

ASHFIELD DISTRICT COUNCIL



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

Agenda

Audit Committee

Date: **Monday, 22nd July, 2019**

Time: **7.00 pm**

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

For any further information please contact:

Rachel Newton

r.newton@ashfield.gov.uk

01623 457316

AUDIT COMMITTEE

Membership

Chairman: Councillor Dave Shaw

Vice-Chairman:

Councillors:

John Baird
Melanie Darrington
Kevin Rostance

Christian Chapman
Arnie Hankin
David Walters

FILMING/AUDIO RECORDING NOTICE

This meeting may be subject to filming or audio recording. If you have any queries regarding this, please contact Members' Services on 01623 457316.

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 11th March, 2019.** 5 - 12
4. **Presentation by the Corporate Finance Manager (and Section 151 Officer) - Statement of Accounts 2018/19.**
5. **Audited Statement of Accounts including Letter of Representation.
(Copy to Follow).**
6. **External Audit ISA260 Report 2018/19.
(Report to Follow).**
7. **Council's Treasury Management and Borrowing Activities 2018/19.** 13 - 20
8. **Internal Audit Annual Report 2018-2019.** 21 - 42
9. **Audit Progress Report.** 43 - 60
10. **Anti-Fraud and Corruption Update 2019.** 61 - 72

This page is intentionally left blank

AUDIT COMMITTEE

Meeting held in the Committee Room, Council Offices, Urban Road, Kirkby-in-Ashfield,
on Monday, 11th March, 2019 at 7.00 pm

Present: Councillor Kevin Rostance in the Chair;

Councillors Tony Brewer, Jackie James,
Rachel Madden and Paul Roberts.

Apologies for Absence: Councillors Christine Quinn-Wilcox.

Officers Present: Bev Bull, Lynn Cain, Ruth Dennis,
Joanne Froggatt and Peter Hudson.

In Attendance: Helen Brookes (Mazars),
Hannah McDonald (CMAP)
Mandy Marples (CMAP).

AC.13 Declarations of Disclosable Pecuniary or Personal Interests and Non Disclosable Pecuniary/Other Interests

No declarations of interest were made.

AC.14 Minutes

RESOLVED

that the minutes of the meeting of the Committee held on 3rd December, 2018,
be received and approved as a correct record subject to the resolution
contained in Minute AC.10 being amended to read:-

“RESOLVED

*that the Annual Audit Letter for 2018/19, as presented to the Committee by
KPMG, be received and noted.”*

AC.15 KPMG: Annual Report on Grants and Returns 2017/18

The Council's Corporate Finance Manager (and Section 151 Officer)
presented the report which summarised the results of the work undertaken on
the certification of the Council's 2017/18 grant claims and returns.

During 2017/18, certification work had been carried out on the Housing Benefit
Subsidy claim. The claim received a qualified assurance report due to a
number of errors found during the sample testing of Rent Allowances and Rent
Rebates. However, the errors were not significant and no recommendations
had been made to the Authority to improve its claims completion process.

RESOLVED

that the Certification of Grants and Returns for 2017/18, as presented to the Committee, be received and noted.

AC.16 Mazars: Audit Strategy Memorandum – Year Ending 31 March 2019

Helen Brookes presented the Audit Strategy Memorandum for the year ending 31st March, 2019 to Committee.

Members were given an overview of the following:-

- the external audit engagement scope and responsibilities;
- timelines involved for completing the audit review;
- the engagement of management and experts;
- the use of service organisations.

Three significant audit risks in relation to Management Override of Controls, Property, Plant and Equipment Valuation and Defined Benefit Liability Valuation would be considered along with a mandatory risk for Fraudulent Revenue Recognition. Three enhanced risks regarding Debt Impairment, Provision for Business Rate Appeals against the Rating List and Minimum Revenue Provision (MRP) would also be considered as part of the review.

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

Committee were asked to note that the Mazars team would be carrying out the audit at a reduced fee from the previous year of £43,148 subject to any additional work agreed during the review process.

RESOLVED

that the Audit Strategy Memorandum for 2018/19, as presented to Committee, be received and noted.

(During consideration of this item, Councillor Paul Roberts entered the meeting at 7.07 p.m.)

AC.17 Pension Assumptions for 2018/19 Statement of Accounts

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

It was acknowledged by the Committee that the Council could recommend that a bespoke report be used for the calculations of the Council's figures but this would come at a cost to the Authority.

RESOLVED

that having taken account of the Actuary's briefing note as appended to the report and the comments made in the Committee report, the IAS19 assumptions be agreed as the basis for the calculation of the figures required for the 2018/19 Statement of Accounts.

Reason:

It is best practice that the actuarial assumptions intended to be used in preparing the IAS19 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.

AC.18 Accounting Policies 2018/19 and other Statement of Account Matters

The Corporate Finance Manager (and Section 151 Officer) presented the report and requested Committee Members to consider the accounting policies that the Council were proposing to adopt for the current financial year in the preparation of their Statement of Accounts for 2018/19.

Two new accounting standards IFRS 9 (Financial Instruments) and IFRS 15 (Revenue from Contracts with Customers) had been adopted by the Code of Practice but neither would have a material effect or impact on the Statement of Accounts for 2018/19.

RESOLVED that

- a) that the Accounting Policies, as appended to the report at Appendix 1, be approved;
- b) it be noted that any proposed amendments or changes to the policies and associated relevant financial implications will be reported back to the Committee as appropriate.

Reasons:

- 1) 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.
- 2) The Regulations also require a draft of the Statement of Accounts to be prepared and certified by the responsible financial officer by 31st 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.
- 3) In addition, where IFRS allows a degree of choice, Audit Committee should be aware of and confirm the choices made.

AC.19 Audit Progress Report

Mandy Marples, CMAP Audit Manager, presented the report and summarised audit progress as at 14th February, 2019. Three further reports had been issued in draft since publication of the agenda and due to a request by management for further assistance from CMAP in relation to an ongoing investigation, the Procurement audit review had been withdrawn from the 2018/19 Plan.

Between 1st November, 2018 and 14th February, 2019, 4 assignments had been finalised in relation to Waste Management (Whitespace), Depot Investigation, Licensing and Risk Registers. Whilst 3 of the reviews had received a 'Reasonable' assurance rating, the Depot Investigation had only received a 'limited' rating and 14 recommendations had subsequently been agreed by management to endeavour to address the weaknesses.

The Director of Legal and Governance (and Monitoring Officer) reiterated that the Corporate Leadership Team had taken on board the recommendations in relation to the Depot Investigation and had agreed that progress and performance against them would be tracked via the project management software, Pentana, thus ensuring a robust and effective response to addressing the issues raised.

Members considered the Recommendation Tracking schedule and debated the content of the 'significant' and 'moderate' risk recommendations that were still outstanding in relation to:-

- Development Control
- ECINS Security Assessment
- ICT Performance Management
- Pest Control
- Gas Safety
- Ashfield Homes – Housing Maintenance.

It was agreed by the Committee, having considered the reasons as to why the recommendations were still outstanding and the work undertaken to chase them, the relevant Managers be invited to the next meeting of the Audit Committee to explain their difficulties in implementing the agreed recommendations and to agree a suitable way forward.

RESOLVED that

- a) audit assignment progress between 1st November, 2018 and 14th February, 2019, as presented to Committee, be received and noted;
- b) the Managers responsible for the outstanding recommendations outlined on pages 101 to 106 of the report, be invited to the next meeting of the Audit Committee to explain their difficulties in implementing the agreed recommendations and to agree a suitable way forward.

Reason:

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

AC.20 Treasury Management Policy: Submitted to Council, 4th March, 2019

The Corporate Finance Officer (and Section 151 Officer) advised Members that following a review of audit procedures, it had been recommended that good practice should allow for the Audit Committee to consider and authorise the Council's Treasury Management Strategy prior to its advance to Council for endorsement.

It was therefore intended that following the May 2019 elections, the scheduled Audit training session for new Members would incorporate some Treasury Management guidance in preparation for the Strategy's submission to Committee each year for consideration and approval. The Director of Legal and Governance (and Monitoring Officer) also advised that the terms of reference for the Audit Committee (as contained in the Council's Constitution) would be amended to reflect this added responsibility.

RESOLVED

that the update from the Corporate Finance Officer (and Section 151 Officer) in relation to the Council's Treasury Management Strategy, be received and noted.

AC.21 Internal Audit Plan 2019/20 and Audit Charter

Mandy Marples, CMAP Audit Manager, presented the report and explained the process for selecting audit reviews which was based upon consultation with the Council's management team and using the Council's risk registers and CMAP's bespoke risk assessment model.

Each risk was assessed against 8 measures (4 impact based and 4 likelihood based) and awarded a suitable rating which formed the overall plan. For 2019/20, a risk assessment of 6 high risk areas and 10 medium risk areas had been identified and agreed with the Corporate Leadership Team (CLT).

Members considered the proposed Audit Plan for 2019/20 and took the opportunity to ask questions and debate the issue. Committee acknowledged that the Plan remained flexible and open to change should any issues arise during the year and 318 days had been allocated to undertake the work as scheduled.

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

RESOLVED

that the content of the Audit Plan for 2019/20 and Audit Charter, as presented, be received and approved.

Reason:

To keep Members informed as to the schedule of audit assignments to be carried out during the 2019/20 financial year.

AC.22 Whistleblowing Policy Annual Update

The Director of Legal and Governance (and Monitoring Officer) presented the report and provided Members with an update as to the operation of the Whistleblowing Policy over the preceding 12 months.

Members were given a brief synopsis of the 6 whistleblowing allegations that had been received during 2018/19 and asked to accept some minor changes to the Whistleblowing Policy as presented.

RESOLVED that

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

Reason:

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

AC.23 Corporate Risk

The Service Manager for Corporate Services and Transformation presented the Corporate Risk Register to the Committee and outlined the framework used to identify and assess risk, how risk is monitored at a corporate level and the process for examining the Council's risk appetite as required.

The Council's risk portfolio had changed somewhat over the last two years in respect of its increase in commercial investment and its commitment towards delivering sizeable projects i.e. the new leisure centre in Kirkby. Following an Internal Audit review of risk in 2016/17 and a recommendation to ensure employees attend risk management training, the Council were now a member of ALARM which provided risk management tools in the form of good practice models and training.

Using the ALARM risk management model, the Council's present position in relation to its risk management could be judged and scored between 5 levels. The Council at present had been scored as level 3 with the Authority aiming to be at level 4 in the coming months.

The Register contained identified potential risks, obstacles and weaknesses that exist and could work against the Council in delivering its Corporate Plan. There were currently 24 entries in the Council's Risk Register including 3 new risks regarding workforce planning, succession planning and job family implementation risks.

Significant risks, new and remaining, included the Waste Directive and meeting Recycling Rates, Ethical Framework, Savings required by the Medium Term Financial Strategy (MTFS) and the ongoing level of Government funding.

It had been agreed by Management that the Risk Register would be reviewed by the Audit Committee on a bi-annual basis and quarterly through Corporate Leadership Team. There would also be Corporate Risk training given to new Members following the District Council elections in May 2019.

RESOLVED

that the Corporate Risk Register and progress against current corporate risks, be received and noted.

Reason:

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

The meeting closed at 8.04 pm

Chairman.

This page is intentionally left blank

Agenda Item 7



Report To:	AUDIT COMMITTEE	Date:	22 JULY 2019
Heading:	COUNCIL'S TREASURY MANAGEMENT AND BORROWING ACTIVITIES 2018/19		
Portfolio Holder:	CLLR MARTIN- CABINET MEMBER FOR FINANCE & RESOURCES		
Ward/s:			
Key Decision:	NO		
Subject to Call-In:	NO		

Purpose of Report

This report provides Members with information on the activities which the Council carries out to manage both its funding and its cash flow, with the aim of minimising the risks to which the Council is exposed when borrowing and lending monies.

It sets out the performance in 2018/19 against the prudential indicators, which were previously agreed by Members in order to ensure that borrowing and lending are controlled within reasonable limits, in line with good practice.

Recommendation(s)

Members are requested to:

- i) Note the performance as outlined in the report.

Reasons for Recommendation(s)

To meet the requirements of the Council's Financial Regulations (C.30).

Alternative Options Considered

None.

Detailed Information

TREASURY MANAGEMENT - ANNUAL REPORT 2018/19

1. Introduction

The Treasury Management Policy Statement includes a requirement for the production of an Annual Report on the Treasury Management activities undertaken during the year. This requirement is also incorporated in the Council's Financial Regulations and is considered as good practice in the CIPFA Code of Practice for Treasury Management.

2. Borrowing

The borrowing activities undertaken during the year are summarised below:

Type of Loan	Amount Outstanding 01.04.18 £000	Borrowed £000	Repaid £000	Amount Outstanding 31.03.19 £000
Long Term Loans				
- PWLB	29,248	12,000	0	41,248
- Mortgage Loan	45,500	0	(5,000)	40,500
- Temporary Loan	0	4,000	(4,000)	0
Total External Debt	74,748	16,000	(9,000)	81,748

The table represents the actual transactions undertaken and therefore will differ to those shown in the statement of accounts due to the differences between face value and fair value.

3. Prudential Borrowing Limits

One of the requirements of the CIPFA Prudential Code is to report performance against a range of indicators to Members. Underpinning the Prudential system for borrowing is the fundamental objective that any investment in assets needs to be both affordable and remain within sustainable limits. To this end the Council sets its own targets, boundaries or limits against which it monitors actual performance, which for 2018/19 were set by Council on 5th March 2018. The comparison of out-turn to those targets are set out in Appendix 1 to this report.

4. Loan Interest Payments

- 4.1 There are two measures of performance used for assessing the Council's borrowing activities. These are the total amount of interest paid compared to estimated figures and the average rate of interest paid on external loans. An analysis of interest payments compared to the revised estimates is given below:

	Revised Estimate	Actual	Variance
	£000	£000	£000
PWLB	1,344	1,277	(67)
Mortgage Loans	1,966	1,966	0
Temporary Loan	0	27	27
Total	3,310	3,270	40

The reason for the variances above are as follows:

- a) PWLB – the Council repaid a Mortgage loan on 17th July 2018. This was expected to be refinanced immediately by a PWLB loan. The 2018/19 PWLB interest payable budget was therefore increased by £90k. The loan was not re-financed until March 2019. The Authority borrowed a further £7m on top of the £5m refinancing to fund Capital Expenditure. This resulted in additional PWLB interest of £24k instead of the £90k originally estimated.
- b) Temporary Loan - the Council decided to use temporary borrowing rather than longer term borrowing to fund some of its day to day activities. Temporary borrowing is the cheapest method of borrowing externally.

5. Investments

- 5.1 Cash flow surpluses are placed in investment accounts or in short-term money market deals. The movement in external investments during the year is given below:

	Temporary Advances
	£000
Balance at 1.04.18	8,122
New Investments	135,032
Repayments	(135,722)
Balance at 31.03.19	7,432
Annual Return	0.37%

- 5.2 Overall Investment Income return achieved compared to the revised budget is as follows:

Revised Estimates	Actual
£000	£000
13	52

- 5.3 The above figures demonstrate that investments are an important element of the Council's budget. Relatively small movements in interest rates can have a significant

impact on the income received. The main reason for the better than expected investment income was due to the 0.25% rise in interest rates on 2nd August 2018.

5.4 During 2018/19, the base rate started at 0.50% and ended the year at 0.75%.

Implications

Corporate Plan:

The reporting of the Council's Treasury Management and Borrowing Activities ensures compliance with the Council's Financial Regulations and the CIPFA best practice. The Council's effective treasury management activities support delivery of the Corporate Plan objectives.

Legal:

The recommendations contained in the report ensure compliance with Financial Regulation C.30.

Finance:

Budget Area	Implication
General Fund – Revenue Budget	No direct financial implications arising from this report.dier
General Fund – Capital Programme	
Housing Revenue Account – Revenue Budget	
Housing Revenue Account – Capital Programme	

Risk:

Risk	Mitigation
None Identified	N/A

Human Resources:

No adverse Human Resources implications identified.

Equalities:

No adverse Equality implications.

Other Implications:

Reason(s) for Urgency

Reason(s) for Exemption

Background Papers

Report Author and Contact Officer

Pete Hudson, Corporate Finance Manager
01623 457362
p.hudson@ashfield.gov.uk

APPENDIX 1 PRUDENTIAL INDICATORS OUT-TURN 2018/19

1. Prudential Indicators of Affordability

a) **Ratio of financing costs to net revenue stream for the next three years split between the Housing Revenue Account and the General Fund**

The Council is required to calculate an estimated ratio of its financing costs divided by its net revenue stream for both the General Fund and the Housing Revenue Account.

2018/19	Target %	Actual %
Housing Revenue Account	14.50	14.33
General Fund	11.19	2.37

The variance to target on the General Fund is primarily due to a prior year adjustment of £1.2m to Minimum Revenue Provision (MRP). MRP had been overprovided in previous years. The benefit of this has been factored into the 2019/20 Revenue Budget and Medium Term Financial Strategy (MTFS).

b) **Estimate of the incremental impact of capital investment decisions on the Council Tax and Rent Levels**

Authorities are required to estimate the impact on the Council Tax (General Fund) and Rent levels (Housing Revenue Account) of the capital programme including the non-financing costs.

2018/19	Target £	Actual £
Housing Revenue Account (52 Weeks)	0.00	0.00
General Fund (Band D)	1.72	13.11

The target indicators went to Cabinet 5th March 2018. After the indicators were set, the Capital Programme was increased by £10m to fund the purchase of Investment Properties as approved by Council in-year. The expected income from these Investment Properties exceeds the capital financing costs associated with their purchase.

c) **Net borrowing and the Capital Financing Requirement split between the General Fund and the Housing Revenue Account**

In order to ensure that in the medium term borrowing is only undertaken for capital purposes local authorities are required to ensure that net external borrowing does not exceed, except in the short term, the total of their capital financing requirement. In broad terms the capital financing requirement reflects an authorities need to borrow for capital purposes and is a measure of the assets contained on the balance sheet which have as yet not been fully financed, i.e. there is still some debt outstanding.

31 st March 2019	Target £m	Actual £m
Housing Revenue Account	80	80
General Fund	37	45

The main reason for the variance for the General Fund is due to the increase to the Capital Programme of £10m for Investment Properties as discussed in b) above. Only £8.8m of the approved additional £10m was spent in the year on Investment Properties and the vehicle replacement programme was underspent by £0.6m as a result of vehicle purchases being put on hold during a transport review.

d) **Estimates of capital expenditure split between the General Fund and the Housing Revenue Account**

2018/19	Target £m	Revised Capital Programme £m	Actual £m
Housing Revenue Account	9.3	7.4	5.9
General Fund	4.3	14.0	10.7

The main reasons for the differences between the Housing Revenue Account (HRA) and the General Fund (GF) are as follows:

- i) HRA - Delays to works on Council dwellings due to planned works being refused by tenants or structural issues being identified which have slowed progress. These works (and funding) are re-programmed into the 2019/20 works schedule.
- ii) GF – Underspends on Investment Properties and Vehicles. The Council only acquires Investment Properties where they can be purchased at an appropriate price and vehicles purchases were put ‘on-hold’ pending the outcome of the Transport Review.

e) **Authorised Limit of external debt**

The Council is required to set an authorised limit for its total external debt, gross of investments and includes the need to borrow on a short-term basis to cover for temporary shortfalls in cash flow. The Authorised limit is set at a level which is approximately £10m above the Capital Financing Requirement.

2018/19	Authorised Limit £m	Actual Borrowing £m
Borrowing	130	82

f) **Operational Boundary**

The operational boundary is based on the most likely or prudent but not worst-case scenario in relation to cash flow. The reason for the difference between the Operational and Actual Borrowing is due to the Authority using internal reserves e.g. the HRA to fund Capital Expenditure rather than borrowing.

2018/19	Operational Boundary £m	Actual Borrowing £m
Borrowing	120	82

2. Prudential Indicators for Prudence

a) **Interest rate exposure**

This indicator gives the following maximum levels of exposure to fixed and variable interest rate payments. Fixed Interest loans charge the same amount of interest from the start of the loan until the loan is repaid. The interest payable for Variable Rate loans may change from the inception date to the maturity date. The Target for Fixed Rate loans is set at the same level as the Authorised Limit whereas the Target for Variable Rate loans is set an amounts which is 40% of the Authorised Limit.

Principal Outstanding 2018/19	Target £000	Actual £000
At Fixed Rates	130,000	56,248
At Variable rates	52,000	25,500

b) **Maturity Structure of fixed rate borrowing**

The Council has numerous fixed rate loans. It is prudent to ensure that these loans do not mature at the same time. Therefore, the Council has set Lower and Upper limits for the Maturity of its Fixed Rate loans.

Maturity	Lower Limit £000	Upper Limit £000	Actual 31 st March 2019 £000
Less than 12 months	0	20,000	7,012
12 months to 24 months	0	20,000	0
24 months to 5 years	0	25,000	6,227
5 years to 10 years	0	50,000	5,155
10 year and over	10	100,000	37,854

Principal sums invested for more than 364 days

The below represents the maximum amount the Authority can invest with any institution. This is to reduce the potential exposure to the Authority should any institution become insolvent.

2018/19	Limit £m	Actual £m
Upper Limit	5	0



Ashfield District Council – Internal Audit Annual Report 2018-19

Audit Committee: 22 July 2019



Contents Page

Introduction	3
Quality Assurance and Improvement Programme	5
Audit Opinion 2018-19	7
Audit Coverage	11
Performance Measures	19
QAIP – Improvement Plan	20

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.

Contacts

Richard Boneham CPFA
Head of Internal Audit (DCC) &
Head of Audit Partnership
c/o Derby City Council
Council House
Corporation Street
Derby, DE1 2FS
Tel. 01332 643280
richard.boneham@derby.gov.uk

Adrian Manifold CMIIA
Audit Manager
c/o Derby City Council
Council House
Corporation Street
Derby
DE1 2FS
Tel. 01332 643281
adrian.manifold@centralmidlandsaudit.co.uk

Mandy Marples CPFA, CCIP
Audit Manager
c/o Derby City Council
Council House
Corporation Street
Derby
DE1 2FS
Tel. 01332 643282
mandy.marples@centralmidlandsaudit.co.uk

Providing Excellent Audit Services in the Public Sector

Introduction

Why an Audit Opinion is required

The Public Sector Internal Audit Standards (PSIAS) states:

Public sector requirement

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

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

The annual report must also include a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme.

Extracted from Public Sector Internal Audit Standards Updated March 2017 - 2450 Overall Opinions

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

With regard to overall opinions, CIPFA's Local Government Application Note for the United Kingdom Public Sector Internal Audit Standards 2019 Edition (issued February 2019) also states:

"The Public Sector Requirement in PSIAS 2450 requires that the Chief Audit Executive must provide an annual report to the board timed to support the annual governance statement. This must include:

- *an annual internal audit opinion on the overall adequacy and effectiveness of the organisation's governance, risk and control framework – i.e. the control environment*
- *a summary of the audit work from which the opinion is derived (including reliance placed on work by other assurance providers)*
- *a statement on conformance with the PSIAS and the results of the Quality Assurance and Improvement Programme.*

In local government, the annual opinion should be guided by the CIPFA Framework Delivering Good Governance in Local Government.

The annual report should also include:

- *disclosure of any qualifications to that opinion, together with the reasons for the qualification*
- *disclosure of any impairments ('in fact or appearance') or restriction in scope*
- *a comparison of the work actually undertaken with the work that was planned and a summary of the performance of the internal audit function against its performance measures and targets*
- *any issues the Chief Audit Executive judges particularly relevant to the preparation of the annual governance statement*
- *progress against any improvement plans resulting from QAIP external assessment.*

In the context of the PSIAS, 'opinion' means that internal audit will have done sufficient, evidenced work to form a supportable conclusion about the activity that it has examined. Internal audit will word its opinion appropriately if it cannot give reasonable assurance (e.g. because of limitations to the scope of, or adverse findings arising from, its work)."

How an Audit Opinion is Formed

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



Possible Overall Opinions

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

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

Quality Assurance and Improvement Programme

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

Public Sector Internal Audit Standards state:

Public sector requirement

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

Extracted from Public Sector Internal Audit Standards Updated March 2017 - 1320 Reporting on the Quality Assurance and Improvement Programme

Public Sector Internal Audit Standard 1312 also requires that:

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

Assessments are based on the following 3 ratings:

- **Generally Conforms** - means that an internal audit activity has a charter, policies, and processes that are judged to be in conformance with the Standards.
- **Partially Conforms** - means deficiencies in practice are noted that are judged to deviate from the Standards, but these deficiencies did not preclude the internal audit activity from performing its responsibilities in an acceptable manner.
- **Does Not Conform** - means deficiencies in practice are judged to be so significant as to seriously impair or preclude the internal audit activity from performing adequately in all or in significant areas of its responsibilities.

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

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

As required, we have also undertaken a self-assessment against the Standards in December 2018 using the tool specifically developed by the Institute of Internal Auditors (IIA) for this purpose.

We have determined that CMAP **Generally Conforms** ' to the Standards. 'Generally Conforms' means the evaluator has concluded that the relevant structures, policies, and procedures of the activity, as well as the processes by which they are applied, comply with the requirements of the individual *Standard* or element of the Code of Ethics in all material respects. For the sections and major categories, this means that there is general conformance to a majority of the individual *Standards* or elements of the Code of Ethics, and at least partial conformance to the others, within the section/category. There may be significant opportunities for improvement, but these must not represent situations where the activity has not implemented the *Standards* or the Code of Ethics, has not applied them effectively, or has not achieved their stated objectives. As indicated above, general conformance does not require complete/perfect conformance, the ideal situation, successful practice, etc.

As such, CMAP has identified a number of actions for improvement some of which are listed in the [Improvement Plan](#) section at the end of this report.

Audit Opinion 2018-19

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

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

- The level of coverage provided by Internal Audit was considered adequate.
- Work has been planned and performed so as to obtain sufficient information and explanation considered necessary in order to provide evidence to give reasonable assurance that the organisation's control environment is operating effectively.
- Our organisational independence and objectivity has not been subject to any impairment in fact or appearance; nor has the scope of our work been restricted in any way.
- Our insight gained from our interactions with Senior Management and the Audit Committee.
- The 2018-19 Internal Audit Plan, approved by the Audit Committee on 11 March 2019, was informed by Internal Audit's own assessment of risk and materiality in addition to consultation with Senior Management to ensure it aligned to the organisation's key risks and objectives.
- The 2018-19 Internal Audit Plan was subject to a number of changes during the year to accommodate emerging risks and a complex investigation. The investigation was undertaken in the Neighbourhood & Environment area of the Depot. Following this investigation we evaluated the adequacy of a number of systems and process at the Depot and some related ICT issues. The report identified a number of system weaknesses and received a Limited assurance rating. Management has made determined efforts to address the weakness in control; immediate actions were taken to address the urgent issues identified and a series of longer term actions were identified to review the soundness of supporting policies and controls in a wider Council review, which is still in progress. Management have utilized their performance management system, Pentana, to follow up the weaknesses identified and these are discussed regularly at meetings of the Council's Corporate Leadership Team to ensure that progress continues to be made. This measure is in addition to our routine follow-up procedures. I will continue to keep a watching brief on the implementation of these actions.
- The following tables summarise the 2018-19 Audit Plan assignments and their outcomes as well as those assignments from the 2017-18 Audit Plan which were still ongoing in 2018-19.

Ashfield District Council – Internal Audit Annual Report 2018-19

2018-19 Jobs	Status	% Complete	Assurance Rating
Anti-Fraud	Draft Report	95%	N/A
Data Protection	Final Report	100%	N/A
Electoral Services	Final Report	100%	Comprehensive
Treasury Management/Banking Services	Final Report	100%	Reasonable
Web Server Security	Final Report	100%	Reasonable
Risk Registers	Final Report	100%	Reasonable
Commercial Property Portfolio	Draft Report	95%	Reasonable *
Universal Credit	Final Report	100%	Comprehensive
Council Tax & NDR	Final Report	100%	Comprehensive
Transport Stocks & Stores	Final Report	100%	Reasonable
Waste Management/ Whitespace	Final Report	100%	Reasonable
Safeguarding	Final Report	100%	Reasonable
Fleetwave	Final Report	100%	Limited
Licensing	Final Report	100%	Reasonable
Housing Stocks & Stores	Final Report	100%	Comprehensive
Depot Investigation	Final Report	100%	Limited

* Assurance rating yet to be finalised

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

- Of the 26 substantially completed assignments, 20 attracted either a Comprehensive or Reasonable assurance rating and 4 assignments were given a Limited assurance rating. There were also pieces of work on Data Protection and Anti-fraud that could not be assigned an assurance rating due to the nature of the review. From the completed assignments a total of 119 recommendations were made; 77 of these were considered to present a low risk; 41 were considered to present a moderate risk; with 1 remaining presenting a significant risk. There were no critical risk recommendations made. The significant risk recommendation has been implemented. Although there were a number of moderate risk recommendations made, they were not significant in aggregate to the system of internal control.
- Of the 7 **Key Financial System** audits undertaken in 2018-19, all were finalised and attracted either a Comprehensive or Reasonable overall assurance rating. These audit assignments identified 21 recommendations, 20 of which were classified as low risk and 1 was considered a moderate risk.

- Of the 9 **System/Risk** audits undertaken in 2018-19, 7 were finalised and attracted either a Comprehensive or a Reasonable overall assurance rating and 1 attracted a Limited assurance rating. A total of 43 recommendations were made; 13 of which were considered to present a moderate risk, 29 were judged as low risk and 1 a significant risk. The significant risk recommendation arose in the audit of Fleetwave, the Council's Fleet Management System:
 - 'Consortium wide system administrator roles existed within the Fleet Management system, which allowed officers to both view the personal data of other Councils' drivers, and also grant access to fellow employees to view the personal data of other Councils. Furthermore, the Council could not accurately determine which non-Ashfield DC officers in the consortium could view and grant access to their personal and sensitive information within Fleetwave.'

This issue has now been addressed.

The remaining assignment considered the management of the Council's Commercial Property Portfolio. The Council is increasingly reliant on commercial property income and with this brings increased risk which must be managed appropriately. The audit focused on ensuring that the portfolio of commercial investments held by the Council is being adequately managed and monitored. The report is yet to be finalised but has provisionally attracted a Reasonable assurance rating.

- All of the 4 **Governance/Ethics** audits undertaken during 2018-19 have been finalised. The 3 assignments judged as Comprehensive or Reasonable resulted in 12 recommendations; 6 of which were considered to represent a moderate risk and 6 a low risk. A further assignment on Data Protection did not have an assurance rating and produced one moderate risk recommendation.
- The 2 **IT Audits** were all completed during 2018-19 and attracted a Reasonable assurance rating. A total of 15 recommendations were made, 5 of which were moderate risk recommendations and 10 low risk.
- Of the 3 **Anti-fraud** audits undertaken in 2018-19, 2 were finalised and both attracted Limited assurance ratings.
 - A Pest Control System Weakness report resulted from a whistleblowing investigation carried out in 2017-18. This report made 5 moderate risk recommendations and 1 low risk recommendation. 3 of the moderate risk recommendations have been implemented, however Management are still in the process of implementing the remaining recommendations.
 - As noted, following a complex investigation in the Neighbourhood & Environment area of the Depot, a Systems Weakness report was carried out to evaluate the adequacy of a number of systems and processes at the Depot. A total of 14 recommendations were made, of which 8 were low risk and 6 were moderate risk recommendations. To date, 4 recommendations have been implemented, 3 are in the process of being implemented and 7 have a future action date.

A further piece of anti-fraud work was carried out by Derby City Council's Counter Fraud Team which reviewed the progress made by the Council with regard to NFI and data matching; this was a Significant Issue identified in the Council Annual Governance Statement 2017-18. A separate review of Council Tax Single Person Discount has also been carried out for the Council and will be reported to Audit Committee. We considered this work and reviewed the development of the Council's corporate approach. This assignment has yet to be finalised but will make recommendations to enable the Council to refresh its approach and determine an action plan to prioritise improvements and embed an anti-fraud culture. An assurance rating is not applicable for this piece of work.

- The 1 **Procurement/Contract** audit finalised during 2018-19 attracted an overall assurance rating of Limited. This audit considered the arrangements in place regarding the Council's contracts register and the Council's reporting requirements under the procurement element of the Local Government Transparency Code 2015. The assignment identified 7 recommendations, 3 of which were classified as low risk and 4 were considered a moderate risk. All of the recommendations have now been implemented.

This opinion is provided with the following caveats:

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

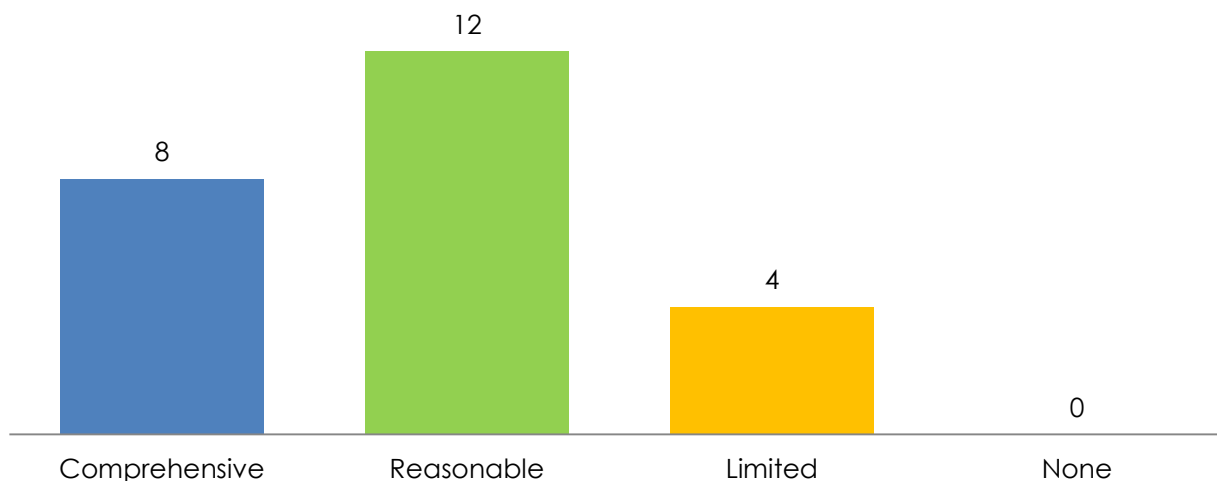
Audit Coverage

Assurances Provided

The following table seeks to summarise the extent of audit coverage provided to Ashfield District Council during 2018-19 and the assurance ratings associated with each audit assignment.

Summary of Audit Plan 2018-19 Results (incl. Jobs B/Fwd)	Type of Review						Totals
	Key Financial System	System/ Risk	Governance /Ethics	IT Audit	Anti- Fraud	Procurement /Contract	
Not Yet Complete							
Comprehensive	5	2	1				8
Reasonable	2	6	2	2			12
Limited		1			2	1	4
None							
N/A			1		1		2
	7	9	4	2	3	1	26

Assurances Provided 2018-19



Assurance Ratings Explained

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

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

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

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

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

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

Audit Plan Assignments 2018-19

Audit Assignments Completed in Period	Assurance Rating	Recommendations Made				% Recs Closed
		Critical Risk	Significant Risk	Moderate Risk	Low Risk	
Treasury Management & Banking Services	Reasonable			1	4	60%
Universal Credit	Comprehensive				3	100%
Council Tax & NDR	Comprehensive				1	100%
Capital Accounting	Comprehensive				3	67%
Fixed Assets	Comprehensive				1	100%
Housing Benefits & Council Tax Support	Comprehensive				3	100%
Payroll	Reasonable				5	100%
Electoral Services	Comprehensive				4	75%
Commercial Property Management	Reasonable*					n/a
Transport Stocks & Stores	Reasonable			2	5	100%
Waste Management/ Whitespace	Reasonable			1	4	40%
Safeguarding	Reasonable			2	3	20%
Fleetwave	Limited		1	4	2	43%
Licensing	Reasonable			3	4	86%
Housing Stocks & Stores	Comprehensive				4	100%
Housing Lettings/Allocations	Reasonable			1	3	100%
Data Protection	N/A			1		100%
Risk Registers	Reasonable			2	3	0%
Health & Safety	Comprehensive				3	67%
Commercial Property Investment	Reasonable			4		100%
Web Server Security	Reasonable			2	8	100%
ICT Performance Management	Reasonable			3	2	60%
Anti-Fraud	N/A					n/a
Whistleblowing - Pest Control	Limited			5	1	50%
Depot Investigation	Limited			6	8	29%
Contract Management	Limited			4	3	100%
TOTALS			1	41	77	69%

* Assurance rating yet to be finalised

Original Plan 2018-19

A number of changes were made to the Audit Plan in year to accommodate emerging risks and the Depot Investigation. These changes were reported to Audit Committee throughout the year. The following table shows the original Audit Plan 2018-19 for comparison purposes.

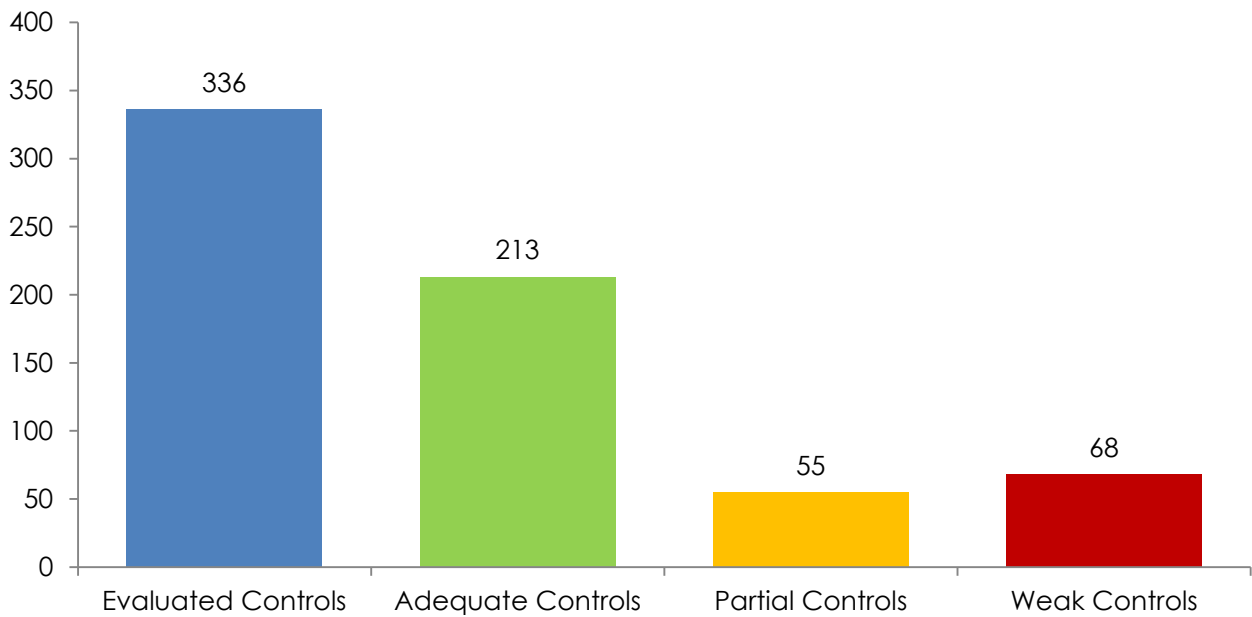
Ashfield District Council – Internal Audit Annual Report 2018-19

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

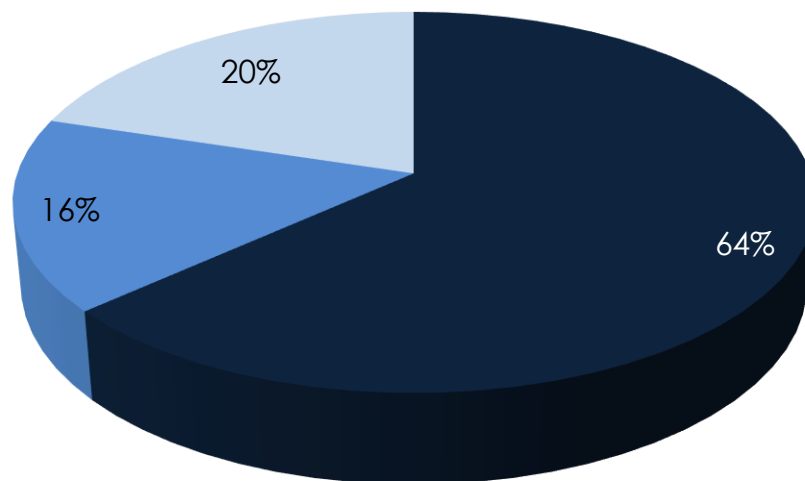
Internal Controls Examined

For those audits finalised during 2018-19, we established the following information about the controls examined:

Internal Controls 2018-19



- Adequate Controls
- Partial Controls
- Weak Controls

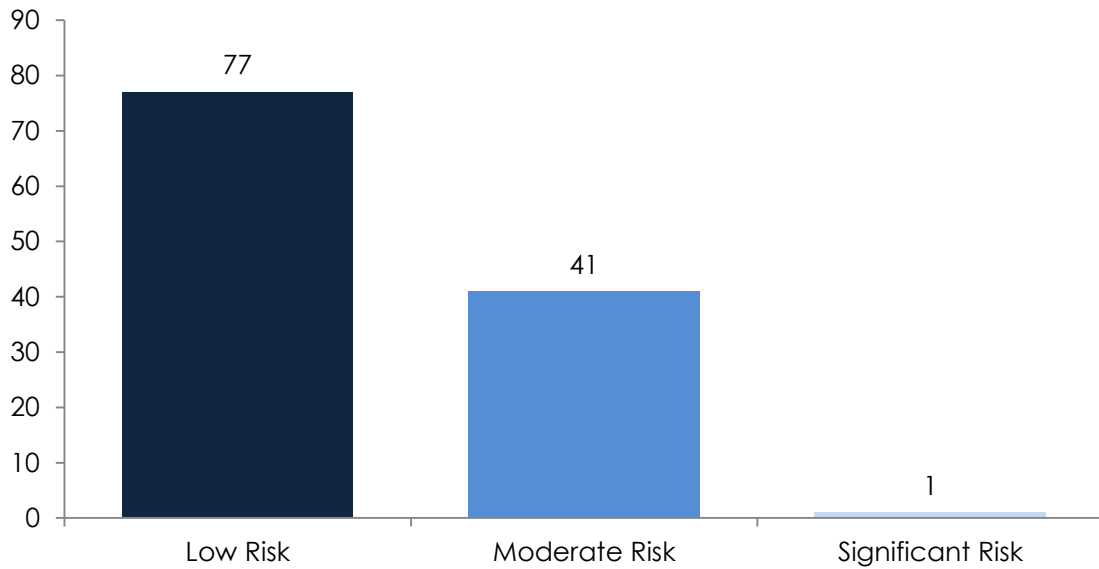


Recommendations Made

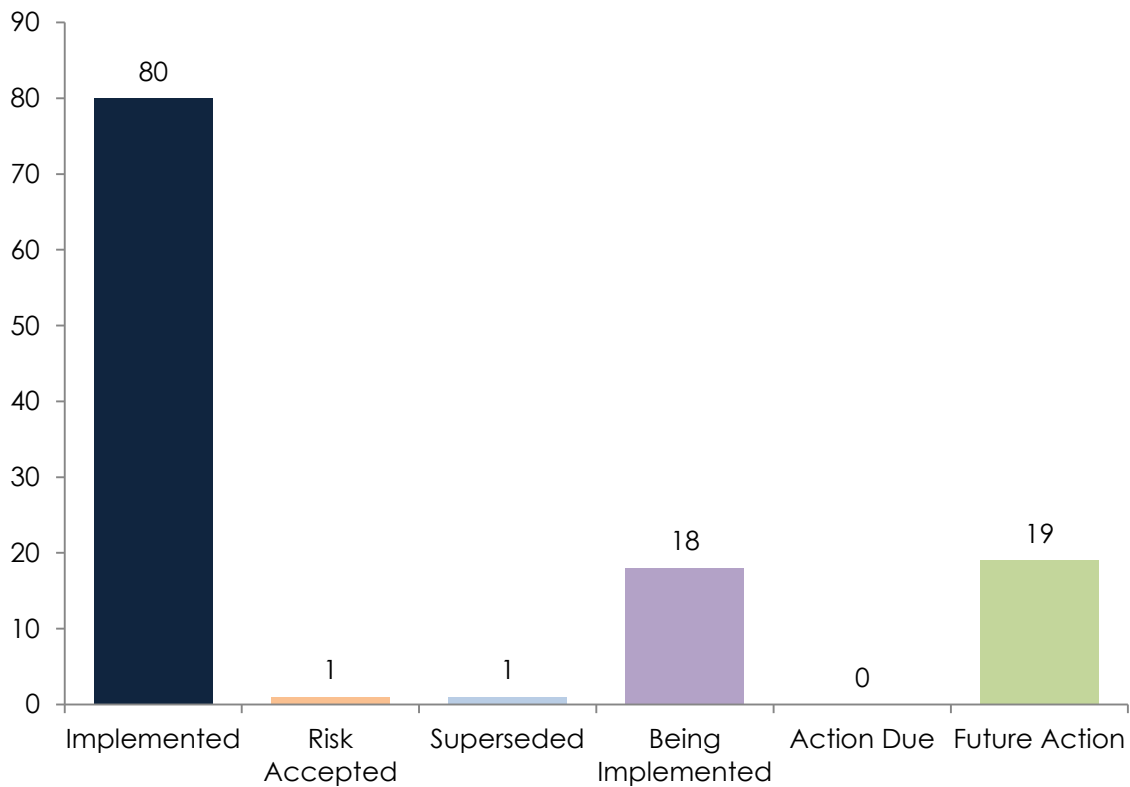
The control weaknesses identified above resulted in 119 recommendations which suggested actions for control improvements. The following table and charts show where the recommendations came from, how the recommendations were risk rated and the current status of all recommendations made in 2018-19:

Audit Assignments Completed in Period	Type of Review	Recommendations Status			
		Total Closed	Action Due	Being Implemented	Future Action
Treasury Management & Banking Services	Key Financial System	3			2
Universal Credit	Key Financial System	3			
Council Tax & NDR	Key Financial System	1			
Capital Accounting	Key Financial System	2		1	
Fixed Assets	Key Financial System	1			
Housing Benefits & Council Tax Support	Key Financial System	3			
Payroll	Key Financial System	5			
Electoral Services	System/Risk	3		1	
Commercial Property Portfolio	System/Risk				
Transport Stocks & Stores	System/Risk	7			
Waste Management/ Whitespace	System/Risk	2		3	
Safeguarding	System/Risk	1			4
Fleetwave	System/Risk	3		4	
Licensing	System/Risk	6			1
Housing Stocks & Stores	System/Risk	4			
Housing Lettings/Allocations	System/Risk	4			
Data Protection	Governance/Ethics	1			
Risk Registers	Governance/Ethics			1	4
Health & Safety	Governance/Ethics	2			1
Commercial Property Investment	Governance/Ethics	4			
Web Server Security	IT Audit	10			
ICT Performance Management	IT Audit	3		2	
Anti-Fraud	Anti-Fraud				
Whistleblowing - Pest Control	Anti-Fraud	3		3	
Depot Investigation	Anti-Fraud	4		3	7
Contract Management	Procurement/Contract	7			
Totals		82		18	19

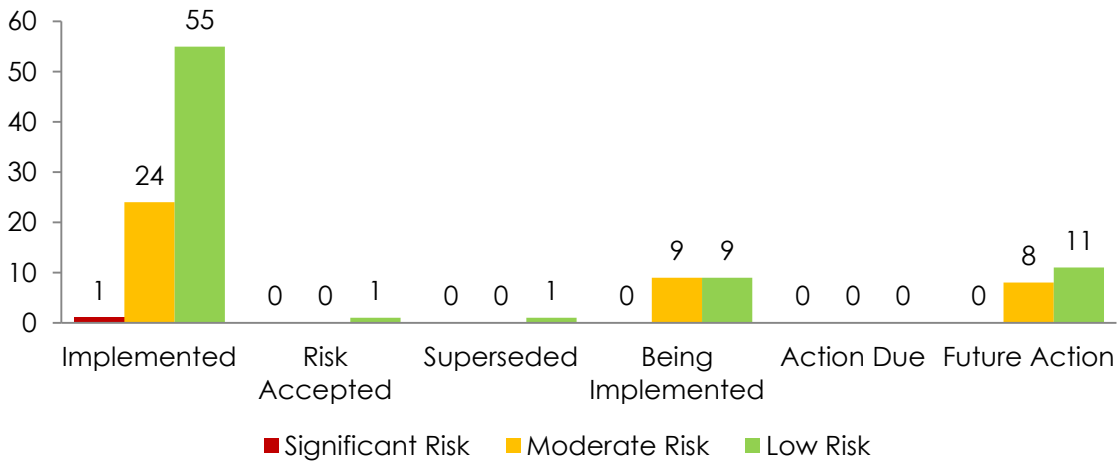
Recommendations Made 2018-19



Action Status of 2018-19 Recommendations

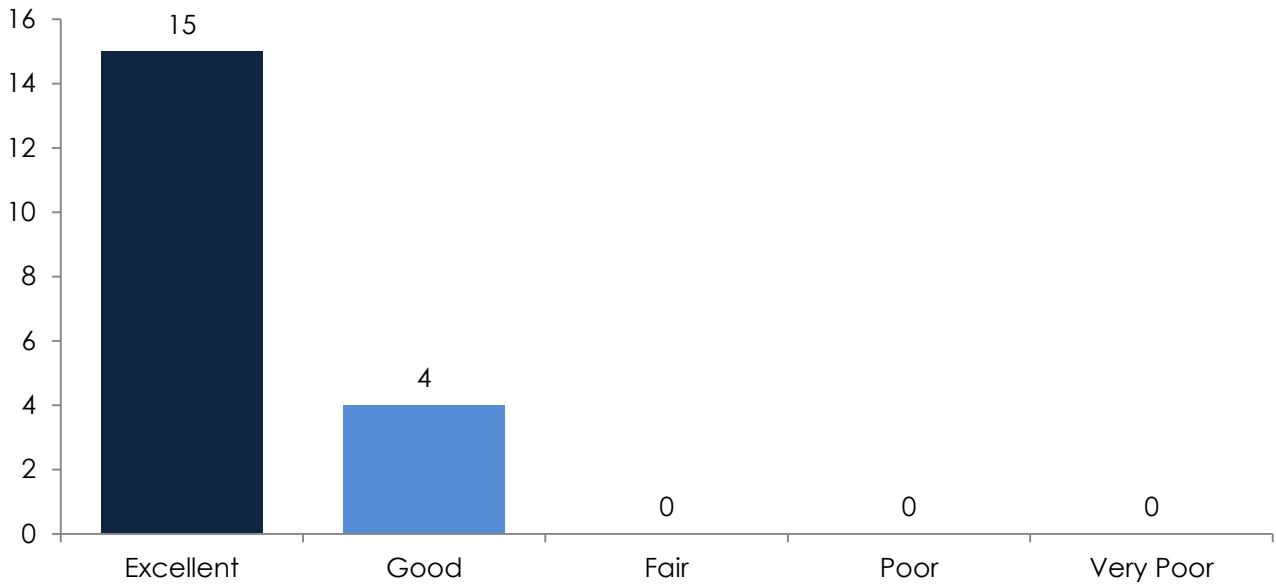


2018-19 Recommendations Status

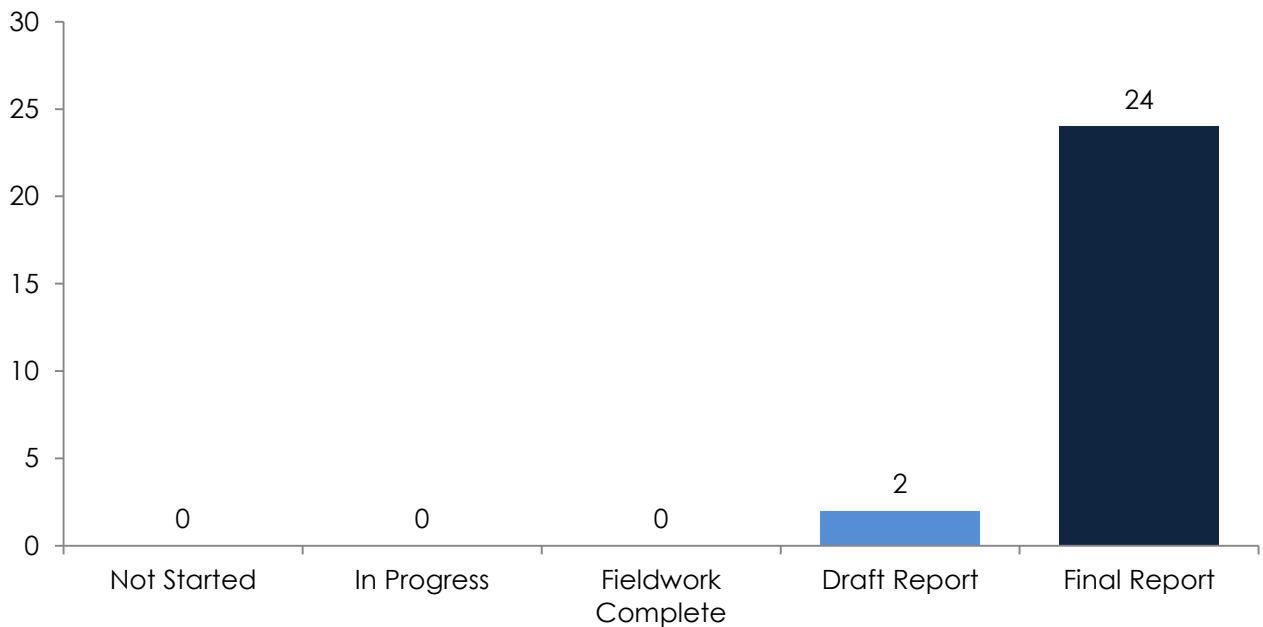


Performance Measures

Customer Satisfaction Returns 2018-19



Plan Progress 2018-19



QAIP – Improvement Plan

ACTIONS

1. We need to seek satisfaction feedback from Audit Committees & Senior Management on whether the Audit Plan focuses on the things that matter to the organisation and whether our opinion and recommendations are valued and help the organisation.
2. We must continue to heighten our profile by building on the relationship management already established with each partner organisation. i.e. Regular meetings with senior management and regular on-site presence.
3. To avoid any perceived conflicts of interest, we need to re-iterate/emphasise our rules and individual responsibilities to matters concerning the impairment of our professional judgement.
4. Our Record Retention Policy needs to be refined and expanded to include temporary records not held on Derby City Council's (DCC) network drive. Potentially need to issue procedural guidance to supplement the policy. The ethical use of information gathered during audits, needs to be emphasised.
5. We need to map competency levels of staff over the various audit disciplines (e.g. contract, IT, probity, investigations etc.) that we can link to audit engagements to demonstrate that the staff assigned are appropriate.
6. To show our commitment to staff retention and development, we also need to ensure that:
 - staff complete the Audit Management System in respect of any training received,
 - we undertake performance management in accordance with the hosts requirements and
 - we produce a Training & Development Plan to demonstrate a culture of continuous improvement which considers the needs of individuals.
7. To ensure that the Audit Charter is reviewed and approved by the board we should develop a reporting timetable for each Audit Committee that defines what needs to go to each Committee during the year ahead.
8. We need to make a declaration on whether there are any perceived conflicts of interest with any other assurance providers which the Chief Audit Executive (CAE) is relying upon when forming an opinion.
9. We must seek to ensure that the organisational changes at DCC do not impair the independence of the CAE by getting operational responsibilities for non-audit functions.
10. We need to establish a robust process for engaging capable assistance when resource shortfalls exist (e.g. contracts for Co-sourcing, specialists service providers etc.)

Ashfield District Council – Internal Audit Annual Report 2018-19

11. We must ensure that our Audit Manual is complete, up-to-date, readily available and used by all audit staff.
12. To ensure that audit engagements are supported by appropriate tools, we need to encourage Auditors greater use of Computer Assisted Audit Techniques (e.g. IDEA and analytical Excel functions) and consider whether it would be beneficial to record when they have been used to identify potential development opportunities.
13. Complete this self-assessment and produce a revised QAIP and Action Plan for reporting to all necessary parties.
14. To demonstrate stakeholder engagement with the process, we need to ensure that the QAIP Action Plan is a standard agenda item on both Operational Management group and at Audit Section meetings.
15. To ensure that we are managing risks to the internal audit activity appropriately and effectively, we need to try and improve the financial monitoring information produced for CMAP and produce a Business Plan that demonstrates that the internal audit activity is adding value to each organisation.
16. To ensure the CAE communicates significant interim changes to plans and resource requirements, we could improve the way we plan/report the use of contingency time for certain partners.
17. Need to add an area to record other assurance providers to our individual assignment risk assessments, we need to consider how we can incorporate this information into our overall risk assessment process and our overall opinion and how the other assurance provider information we gather can be used to demonstrate the overall Assurance 'map' for each organisation.
18. To support the improvement of the organisation's governance framework, we need to undertake consultancy work to facilitate the self-assessment of the effectiveness of the Audit Committee at all partner organisations as well as develop a suite of Audit Committee training courses.
19. We need to consider how we could systematically evaluate the potential for the occurrence of fraud at each partner organisation and how each organisation manages fraud risk.
20. To demonstrate each work programme has been appropriately approved, we need to continue to develop the controls/risk/tests selection from a searchable database in the AMS (which will automatically generate the control evaluation) which incorporates attributes for each control (such as risk type, control type) so we can better demonstrate our coverage and the scrutiny and approval of that coverage by audit management. We need to continue to gather control/risk/test data from existing audit ready for import into the database.

This page is intentionally left blank



Ashfield District Council – Audit Progress Report

Audit Committee: 22nd July 2019



Contents

Page

AUDIT DASHBOARD	3
AUDIT PLAN	4
AUDIT COVERAGE	5
RECOMMENDATION TRACKING	12
STATUS OF PREVIOUS AUDIT RECOMMENDATIONS	18

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.

Contacts

Richard Boneham CPFA
Head of Internal Audit (DCC) &
Head of Audit Partnership
c/o Derby City Council
Council House
Corporation Street
Derby, DE1 2FS
Tel. 01332 643280
richard.boneham@derby.gov.uk

Adrian Manifold CMIA
Audit Manager
c/o Derby City Council
Council House
Corporation Street
Derby
DE1 2FS
Tel. 01332 643281
adrian.manifold@centralmidlandsaudit.co.uk

Mandy Marples CPFA, CCIP
Audit Manager
c/o Derby City Council
Council House
Corporation Street
Derby
DE1 2FS
Tel. 01332 643282
mandy.marples@centralmidlandsaudit.co.uk

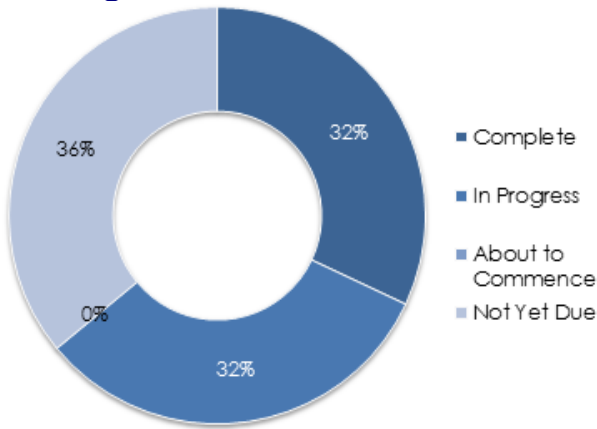


central midlands audit partnership
Providing Excellent Audit Services in the Public Sector

Ashfield District Council – Audit Progress Report

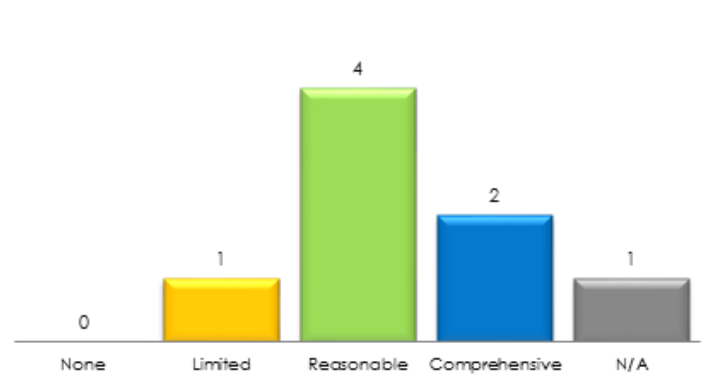
AUDIT DASHBOARD

Plan Progress



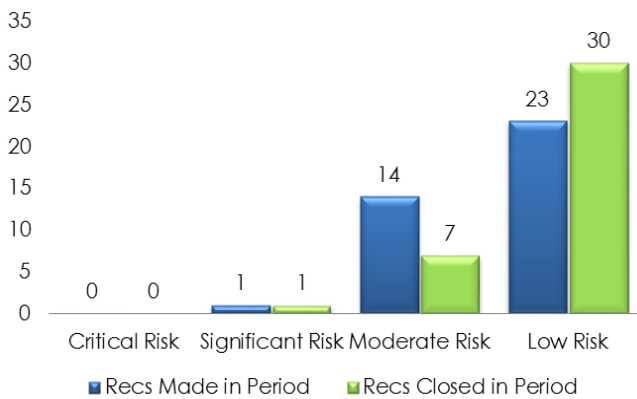
Assurance Ratings

Control Assurance Ratings Issued During Period



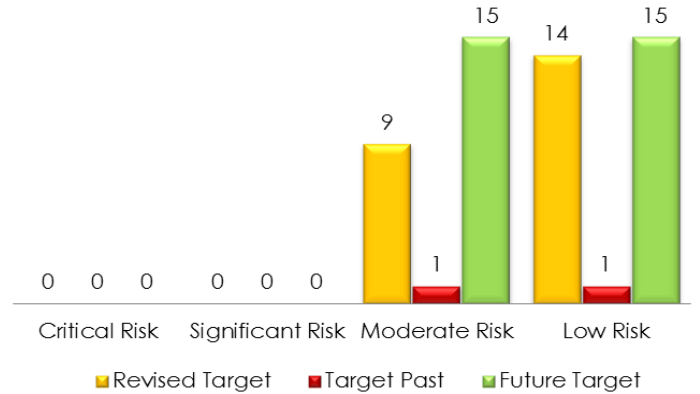
Recommendations

Movement During Period



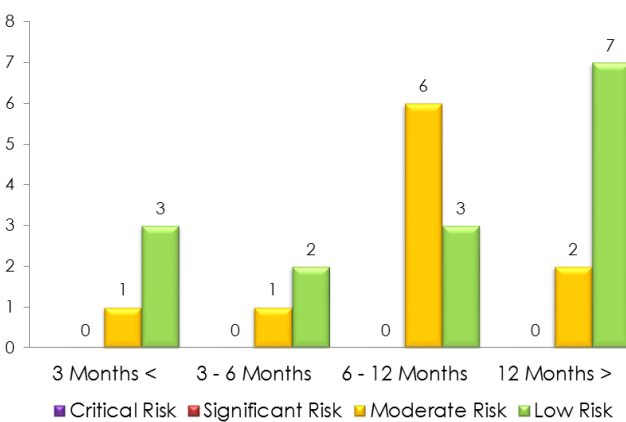
Recommendations

Recommendations Currently Open



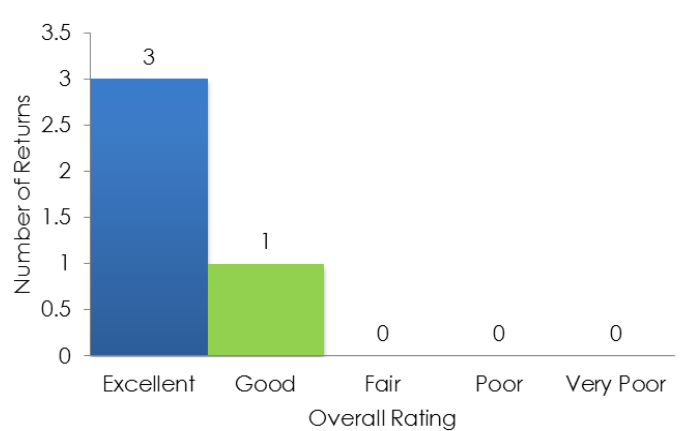
Recommendations

Overdue Recommendations



Customer Satisfaction

Returns Between Mar 19 & Jun 19



Ashfield District Council – Audit Progress Report

AUDIT PLAN

Progress on Audit Assignments

The following table provides the Committee with information on how audit assignments were progressing as at 30th June 2019.

2019-20 Jobs	Status	% Complete	Assurance Rating
Anti-Fraud & Corruption 2019-20	Not Allocated	0%	
Information Governance	In Progress	55%	
Main Accounting Systems 2019-20	Not Allocated	0%	
Creditors (Purchase Cards) 2019-20	Not Allocated	0%	
IT Policy Compliance	Fieldwork Complete	90%	
IT Consultancy	Not Allocated	0%	
Corporate Improvement/Transformation 2019-20	Not Allocated	0%	
Data Quality & Performance Management 2019-20	In Progress	20%	
Procurement 2019-20	In Progress	40%	
Revenue Systems 2019-20	Not Allocated	0%	
Customer Services/E-Payment 2019-20	Not Allocated	0%	
People Management 2019-20	Not Allocated	0%	
Anti-Social Behaviour	In Progress	10%	
Fire Safety	Fieldwork Complete	90%	
Homelessness 2019-20	Not Allocated	0%	
Asset Management - Door Access	Fieldwork Complete	90%	
B/Fwd Jobs	Status	% Complete	Assurance Rating
Anti-Fraud	Draft Report	95%	
Universal Credit	Final Report	100%	Comprehensive
Commercial Property Investment	Final Report	100%	Reasonable
Treasury Management & Banking Services	Final Report	100%	Reasonable
Web Server Security	Final Report	100%	Reasonable
Data Protection	Final Report	100%	N/A
Safeguarding	Final Report	100%	Reasonable
Fleetwave	Final Report	100%	Limited
Council Tax & NDR	Final Report	100%	Comprehensive

Audit Plan Changes

No changes to report.

Ashfield District Council – Audit Progress Report

AUDIT COVERAGE

Completed Audit Assignments

Between 15th February 2019 and 8th July 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	
Commercial Property Management	Reasonable	0	0	4	2	0%
Universal Credit	Comprehensive	0	0	0	3	100%
Council Tax & NDR	Comprehensive	0	0	0	1	100%
Treasury Management & Banking Services	Reasonable	0	0	1	4	60%
Web Server Security	Reasonable	0	0	2	8	100%
Data Protection	N/A	0	0	1	0	100%
Safeguarding	Reasonable	0	0	2	3	20%
Fleetwave	Limited	0	1	4	2	43%
TOTALS		0	1	14	23	58%

Commercial Property Management	Assurance Rating			
	None	Limited	Reasonable	Comprehensive
Control Objectives Examined	Controls Evaluated	Adequate Controls	Partial Controls	Weak Controls
The portfolio of commercial investments is being adequately managed and maintained.	15	9	4	2
TOTALS	15	9	4	2
Summary of Weakness		Risk Rating	Agreed Action Date	
The supporting information to the Executive Decision Report did not include the calculation of the ratio of debt/market value risk.		Moderate Risk	30/09/2019	
The commercial property investment reserve was set at £400,000 without justification as to the level of the reserve held. When the Council increase the value of investment, this reserve may not be sufficient.		Low Risk	30/09/2019	
The risk that external regulations could be amended which restrict the Council's commercial property investments have not been fully reported to Members.		Moderate Risk	30/09/2019	

Ashfield District Council – Audit Progress Report

The Council did not have a set of meaningful performance indicators in use on the Council's performance system.	Moderate Risk	30/09/2019
The Terms of Reference for the Commercial Investment Working Group was out of date as it included officers who no longer worked for the Council and there was no evidence of when this document was last reviewed.	Low Risk	30/09/2019
The changes in tenant's financial stability were not being formally reported to Management and Members.	Moderate Risk	31/07/2019

Universal Credit	<p style="text-align: center;">Assurance Rating</p>			
Control Objectives Examined	Controls Evaluated	Adequate Controls	Partial Controls	Weak Controls
The Universal Credit Action Plan is being monitored and evidence retained on actions taken.	2	1	1	0
Training, education and awareness of Universal Credit has been delivered to stakeholders.	4	2	1	1
Progress is reported to senior management.	1	1	0	0
TOTALS	7	4	2	1
Summary of Weakness		Risk Rating	Agreed Action Date	
The Universal Credit Action Plan was not a formal document and it did not consistently record key information, such as priority ratings and completion information.		Low Risk	Implemented	
A record had not been maintained of attendees at a recent Member training exercise on Universal Credit.		Low Risk	Implemented	
Feedback from stakeholder training on Universal Credit had not been obtained and acted upon by the Service Manager, Revenues and Benefits.		Low Risk	Implemented	

Ashfield District Council – Audit Progress Report

Council Tax & NDR					
Control Objectives Examined		Controls Evaluated	Adequate Controls	Partial Controls	Weak Controls
The Council has appropriate controls over the authorisation and issue of refunds for Non Domestic Rates and Council Tax.		6	5	1	0
The Council has processes and procedures to effectively control NDR and Council Tax write offs and that all write-offs are appropriate and necessary.		5	5	0	0
TOTALS		11	10	1	0
Summary of Weakness		Risk Rating		Agreed Action Date	
Refund batch approval sheets had not been fully completed in all Council Tax cases tested.		Low Risk		Implemented	

Treasury Management & Banking Services					
Control Objectives Examined		Controls Evaluated	Adequate Controls	Partial Controls	Weak Controls
A Treasury Management Strategy, Policy and Procedural Guidance documents are in place.		5	3	1	1
Treasury Management transactions are documented, approved and comply with the Council's agreed Investment Strategy. Interest and capital is received/recovered or paid/repaid in a timely manner.		5	2	3	0
To review bank accounts to ensure that all open accounts are appropriate and necessary, and review bank statements to identify inappropriate transactions and balances.		3	2	0	1
To review the security of the card reader and card payment system.		6	6	0	0
TOTALS		19	13	4	2
Summary of Weakness		Risk Rating		Agreed Action Date	
The Council's Audit Committee had not received Treasury Management information and		Moderate Risk		29/02/2020	

Ashfield District Council – Audit Progress Report

so could not fulfil their scrutiny role, as defined in the Financial Regulations.		
Procedural guidance for processing Treasury Management transactions had out of date references to former systems and latest developments had not been included. Additionally, the Council's ICT Security Policy did not make reference to the use and retention of smart card and card readers.	Low Risk	30/09/2019
Reconciliation between Treasury movements and the general ledger was not being signed off to evidence officers involved in its production and checking.	Low Risk	Implemented
Temporary Loan Calculation sheets evidencing approval of the transactions were not present for a small number of loans taken by the Council. Where Temporary Loan Calculation sheets were present some had not been marked to evidence that cash flows had been checked prior to creating the transaction.	Low Risk	Implemented
The Council's Financial Regulations did not make reference to the use or approval of Direct Debit transactions.	Low Risk	31/05/2019 Implemented

<h2>Web Server Security</h2>	<p style="text-align: center;">Assurance Rating</p>			
Control Objectives Examined	Controls Evaluated	Adequate Controls	Partial Controls	Weak Controls
Ensure the Council's website is compliant with the Web Content Accessibility Guidelines (WCAG), and free from common errors and privacy issues.	12	8	0	4
Ensure that the security and management of the CMS and hosting web server is compliant with recognised best practice.	23	14	0	9
TOTALS	35	22	0	13
Summary of Weakness		Risk Rating	Agreed Action Date	
Over 300 pages on the Council's website contained one or more spelling errors. Other errors identified included documents which had been scanned and saved with pages upside down.		Low Risk	31/03/2019 Implemented	
A significant number of broken hyperlinks existed on pages on the Council's website.		Low Risk	31/03/2019 Implemented	
There were a number of Web Content Accessibility Guidelines (WCAG) Level A compliance issues identified on pages of the Council's website.		Moderate Risk	28/06/2019 Implemented	

Ashfield District Council – Audit Progress Report

The Council were not always adhering to usability.gov guidelines, specifically the use of meaningful link labels (10.1), and misleading 'cues to click' by using underlined text on a significant number of pages (10.4).	Low Risk	28/06/2019 Implemented
The CMS databases were located on the local C:\ of the web server, which did not comply with the security best practice of segregating the web server and databases onto different systems.	Low Risk	28/06/2019 Implemented
The current version of the CMS was missing 11 patch updates, and the last official update that had been applied was issued in September 2016.	Low Risk	28/06/2019 Implemented
A number of stale accounts (3 of which had not logged into the system since 2016), were still active in the CMS, raising concerns around the account management procedures in operation.	Low Risk	31/03/2019 Implemented
The current password policy for the CMS back office users, did not enforce password complexity (only a minimum password length), and passwords on a number of active accounts had not been changed since 2016, including one administrator account.	Low Risk	31/03/2019 Implemented
Access to mailboxes or distribution groups which received personal data from forms on the Council's website, had not always been appropriately restricted, including data submitted from the First 4 Support lifeline application, and the Report Community Safety Issues forms.	Low Risk	30/04/2019 Implemented
Personal contact information, including name, address, age, contact phone number, and email addresses of pupils, submitted by the work experience application form on the website, was not always encrypted in transit.	Moderate Risk	31/03/2019 Implemented

Data Protection

Scope		
During the recent Depot Investigation we noted that a large number of Direct Debit forms had been taken off site for processing, and we had concerns around the potential for data protection breaches and the perceived lack of data protection awareness. It was agreed with the Director of Legal and Governance that Internal Audit would evaluate this situation and make recommendations, where required.		
A large quantity of Direct Debit forms that contained personal and sensitive data had been processed in employees' homes without adequate controls being in place, or guidance given, to safeguard data from theft, loss, inappropriate access and incomplete processing.	Moderate Risk	30 April 2019 Implemented

Ashfield District Council – Audit Progress Report

Safeguarding				
Control Objectives Examined	Controls Evaluated	Adequate Controls	Partial Controls	Weak Controls
The recommendations from the previous audit have been fully implemented and are working as required.	5	2	3	0
Former AHL safeguarding process has been fully integrated with the Council's safeguarding process.	2	0	0	2
TOTALS	7	2	3	2
Summary of Weakness	Risk Rating	Agreed Action Date		
There were a small number of broken hyperlinks within the online safeguarding policy, and incorrect contact details of a key contact for safeguarding were stated within the online content.	Low Risk	30/06/2019		
Access to the safeguarding spreadsheets had not been appropriately controlled to ensure the protection of personal and sensitive data.	Moderate Risk	30/06/2019		
The statistics on referrals from all sections of the Council were not being reported and discussed at the Corporate Vulnerability and Safeguarding Group.	Moderate Risk	30/09/2019		
The Safeguarding Procedures reference guides for employees had not been included on the intranet.	Low Risk	31/05/2019 Implemented		
The Spreadsheet system for safeguarding referrals was not being used in the intended way within the Community Protection and Private Sector Enforcement sections. Multiple versions of the spreadsheets were also in use within Private Sector Enforcement.	Low Risk	30/09/2019		

Fleetwave				
Control Objectives Examined	Controls Evaluated	Adequate Controls	Partial Controls	Weak Controls
Establish the legal basis for the hosting/operation of the Nottinghamshire Transport Consortium.	3	0	0	3

Ashfield District Council – Audit Progress Report

Review the systems access permission and ensure that appropriate restrictions apply to ADC's fleet information and officers.	1	0	0	1
Review the latest systems upgrade and ensure that systems performance is monitored by management.	5	2	1	2
TOTALS	9	2	1	6
Summary of Weakness		Risk Rating	Agreed Action Date	
The Fleet Management contract between consortium members and the hosting company was extended without evidence of formal consultation or approval.		Low Risk	31/08/2019	
The Fleet Management contract held at the Council had not been signed by all consortium members and the contract had not been seen or retained by the Council's legal section.		Moderate Risk	31/08/2019	
The role and access rights of the System Administrator had not been formally set out and agreed with the consortium members. In addition, the System Administrator was providing assistance to the consortium members which were not being recharged or monitored. The System Administrator was also a single point of failure for the Council in terms of knowledge and access to the system.		Moderate Risk	31/08/2019 Implemented	
Consortium wide system administrator roles existed within the Fleet Management system, which allowed officers to both view the personal data of other Councils' drivers, and also grant access to fellow employees to view the personal data of other Councils. Furthermore, the Council could not accurately determine which non-Ashfield DC officers in the consortium could view and grant access to their personal and sensitive information within Fleetwave.		Significant Risk	31/05/2019 Implemented	
The upgrade for the Fleetwave system was not submitted to the Digital Services Transformation Board for consideration before it was implemented.		Moderate Risk	31/07/2019	
The upgrade Agreement had been signed by the Transport and Depot Services Manager without consultation with the Council's legal section. The upgrade Agreement held by the Council had not been signed by the hosting company.		Moderate Risk	31/08/2019	
There was no evidence that issues experienced and reported to the hosting company regarding the upgrade of the system had been discussed with Senior Management.		Low Risk	31/07/2019 Implemented	

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	-	1	4
10-Jan-19	Depot Investigation	Limited	-	2	8
30-Jan-19	Licensing	Reasonable	-	-	1
03-Jan-19	Waste Management (Whitespace)	Reasonable	-	2	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	-	3	-
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	-
15-Jun-17	OPEN Housing IT Security Assessment	Reasonable	-	1	-
31-Oct-16	Ashfield - Main Accounting (MTFP)	Reasonable	-	1	-
25-Jun-19	Commercial Property Management	Reasonable	-	-	6
12-Mar-19	Treasury Management & Banking Services	Reasonable	-	-	2
29-Mar-19	Safeguarding	Reasonable	2	-	2
15-Mar-19	Fleetwave	Limited	-	-	4
		Totals	2	23	30

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
Risk Registers	-	-	-	-	-	1
Depot Investigation	-	-	-	-	-	2
Waste Management (Whitespace)	-	-	-	-	1	1
Capital Accounting	-	-	-	-	-	1
ICT Performance Management	-	-	-	-	2	-
Pest Control	-	-	-	-	2	1
Anti-Fraud & Corruption	-	-	-	-	-	3
Gas Safety 2017-18	-	-	-	-	1	-
Responsive Maintenance/Voids	-	-	-	-	-	2
Development Control	-	-	-	-	1	-
ECINS Security Assessment	-	-	-	-	2	1
OPEN Housing IT Security Assessment	-	-	-	-	-	1
Ashfield - Main Accounting (MTFP)	-	-	-	-	-	1
Safeguarding	-	1	1	-	-	-
TOTALS	-	1	1	-	9	14

Ashfield District Council – Audit Progress Report

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

Safeguarding	Rec No. 2
Summary of Weakness / Recommendation	Risk Rating
<p>Access to the safeguarding spreadsheets had not been appropriately controlled to ensure the protection of personal and sensitive data.</p> <p>We recommend that access to the three safeguarding spreadsheets is reviewed and amended to ensure only relevant personnel have access and their permissions are appropriate and required for their role.</p>	Moderate Risk
Management Response/Action Details	Action Date
<p>The previous system Ecins has not being suitable to use across the organisation. Therefore, this is a new approach that is being adopted and is on trial. Action: The corporate group leads are working with Legal to ensure the new approach is GDPR compliant.</p>	30/06/2019
Status Update Comments	Revised Date

Being Implemented Recommendations

Gas Safety	Rec No. 4
Summary of Weakness / Recommendation	Risk Rating
<p>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.</p> <p>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.</p>	Moderate Risk
Management Response/Action Details	Action Date
<p>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.</p> <p>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.</p> <p>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.</p>	30/06/2018
Status Update Comments	Revised Date
<p>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</p>	30/06/2019

Ashfield District Council – Audit Progress Report

completed for some time.

Job descriptions have been completed and are with JE panel for review, this is the start of the full restructure process.

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

ECINS Security Assessment		Rec No. 10
Summary of Weakness / Recommendation		Risk Rating
<p>Current administrators of the system did not appear to have been sufficiently trained on the accessibility and whereabouts of security related reports that would need to be utilised for effective systems and security management.</p> <p>We recommend that management defines, documents and implements comprehensive security based training to all users granted organisation admin rights to allow them to effectively manage the security of the system and its users.</p>		Moderate Risk
Management Response/Action Details		Action Date
<p>This will be raised to the project lead (PCC office) as per audit recommendations for this to be included in training for persons with org admin rights. The Ecins lead for the Council will prepare documents with project lead for review and sign off.</p>		30/09/2018
Status Update Comments		Revised Date
<p>The PCC hold the contract with the service supplier and pay for the system on behalf of the County. There is a countywide Ecins 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.</p>		

Ashfield District Council – Audit Progress Report

Development Control	Rec No. 5
Summary of Weakness / Recommendation	Risk Rating
<p>Testing noted occasions where personal information had been left on planning documents published on the Council's website.</p> <p>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.</p>	Moderate Risk
Management Response/Action Details	Action Date
<p>Four actions identified;</p> <ol style="list-style-type: none"> 1. Amend procedure to reflect data protection requirements. 2. Introduce weekly random checks. 3. Await further information from the Government on data for planning. 4. Introduce new automated IT system to redact documents. 	31/08/2018
Status Update Comments	Revised Date
<ol style="list-style-type: none"> 1. The procedures were updated immediately to reflect data protection. 2. Weekly random checks were introduced as soon as we received the audit report recommendation. 3. Legal checked with ICO and confirmed PARSOL are updating its planning guidance but it hasn't been done as yet. 4. The new system is due to be installed into test in April but will not be live till July 2019. 	30/07/2019

ICT Performance Management	Rec No. 1
Summary of Weakness / Recommendation	Risk Rating
<p>Despite commitment to performance management in the Council's latest Technology Strategy, we could not find any documented performance management metrics and goals to support this. Similarly, performance metrics for IT did not appear to be subject to annual review, or agreed or monitored by the Council.</p> <p>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.</p>	Moderate Risk
Management Response/Action Details	Action Date
<p>There is a review of the ICT Helpdesk due shortly where performance metrics will be defined and agreed.</p>	01/09/2018
Status Update Comments	Revised Date
<p>A business case for new Service Desk software was taken to the DST (Digital Transformation Group), requesting approval for funding for a Service Desk solution. This Service Desk solution will enable us to gather and report performance statistics. Revised action date to end of July requested to review where the situation is then with regards to the new helpdesk which is essentially the first step in addressing the audit recommendation.</p>	31/07/2019

Ashfield District Council – Audit Progress Report

ICT Performance Management	Rec No. 2
Summary of Weakness / Recommendation	Risk Rating
<p>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.</p> <p>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.</p>	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
<p>A business case for new Service Desk software was taken to the DST (Digital Transformation Group), requesting approval for funding for a Service Desk solution. This Service Desk solution will enable us to gather and report performance statistics. Revised action date to end of July requested to review where the situation is then with regards to the new helpdesk which is essentially the first step in addressing the audit recommendation.</p>	31/07/2019

Pest Control	Rec No. 2
Summary of Weakness / Recommendation	Risk Rating
<p>There was no reconciliation of expected pest control income to actual income received in the ledger.</p> <p>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.</p>	Moderate Risk
Management Response/Action Details	Action Date
Monthly reconciliations will be undertaken.	31/08/2018
Status Update Comments	Revised Date
<p>Monthly reconciliations are now being undertaken, but the process is time consuming, and so improvements, through automation, were being considered.</p> <p>Audit visited the Depot and reviewed process - amendments advised to the current process to evidence date and officers undertaking and checking reconciliation, and matters concerning non-reconciling items. Awaiting evidence to demonstrate amendments have been actioned.</p>	31/08/2019

Pest Control	Rec No. 5
Summary of Weakness / Recommendation	Risk Rating
<p>There was no control of the stock on the Pest Control Vans and the use of stock per job was not recorded.</p> <p>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.</p>	Moderate Risk

Ashfield District Council – Audit Progress Report

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
It is unrealistic to measure out individual quantities per job. This risk will be tolerated as the pest control granules cannot be quantified per job. Adopting housing van stock process once pest control stock in main stores - at the time of audit visit (18 June) this was not in place, but management provided verbal confirmation that the housing van stock process would be adopted imminently.	31/10/2019

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.	Moderate Risk
We recommend that Management review the security, storage and disposal of chemical waste to ensure that it is stored and disposed of appropriately.	
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
The Pest Control store has now been moved into the main depot stores operated by Housing. Products were moved by the Pest Control officers.	31/10/2019
Audit visited to confirm adequacy of arrangements: management were not aware of the chemical waste stored at the Council offices, and so needed to undertake further checks to ensure all PC products/by-products had been moved over. No chemical waste had been moved to the housing stores.	

Waste Management (Whitespace)	Rec No. 2
Summary of Weakness / Recommendation	Risk Rating
The Whitespace system had not been fully utilised and could be further developed to enhance the efficiency of the Pest Control service.	Moderate Risk
We recommend that Management explores opportunities for further development of Whitespace including Management reporting and interfacing with a CRM system in line with the Council's digital transformation programme.	
Management Response/Action Details	Action Date
Work has been done with CPIU to agree on a customer front end which will interact with Whitespace. This is dependent on the roll out of digital transformation. The depot is ready to implement with Whitespace agreed to support the API.	31/03/2019
Pest control jobs are now entered onto whitespace. The next step is to utilise the stock control function.	
Status Update Comments	Revised Date
Work has been done with CPIU to agree on a customer front end which will interact with Whitespace. This is dependent on the roll out of digital transformation. The depot is ready to implement with Whitespace agreed to support the API.	31/03/2020
Pest control jobs are now entered onto whitespace. The next step is to utilise the stock control function.	

Ashfield District Council – Audit Progress Report

STATUS OF PREVIOUS AUDIT RECOMMENDATIONS

Recommendations Not Implemented

There were a number of Audit Recommendations that were issued and agreed prior to Ashfield District Council joining the Central Midlands Audit Partnership. One legacy recommendation remains outstanding relating to Ashfield Homes Ltd. This will continue to be monitored and details are provided below.

Ashfield Homes Ltd – Outstanding Recommendations

Report	Recommendation	Responsible officer	Due date	Update
C Housing Maintenance 15/16-10	The full review of the in-house Schedule of Rates is given an end target date, and progress is monitored and reported to SMT.	Responsive and Voids Maintenance Manager & Support Services Manager	31/03/20	<p>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</p> <p>Update 16/11/2016 Potentially looking at buy off the shelf paperless system and therefore changing the system altogether.</p> <p>Update 01/02/2017 – No further updates. Any action has been put on hold as there is a service review underway.</p> <p>Update 10/07/2017 – The full review of in-house Schedule of Rates is now in progress.</p> <p>Update 10/07/2018 - 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.</p> <p>Update 28/06/2019 – The Schedule of Rates review programme stalled when the Officer allocated this work left for another department. An Administration Officer, assisted by a Technical Officer, has since picked up a lot of this work. Progress has started to increase and IT orders are being placed.</p>

Page 60

Report To:	AUDIT COMMITTEE	Date:	22 JULY 2019
Heading:	ANTI-FRAUD AND CORRUPTION UPDATE 2019		
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 overview and update in respect of the Council's approach to anti-fraud and corruption and potential improvement actions.

Recommendation(s)

The Committee is asked to note the overview and update in respect of the Council's approach to anti-fraud and corruption contained in the report and support the actions detailed in the report.

Reasons for Recommendation(s)

To ensure the Committee charged with overseeing the Council's approach to anti-fraud and corruption is updated and able to challenge and comment upon the Council's efforts to prevent, detect and investigate fraud and corruption.

Alternative Options Considered

No other options were considered.

Detailed Information

INTRODUCTION

Local Authorities have a duty to safeguard public funds. The fight against fraud is an ongoing and a constantly evolving process. The Council is responsible for protecting public assets, acting in the public interest and making best use of resources to achieve intended outcomes.

The basic principles of any responsible Local Authority should be the following:

- Stop fraudulent cases from entering Council systems;
- Find any fraudulent cases already in the system;
- Stop payments from going to people who are not entitled to it;
- Punish those people who commit fraud;
- Recover any fraudulent overpayments;
- Deter people from trying to commit fraud.

Fraud and Corruption are serious issues which can affect the services the Council provides, undermine the achievement of corporate objectives and impact upon the public's confidence in the integrity of Council Officers and Elected Members.

Ashfield District Council takes its duty to ensure stewardship of public money very seriously. The Council is therefore committed to the prevention, detection and investigation of all forms of fraud and corruption whether these are attempted from within or external to the organisation.

Fraud is the intentional distortion of financial statements or other records by persons internal or external to the Authority, which is carried out to conceal the misappropriation of assets or otherwise for gain. Fraud is a deliberate act by an individual or group of individuals. Fraud is therefore always intentional and dishonest.

Corruption is the offering, giving, soliciting or acceptance of an inducement or reward which may influence the action of any other person.

The Council is committed to creating an environment that is based on the prevention of fraud and corruption. This is achieved by promoting openness and honesty in all Council activities.

The Council requires all individuals and organisations associated in whatever way with the Council to act with integrity and that Elected Members, employees and representatives, at all levels, will lead by example in these matters.

The Council's Elected Members and employees play an important part in creating, maintaining and promoting this culture. They are encouraged to voice any serious concerns about any aspect of the Council's activities.

THE ANTI-FRAUD AND CORRUPTION AUDIT 2018

The Central Midlands Audit Partnership (CMAP) carried out a baseline audit of the Council's Anti-Fraud and Corruption measures particularly in light of changes to the Council's internal audit provision, the housing management function returning to in-house provision, the transfer of the benefit fraud officers to DWP and the introduction of new CIPFA guidance relating to the Code of Corporate Governance.

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

- Reviewing and updating the:
 - Corporate Governance Code;
 - Anti-Fraud Strategy;
 - Anti-Bribery and an Anti-Money Laundering Policy
 - Fraud Response Plan

which were presented and approved by the Audit Committee and Cabinet on 27 November 2017 and 30 November 2017 respectively.

- Implementing a Fraud Risk register to identify and mitigate fraud risks which is monitored by the Anti-Fraud and Corruption Working Group.
- Whistleblowing Policy being reported annually to the Audit Committee.
- Utilising Council Tax enforcement powers by approving a policy for the issuing of Civil Penalties.
- Identified a key contact (Service Manager – Revenues and Benefits) who assigns sufficient resources to the investigation of National Fraud Initiative (NFI) matches to ensure that all categories of matches identified by the process are reviewed, prioritised and investigated on a timely basis.
- The purpose and make up of the Anti-Fraud and Corruption Working Group was refreshed and its Terms of Reference documented; the Group meets quarterly and its meetings are minuted.
- Corporate Leadership Team and Audit Committee receive regular reports about fraud.
- A new “Governance” section of the staff intranet has been developed. The launch was publicised to staff and all members of Extended Leadership Team/Aspiring Leadership Team were briefed on 19 March 2018.

Three recommendations remain outstanding:

- Development of training in fraud awareness for relevant officers and Members – this recommendation has been partially implemented with housing officers receiving bespoke training and Members will receive training on 17 July 2019. Bespoke training for revenues and benefits officers is still to be sourced. A generic online training assessment has been developed and will be rolled out to other relevant staff shortly.
- The Council should undertake on-going data matching exercises utilising its internal data – progress in relation to this recommendation has begun and is described later in this report.
- The Council should complete a fraud assessment on an annual basis to ensure its Anti-Fraud arrangements are adequate and robust – this report addresses this recommendation.

ANTI-FRAUD REVIEW 2019

The Council has commenced an exercise to document the checks that are currently undertaken for fraud in key service areas, this was designed as a baseline to assess current measures in place and identify gaps and potential improvements. The types of fraud that can occur, the types of investigations that can be undertaken and what the Council has identified it is doing in that area to combat fraud are summarised below.

To help inform this baseline exercise Derby City Council’s Counter Fraud Team have acted as a critical friend and reviewed the Council’s anti-fraud arrangements. This report incorporates the Counter Fraud Team’s findings and comments. They identified good practice for a number of areas. It should be noted that the review did not involve detailed testing of processes and policies for compliance. The review also considered potential future actions to strengthen anti-fraud arrangements.

Housing Service

1. Tenancy, Lettings & Waiting Lists

Social housing fraud is an example of growing and increasingly widespread fraud nationally. The impact is more than financial: there simply is not enough social housing available, so every fraudulent occupation lengthens waiting lists, and every detection gives a family or individual in temporary accommodation a better life.

Offences can include:

- Unlawful subletting, including subletting the whole property.
- Multiple sublets within one property.
- Non-occupation by tenants as their principal home.
- Falsely claiming succession.
- Fraudulently obtaining a social housing tenancy, by providing false information at the application stage, including misrepresentation of identity.
- “Key selling”, where the tenant leaves the property and passes on the keys in return for a one-off lump sum payment or favour.
- Misrepresentation of circumstances leading to homelessness.

A number of anti-fraud measures are in place within the Housing Services area including checks around Housing Tenancy and Lettings and Waiting Lists. These checks are supported by policy and procedural guidance in some cases. A number of these checks include onward referral to another section, however, it is not documented what these sections did with the information received which is something that could be improved to ensure the Council is able to evidence/quantify the impact of the anti-fraud measures it has in place.

The team conduct verification checks when an applicant first joins the Housing Register and more in-depth checks when a provisional offer of accommodation is made. The checks relate to the applicant’s identification, household composition, income, capital and the reason for their rehousing. All prospective tenants are expected to attend a pre-tenancy interview when any issues can be raised. An offer of accommodation can be withdrawn if the applicant fails to provide the information requested or there is a discrepancy in what they have submitted.

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

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

2. Right to Buy

Right to Buy fraud is widely acknowledged to be a rapidly growing area of fraud and abuse of the taxpayers purse. With the large amounts of potential financial remuneration by fraudsters there is an increased incentive to take advantage of this scheme for personal gain.

Right to Buy Fraud refers to any case where:

A tenant has applied for, or completed, the purchase of a socially rented home under the right to buy scheme, and has misrepresented their circumstances to either gain a discount they are not entitled to, or exercised the right to buy when they are not entitled to it.

Examples of Right to Buy fraud can occur when the applicant:

- Provides any false information.
- Have not been using the address as their sole and main residence, or have not been resident at the address.
- Sublet all or part of the property.
- Misrepresented household composition, by submitting a joint Right to Buy application with another person who does not reside at the property, or has not done so for the required period.
- Have entered into an agreement with a third party to buy the property on their behalf for a cash incentive.

As with any type of fraud the best way to combat it is by attempting to prevent it happening in the first place. As the Right to Buy scheme process is mandated by law and existing legislation there are methods that can be used to ensure that the risk element has been reduced. The most effective checks include not only checking identity and residency in un-notified visits to the properties, but also checking household composition and financial capability. This approach enables the Council to address any concerns about the applications prior to completion.

The baseline anti-fraud review identifies that a number of checks are in place. These included checks on identification and residency at application stage and checks by legal services once the Right to Buy is accepted.

Revenues & Benefits

1. Council Tax Reduction Scheme (CTRS)

Whilst Housing Benefit investigations are currently under the purview of the Department for Work and Pensions (DWP), CTRS, is still managed and will continue to be managed, by the local authority. As CTRS is a taxpayer funded discount it is essential that the local authority takes steps to identify instances of fraud and overpaid CTRS.

CTRS Fraud is defined as:

where a person, dishonestly, or not:

- *Falsifies a statement or a document; or*
- *Is involved in a failure to notify a relevant change of circumstance; or*
- *Omits relevant information*

for the purpose of obtaining or increasing entitlement to council tax benefit and CTRS for themselves or another.

The types of fraud in this area include:

- Failure to declare a partner in the household.
- Failure to declare earnings or the correct amount of earnings.
- Failure to declare the correct amount of capital in the household.
- Failure to declare non-dependents in the household.

- The applicant not being resident at the address.

The legislation that allows the Council to investigate CTRS cases is the Council Tax Reduction Schemes (Detection of Fraud and Enforcement) (England) Regulations 2013. Data matching exercises, often in association with National Fraud Initiative (NFI), are key to identifying savings, as well as swift and effective investigation into any referrals for CTRS fraud made by staff, or the general public.

Regular contact with the Department for Work and Pensions is necessary in this area. The Single Fraud Investigation Service (SFIS) investigates Housing Benefit Fraud only.

Housing Benefit referrals are sent to the DWP on a Local Authority Referral Form. If the case is identified for investigation then the SFIS investigator will email a Local Authority Information Exchange Form (LAIEF) to the Council for information on the Housing Benefit claim. This can be a very time intensive process depending on the amount of information requested, and also based on the volume of cases sent to the DWP it can be difficult to keep track of what is being investigated.

Therefore regular liaison with the DWP SFIS is essential to ensure that the cases are being dealt with correctly and, when decision on sanction is made (either in the form of an Administrative Penalty or Prosecution) that the decision is correct, proportionate and in the Council's interests. Often the priorities of the DWP to resolve cases can be counterintuitive to the Council's need to ensure that issues are resolved timeously and unnecessary debt is not created, especially regarding Administrative penalties. To ensure that issues do not become problematic it is necessary for the Council to manage this relationship.

At Ashfield the benefit claimant is required to provide evidence to support the benefit claim. The Council uses a face to face approach to handling benefit claims which is considered to be the most effective way to prevent fraud entering the benefits system.

In addition, Benefit Officers also use tools such as the DWP's Customer Information System (CIS) which provides details of the claimant's other state benefits and tax credit income, and also HMRC's Real Time Information System (RTI) which provides real time earnings information from employment. Currently, the RTI system can only be used for the purposes of Housing Benefit claim processing. The RTI system is not available for use on Council Tax Reduction Scheme claims, therefore, it is imperative that the best administrative procedures are in place to ensure the claim is correct from the start, and this is best achieved through ensuring all of the required evidence has been provided by the customer before awarding the Council Tax reduction.

The DWP closely monitor the Housing Benefit service to ensure performance is maintained, particularly on the work we do to prevent fraud and error entering the benefits system. Occasionally, the DWP's Performance Development Team (PDT) work with ADC's Benefits Service to look at best practice and consider any improvements we could make in the administration of Housing Benefit (which then would apply to our handling of Council Tax Reduction claims).

2. Single Persons Discount (SPD) and Council Tax Exemptions

SPD and other council tax discounts and exemptions are open to abuse. The discounts/exemptions include:

- 25% reduction in council tax if there is a single adult in the property over 18 and not in full time education.

- Full exemption if the household contains students registered in full time education at university or at college.
- Full exemption where probate is in progress.
- Care Leaver – Full Charge discount.
- Properties left empty by someone who is in Prison – Full Exemption.
- Properties left empty due to the occupier moving into a Care Home / Hospital – Full Exemption.

In-house review processes and external data matching, for example with the NFI re-check process, are used to identify cases where the exemption or discount is no longer applicable due to a change in the occupiers / owners circumstances. Investigators will identify cases where there is a doubt over the current entitlement to discount or exemptions and will conduct investigations by gathering intelligence and contacting the individuals concerned to ensure that the correct, up-to-date information is retained by the Council.

Significant savings and reduction of risk can be established by actions in this area.

In cases where information has been requested from the owner / occupier is not provided, or where the claimant has failed to advise the Revenues and Benefits Service of a significant change in circumstances, which resulted in them receiving council tax reduction, or discount, they were not entitled to receive, the Council has the right to cancel the discount back to the date of the change and apply a Civil Penalty of £70 to the council tax account.

3. Business Rates (Non-Domestic Rates)

Business Rates are charged on most non-domestic properties such as shops, offices, pubs and industrial units, to contribute towards the cost of local services. Business Rates fraud occurs when a business avoids paying the correct amount of Business Rates by:

- Falsely claiming rate relief or empty property exemptions.
- Failing to declare occupancy of a property.
- Falsely claiming insolvency status to evade payment.
- Not disclosing relevant information to gain rate relief.
- Not declaring a new business premise.
- Not declaring that a property is being used for business purposes.
- Failure to inform the Council that a business has moved into a property.
- Falsely stating that a property is no longer in use when it is.

Proactive investigations into abuses of the Business Rates relief system can prevent financial loss to the Local Authority. The recent changes to the regulations and the ability for the Council to retain the income generated by Business Rates gives this area greater prominence.

The Business Rates service uses several processes to minimise Business Rates losses. These include the use of the service “Analyse Local” which tries to identify new businesses in Ashfield that have failed to notify the Council that they have occupied a premises. In addition to this, the service uses its own Business Rates Inspectors (Visiting Officers) who identify unreported changes of occupation or change of use of a business premises, or where businesses have failed to notify of significant physical changes to the premises which could affect the amount of Business Rates they should be paying. The Visiting Officers also issue “Completion Notices” on new premises which ensures that Business Rates becomes payable from the earliest possible date, thereby preventing loss of income due to the Business failing to notify the Council that they have occupied the new premises.

Data Matching and National Fraud Initiative (NFI) Matches

The NFI is a sophisticated data matching exercise that matches electronic data within and between participating bodies to prevent and detect fraud.

The Council's corporate lead officer is the Services Manager, Revenues and Benefits, and key staff across the authority have been identified to take responsibility for managing the current round of data matching. A sub-group of the Anti-Fraud and Corruption Officer Working Group has been established specifically to consider and improve the Council's corporate approach to NFI exercises and data matching in general.

Every two years the NFI provides local authorities with matches against Council information in areas of risk to the taxpayer. During 2018/19 the Council received **2049** matches across all the NFI datasets.

The following table shows the 2018-19 Housing Benefit and Housing Tenancy data matches that were received in February 2019. All data matches are graded for level of risk: High, Medium, Low and Nil risk. Nil risk indicates that during the data match process there was no discrepancy identified therefore the match was assigned a 0% risk score and does not require investigation. Investigating officers have checked all High and Medium risk cases and in addition have also checked a random sample of Low risk cases.

Council Tax Reduction Scheme		Housing Benefit Claimants		Housing Tenants	
→ High	73	→ High	59	→ High	10
→ Medium	23	→ Medium	7	→ Medium	74
→ Low	483	→ Low	257	→ Low	6
→ Nil	42	→ Nil	6	→ Nil	6
Total	621	Total	329	Total	96

Payroll		Right to Buy		Waiting List	
→ High	1	→ High	1	→ High	31
→ Medium	0	→ Medium	0	→ Medium	193
→ Low	6	→ Low	3	→ Low	0
→ Nil	5	→ Nil	0	→ Nil	1
Total	12	Total	4	Total	225

In addition to the Housing Benefit and Housing Tenancy matches shown above, the NFI data matching also includes an annual Single Person Discount data match exercise. This provided **1810** matches and these are currently being reviewed, as covered later in the report.

As at 12 June 2019:

- 294 cases were processed by the authority.
- 282 cases were found to be correct and therefore required no action.
- 12 error/frauds were identified valued at **£8,261**.

Of the **12** where errors or fraud were identified:

- **1** Housing Benefit case was identified as a possible fraud case. This has been referred to the DWP Single Fraud Investigation Service (SFIS).
- **4** were Housing Benefit claims where the claimant had failed to advise of a change of circumstances which would have affected the amount of Housing Benefit they were entitled to receive. The change of circumstances was therefore applied to the claim from the date of change and this created an amount of overpaid benefit which the claimant will be required to pay back to the Council.
- **7** of these cases were Council Tax Reduction claims, where the claimant had failed to notify of a change of circumstances which would have reduced the amount of Council Tax Reduction they were entitled to receive. The council tax account was amended back to the date of the change and a revised bill was then issued for the correct amount of council tax to be paid for that period.

There were **9** matches relating to housing tenancy on the NFI database. From the 9 cases:

- There were **6** cases with no issues identified following review.
- There were **3** cases where a relationship had broken down and one of the tenants moved out but the leaving tenant had not assigned the tenancy to the remaining tenant. This is a common scenario and none were identified as fraudulent acts. The review does however enable the Council in these cases to update its information.

Derby City Council's Counter Fraud Team is in the process of reviewing the NFI "801 Council Tax Single Person Discount" report on behalf of the Council. The "801 Council Tax Single Person Discount" report is data resulting from matching Council Tax single person discount data against electoral roll records. The latest report consists of **1810** matches. Of those, 605 cases are in receipt of Council Tax Support and are excluded from this exercise.

The process being undertaken is as follows:

- The matches are initially checked to close inaccurate matches, those where changes have been reported since the match was done and duplicate cases.
- A review letter is issued to the customer.
- A second review letter is sent to those who have failed to respond.
- A Civil Penalty (£70) will be applied to all cases that still fail to respond and the SPD will be removed with effect from 1 April 2019.

The process is currently at the second letter stage. Savings identified from responses received to date are detailed below:

Ashfield District Council 801 Results		Notes
Actual Savings	£ 25,620.81	This is the amount billed as a result of information returned on the review form
Ongoing savings	£ 34,965.30	NFI calculate the SPD amount x 2yrs as the expected ongoing saving

This exercise was undertaken to identify whether utilising additional resources to target specific high risk matches would be worthwhile. To date, over £25,000 of savings to the public purse have been identified by utilising the results of data matching. This project is ongoing at the date of this report.

The estimated savings from the SPD work (and any other discount/ exemption review work) will be reflected in the total council tax amount to be collected. However, ADC will only retain a share of the additional income. The council tax that Ashfield District Council collects includes amounts for Nottinghamshire County Council, Nottinghamshire Police and Crime Commissioner, Nottinghamshire Fire & Rescue Service and local parish Councils (known as Preceptors). The total council tax collected is therefore divided up as follows-

Preceptor	% Share
Nottinghamshire County Council	67.1%
NCC - Adult Social Care	5.1%
Ashfield District Council	9.1%
Nottinghamshire Police	10.7%
Nottinghamshire Fire & Rescue	3.9%
Parish Councils	4.0%

NEXT STEPS

1. **Policies/Processes** – the suite of Anti-Fraud and Corruption policies are due for review later this year to ensure they remain fit for purpose and in line with current best practice. It is planned to prepare updated policies for the Audit Committee scheduled to take place on 2 December 2019.
2. **Training** – Arrangements for training need to be finalised as set out above in relation to bespoke revenues and benefits training and the roll out of the generic electronic training tool.
3. **Data Matching and NFI Matches** – Internal Data Matching is an essential tool in the fight against fraud. Data matching between datasets held by housing records and the revenues system is particularly useful to identify potential fraud. It is essential to target particular high risk areas. Existing Council databases can be matched against each other or with external sources of information to ensure that the fraud risk is reduced. Data matching can be performed as regularly as can be resourced or continual data matching can be built into ongoing systems. Based on the review work undertaken by Derby City Council’s Counter Fraud Team, CMAP has made recommendations that will help the Council to ensure that a clear corporate approach to NFI and data matching is developed with the lead officer monitoring and managing output to ensure that resources are utilised as effectively as possible. Processing of the NFI matches will also continue.
4. **Referrals System** – As part of the recent review, Derby City Council’s Counter Fraud Team has recommended the creation of a referrals system for the Council to refer allegations of fraud for investigation that could form an offence. This would enable all potential fraud cases to be tracked and recorded. To this end, the potential to introduce a referrals system will be investigated and options will be considered.

5. **Anti-Fraud Portal** – the Counter Fraud Team has also recommended developing an online Anti-fraud Portal. The Portal should include:

- An online referral tool and guidance.
- Information in fraud trends and any changes in legislation.
- Publicity on any cases prosecuted by the Council.
- Useful contact information for fraud related enquiries.

The potential to develop the existing fraud element of the Governance hub on the intranet/internet to become an Anti-Fraud Portal as described will be investigated.

Implications

Corporate Plan:

Transparent and Accountable

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

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

Legal:

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

Finance:

Budget Area	Implication
General Fund – Revenue Budget	No direct financial implications arising from this report. The investigation of potential system changes (Governance Hub) may give rise to future costs.
General Fund – Capital Programme	
Housing Revenue Account – Revenue Budget	
Housing Revenue Account – Capital Programme	

Risk:

Risk	Mitigation
Failing to have robust anti-fraud and corruption policies and processes in place would place the Council at risk of not being able to effectively deter or detect fraudulent activity taking place.	Policies are in place and will be reviewed later this year. Baseline Audit has been carried out to identify systems weakness.

<p>This would undermine the Council's duty to safeguard public funds. The Council is responsible for protecting public assets, acting in the public interest and making best use of resources to achieve intended outcomes.</p>	<p>Anti-Fraud and Corruption Working Group has been established to oversee the work carried out in this area. Fraud Risk Assessment exercise has been carried out and continues to be reviewed on a regular basis by the officer group. Further improvement work as outlined above will strengthen the Council's position to ensure available resources are effectively used.</p>
---	---

Human Resources:

There are no direct HR implications contained within the report other than training of employees which once provided can be recorded on the employees training file.

Equalities:

Any equalities issues will be identified as part of the implementation of the next steps identified above. Individual fraud investigations would take account of equalities issues on a case by case basis.

Other Implications:

None.

Report Author and Contact Officer

Ruth Dennis
DIRECTOR OF LEGAL AND GOVERNANCE
Monitoring Officer
r.dennis@ashfield.gov.uk
01623 457009