potential negative impact on funding, investment return, reduced NNDR, increase in contract costs through implications from No-Deal/Brexit Social impact Legislative potential negative impact through legislative changes e.g. employment law, increased tariff taxes Partnership/Contractual potential negative impact of contract failure, increased costs, supply difficulties		To be determined	Craig Bonar	New risk to be determined, risk rating and consequences identified, further work to complete controls and action plan with cascade to required officers following ALARM methodology	Feb 2019