

ASHFIELD DISTRICT COUNCIL



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

Agenda

Audit Committee

Date: **Monday, 27th July, 2020**

Time: **7.00 pm**

Venue: **[Ashfield District Council's YouTube Channel](#)**

For any further information please contact:

Lynn Cain

l.cain@ashfield.gov.uk

01623 457317

AUDIT COMMITTEE

Membership

Chairman: Councillor David Walters

Councillors:

John Baird
Christian Chapman
Kevin Rostance

Jim Blagden
Arnie Hankin
Dave Shaw

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SUMMONS

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



Carol Cooper-Smith
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 29 April 2020. 5 - 6
4. **MAZARS: Audit Committee Progress Report.** 7 - 16
5. **Public Sector Audit Appointments (PSAA): External Audit Fee 2020/21.** 17 - 20
6. **Treasury Management - Annual Report 2019/20.** 21 - 30
7. **Internal Audit Annual Report 2019-20.** 31 - 48
8. **Audit Progress Report.** 49 - 72

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AUDIT COMMITTEE

Virtual Meeting held on Wednesday, 29th April, 2020 at 10.00 am

Present: Councillor Dave Shaw, in the Chair;

Councillors John Baird, Jim Blagden,
Arnie Hankin, Kevin Rostance and
David Walters.

Apology for Absence: Councillor Christian Chapman.

Officers Present: Bev Bull, Lynn Cain, Carol Cooper-Smith,
Ruth Dennis, Peter Hudson, Mike Joy and
Andy Slate.

In Attendance: Councillor Chris Baron.

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

No declarations of interest were made.

AC.2 Minutes

RESOLVED

that the minutes of the meeting of the Committee held on 10 February 2020,
be received and approved as a correct record.

AC.3 Accounting Policies for 2019/20 and other Statement of Accounts Matters

The Council's Chief Accountant 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 2019/20.

RESOLVED that

- a) the Accounting Policies, as appended to the report, be approved whilst
noting no major changes to the policies, only minor changes ensuring the
wording remained in line with the latest version of the Code of Practice on
Local Government Accounting;
- 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.

AC.4 Pension Assumptions for 2019/20 Statement of Accounts

The Council's Chief Accountant 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 as appended.

RESOLVED

that having taken account of the Actuary's briefing note as appended to the report and the comments made within the Committee report, the IAS 19 assumptions be agreed as the basis for the calculation of the pension figures required for the 2019/20 Statement of Accounts.

The meeting closed at 10.17 am

Chairman.



Audit Committee Progress Report – July 2020

Ashfield District Council
Year ending 31 March 2020





CONTENTS

1. Summary
2. Audit Progress

Appendix 1 – Communications and Timeline

Appendix 2 – CIPFA 2019/20 Year end Bulletin

1. SUMMARY

Purpose of this report

This report provides the Audit Committee at its July 2020 meeting with an update on progress in delivering our responsibilities as your external auditor for Ashfield District Council.

The 2019/20 Audit Strategy Memorandum was issued and presented at the February 2020 Audit Committee. This report provides updates to those documents where necessary.

Financial Statements Audits

The changes to working arrangements during the COVID-19 'lock-down' period and other pressures in the local government sector has lead to a number of changes to the audit approaches.

- Remote working - Mazars moved to working remotely on 16 March 2020. So far these arrangements have worked reasonably well at our clients and the systems in place for sharing information between clients and ourselves have operated as expected. We expect to need to continue to operate on this remote basis throughout the upcoming audits and for the near future, including the reporting and closure stages of the audit. We will continue to work with management to deal with any practical difficulties in delivering the audit as the work progresses.
- Timetable changes – there have been significant changes to the statutory timetable for the 2019/20 accounts preparation and publication. The statutory deadlines for the publication of the draft and audited financial statements have been changed to 31 August (from 31 May) and 30 November (from 31 July) respectively. We have agreed with management changes to the scheduling of our work to accommodate the new timetable (where applicable). The majority of the audit work will now take place in June and July as expected, based on the draft financial Statements being produced by 15 June, which was met. We plan to submit our Audit Completion Reports to the October Audit Committee meeting and issue the Auditor's Report before the end of October. This timetable is dependent on a number of factors and we will update to Audit Committee if any changes are required.
- Financial Reporting Issues – a number of key financial reporting issues as a result of the COVID-19 pandemic have emerged over recent weeks. CIPFA's Bulletin 05 on the Closure of the 2019/20 Financial Statements summarises the key points to consider and we have included a summary of the Bulletin at Appendix 2 to this report. These points will be discussed with management and considered throughout the audit process.

We have included at Section 2 of this report a summary of the current position on the audit risks and other reporting requirements set out in our 2019/20 Audit Strategy Memorandum. We will report further on these matters in our Audit Completion Reports to the Audit Committee in October 2020. We have included an updated Communications and Timeline summary at Appendix 1.

Value for Money Conclusion

In our Audit Strategy Memorandum we reported that we identified a total of 2 significant risks for the 2019/20 financial year. These being; Financial Sustainability in regards to the sustainable resource deployment criteria and Commercialisation of Investment Properties Strategy in regards to the informed decision making criteria.

We keep our assessment up to date and before concluding on the work take into account any matters which come to our attention through the course of our audit which may affect our reporting.

Our work is currently on going in respect of these areas, and we will report any findings to members as part of the October committee.

NAO's updated guidance clarifies that auditors should generally consider local bodies' arrangements and their response to the COVID-19 pandemic as part of their 2020/21 work on VFM arrangements. Only where there is a clear indication of a significant failure of arrangements during the 2019/20 as a result of COVID-19 would it be appropriate to raise a 2019/20 significant VFM risk. We have not identified any significant failures in the Council's arrangements during 2019/20 and are satisfied that no additional significant VFM risks have been identified.

2. AUDIT PROGRESS

This section includes a summary of the significant risks reported in the 2019/20 Audit Strategy Memorandum for the Council and updates based on the audit work carried out to date. We will report the final position on this matters in our Audit Completion Reports to the October Audit Committee.

Significant Audit Risks

	Description of risk	Planned response	Update July 2020
1	<p>Management override of controls</p> <p>Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.</p>	<p>We plan to address the management override of controls risk through performing audit work over accounting estimates, journal entries and significant transactions outside the normal course of business or otherwise unusual.</p>	<p>No significant findings from the audit work carried out to date that we need to report to the Audit Committee at this stage.</p>
2	<p>Property, plant and equipment valuation</p> <p>Land and buildings are a significant balance on the Council's balance sheet.</p> <p>The valuation of land and buildings is complex and is subject to a number of management assumptions and judgements.</p> <p>Due to the high degree of estimation uncertainty associated, we have determined there is a significant risk in this area.</p> <p>This risk covers:</p> <ul style="list-style-type: none"> - HRA Council Dwellings - Investment Properties - Other PPE related assets 	<p>We plan to address this risk by:</p> <ul style="list-style-type: none"> • critically assess the Council's valuers scope of work, qualifications, objectivity and independence to carry out the required programme of revaluations; • consider whether the overall revaluation methodologies used by the Council's valuers are in line with industry practice, the CIPFA Code of Practice and the Council's accounting policies; • assess whether valuation movements are in line with market expectations by using third party information provided by Gerald Eve to provide information on regional valuation trends; • critically assess the treatment of the upward and downward revaluation movements in the Council's financial statements with regards to the requirements of the CIPFA Code of Practice; • critically assess the approach that the Council adopts to ensure that assets are not subject to revaluation in 2019/20 are materially correct, including considering the robustness of that approach in light of the valuation information reported by the Council's valuers; and • test a sample of items of capital expenditure, disposals and reclassifications (where balances are material) to confirm that the amounts used and accounting treatment applied is appropriate in line with the CIPFA Code of Practice. 	<p>No significant findings from the audit work carried out to date that we need to report to the Audit Committee at this stage.</p>

2. AUDIT PROGRESS

	Description of risk	Planned response	Update July 2020
3	<p>Defined benefit liability valuation</p> <p>The defined benefit liability relating to the Local Government pension scheme represents a significant balance on the Council's balance sheet.</p> <p>The Council uses an actuary to provide an annual valuation of these liabilities in line with the requirements of IAS 19 Employee Benefits.</p> <p>Due to the high degree of estimation uncertainty associated with this valuation, we have determined there is a significant risk in this area.</p>	<p>We plan to address this risk by:</p> <ul style="list-style-type: none"> critically assess the competency, objectivity and independence of the Nottinghamshire Pension Fund's Actuary; liaise with the auditors of the Nottinghamshire Pension Fund to gain assurance that the controls in place at the Pension Fund are operating effectively. This will include the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS 19 valuation is complete and accurate; test payroll transactions at the Council to provide assurance over the pension contributions which are deducted and paid to the Pension Fund by the Council; review the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuary, and the key assumptions included within the valuation. This will include comparing them to expected ranges, utilising information by PWC and consulting actuary engaged by the National Audit Office; and agree the data in the IAS 19 valuation report provided by the Fund Actuary for accounting purposes to the pension accounting entries and disclosures in the Council's financial statements. 	<p>No significant findings from the audit work carried out to date that we need to report to the Audit Committee at this stage.</p>
4	<p>Revenue recognition</p> <p>Auditing standards include a presumption that there is a significant risk in relation to the timing of income recognition, and in relation to the judgements made by management as to when income has been earned.</p> <p>However, audit teams are allowed to consider the level of risk associated with each organisation and rebut where appropriate.</p>	<p>We do not consider this to be a significant risk for Ashfield District Council for the following reasons:</p> <ul style="list-style-type: none"> the level of risk is considered to be low for Local Authorities; majority of the Council's income is derived from grant funding, taxation (Council Tax and Business Rates) or rental income with the remaining balance considered to be low and generally represents a number of low value, high volume transactions; and incentive and/ or opportunity to commit material fraudulent revenue recognition is deemed low <p>We therefore rebut this risk and do not incorporate specific risk procedures over and above our standard fraud procedures to address the management override of controls risk (Identified at point 1).</p>	<p>This remains applicable since the issue of our Audit Strategy Memorandum.</p>

2. AUDIT PROGRESS (CONT.)

Materiality

Our Audit Strategy Memorandum set out our planning materiality assessments for 2019/20.

We will update these assessments to reflect the 2019/20 draft statements. We will report the updated materiality levels and any audit differences in our Audit Completion Report.

Other Reporting Matters

We have no issues to report at this stage in relation to the following audit matters:

- Fraud
- Significant internal control deficiencies
- Accounting practices
- Non-compliance with laws and regulations
- Practical difficulties in carrying out the audit or co-operation from management
- Threats to our independence

APPENDIX 1 – COMMUNICATIONS AND TIMELINE

ISA (UK) 260 'Communication with Those Charged with Governance', ISA (UK) 265 'Communicating Deficiencies In Internal Control To Those Charged With Governance And Management' and other ISAs (UK) specify the matters we are required to communicate to you. These matters, and the reports we will issue, are as follows:

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

Further outputs from our audit (and planned dates, based on our current understanding of the statutory timetable) include:

- Audit Committee Progress Reports – July 2020
- Audit Completion (ISA260) Report and Draft Audit Report – October 2020
- Value for Money Conclusion – October 2020 (included within our Audit Completion Report)
- Annual Audit Letter – November 2020

APPENDIX 2 – CIPFA YEAR END BULLETIN

CIPFA's Bulletin 05 on the Closure of the 2019/20 Financial Statements (May 2020) summarises the key points for local authorities to consider and includes a particular focus on areas impacted by the COVID-19 pandemic. A copy of the Bulletin can be found via the following link:

<https://www.cipfa.org/policy-and-guidance/cipfa-bulletins/cipfa-bulletin-05-closure-of-the-201920-financial-statements>

We have included below a summary of the matters highlighted in the Bulletin below:

Topic	Description
Dedicated Schools Grant	The Bulletin confirms the expected accounting and disclosure of deficit and surplus balances carried forward in the 2019/20 accounts.
Accounting for McCloud and Sargent Judgements in 2019/20	The Bulletin provides updated guidance on the recognition and accounting for these liabilities.
Changes to the 2019/20 financial reporting deadlines	The Bulletin confirms the changes to the 2019/20 timetable
Deferral of the implementation of IFRS16	The implementation of IFRS 16 Leases has been deferred for one year in-line with the government's Financial Reporting Advisory Board's proposals for central government departments. The effective date for implementation is now 1 April 2021.
Going concern basis of accounting	The Bulletin confirms that despite the impact of COVID-19 on local authority financial sustainability the going concern basis of reporting in the Code and the rationale behind it remains unchanged. The Bulletin does though highlight the need for local authorities to report on the impact of financial pressures in the narrative report will also need to ensure that their reports on credit risks in the financial statements appropriately reflect the impact of the COVID-19 pandemic.
Accounting for COVID-19 support measures	The Bulletin clarifies the role of councils as 'agents' or 'principles' in the distribution of grants and the expected accounting treatment.
S.31 Grants for 2020/21 paid in 2019/20	The Bulletin sets out the issues to consider in recognising this income in the 2019/20 financial statements.
Financial reporting issues arising from COVID-19	The issues highlighted include: <ul style="list-style-type: none"> • The assessment and disclosure of relevant events after the reporting period • Impact on land and buildings valuations • Fair values of investments and investment properties • Expected Credit Losses • Narrative Reporting • Reporting significant accounting judgements and estimation uncertainty.
Impact of COVID-19 on Pension Fund investment measurement and Impairment	The Bulletin highlights a number of significant matters relating to the impact of COVID-19 on year end values and the increased estimation uncertainty. The Bulletin identifies the importance of pension funds engaging early with its fund managers, custodians and investment advisers to ensure it is well placed to prepare materially accurate financial statements and make disclosures (regarding, for example, estimation uncertainty) which are complete and up to date.

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30 April 2020

By email

Email generalenquiries@psaa.co.uk

Dear Section 151 Officer and Audit Committee Chair

Fee Scale for the Audit 2020/21 and update on 2019/20

I am writing to notify you of your 2020/21 audit scale fee. In previous years your auditor has been required to write to you to do this. However, going forward, we have agreed with the audit firms that it is more efficient for PSAA to write out to all bodies directly.

PSAA commissions auditors to provide audits that are compliant with the National Audit Office's Code of Audit Practice ('the Code'). PSAA is required by s16 of the Local Audit (Appointing Person) Regulations 2015 (the Regulations) to set the scale fees by the start of the financial year, and we published the 2020/21 scale fees on our website on 31 March 2020. In addition to notifying you directly of your scale fee, this letter provides you with key updates and information on audit matters in these difficult times.

We wrote to all S151 officers on 12 December 2019 describing that local audit and audit more widely is subject to a great deal of turbulence with significant pressures on fees. These pressures still apply and the key aspects are summarised below;

- It is apparent that the well publicised challenges facing the auditing profession following a number of significant financial failures in the private sector have played a part. As you know, these high profile events have led the Government to commission three separate reviews - Sir John Kingman has reviewed audit regulation, the Competition and Markets Authority has reviewed the audit market, and Sir Donald Brydon has reviewed the audit product.
- It is not yet clear what the long term implications of these reviews will be. However, the immediate impact is clear - significantly greater pressure on firms to deliver higher quality audits by requiring auditors to demonstrate greater professional scepticism when carrying out their work across all sectors – and this includes local audit. This has resulted in auditors needing to exercise greater challenge to the areas where management makes judgements or relies upon advisers, for example, in relation to estimates and related assumptions within the accounts. As a result, audit firms have updated their work programmes and reinforced their internal processes and will continue to do so to enable them to meet the current expectations.

How we set your scale fee

We consulted on the 2020/21 Scale of Fees in early 2020 and received a total of 54 responses. We published the final document on our website ([Scale fee document](#)). In it we explained that although we have set the scale audit fee at the same level as for 2019/20, we do not expect the final audit fee to remain at that level for most if not all bodies because of a variety of change factors, the impact of which cannot be accurately or reliably estimated at this stage.

The impact of these changes is likely to vary between bodies depending on local circumstances, and information to determine that impact with any certainty is not yet available. Our view is that it would also be inappropriate to apply a standard increase to all authorities given the differing impact of these changes between bodies. As the impact of these changes is understood, fee variations will need to be identified and agreed reflecting the impact on each audit

	Scale fee for the audit 2020/21	Scale fee for the audit 2019/20
Ashfield District Council	£43,148	£43,148

As well as the Scale of Fees document, we have also produced a [Q&A](#) which provides detailed responses to the questions raised as part of the consultation. We will update the Q&As periodically to take account of ongoing developments affecting scale fees.

The fee for the audit is based on certain assumptions and expectations which are set out in the [Statement of Responsibilities](#). This statement serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and of the audited body begin and end, and what is to be expected of both in certain areas.

The final fee for the audit will reflect the risk-based approach to audit planning as set out in the Code. Under the Code, auditors tailor their work to reflect local circumstances and their assessment of audit risk. This is achieved by assessing the significant financial and operational risks facing an audited body, and the arrangements it has put in place to manage those risks, as well as considering any changes affecting audit responsibilities or financial reporting standards.

Fee Variations

As noted above, we recognise that with so much turbulence and change in the local audit environment, additional fee variations are likely to arise for most if not all bodies.

The amount of work required on arrangements to secure VFM is a matter of auditor judgement and is based on the requirements set out in the new Code and supporting guidance which will be published later in 2020. Once the Auditor Guidance Notes have been published we will be able to consider the impact of the new requirements in more depth, and may be able to provide indicative ranges in relation to the likely fee implications for different types and classes of body.

Given that local circumstances at each audited body are key to determining the assessment of risk and the audit work required, we would encourage early dialogue with your auditor to determine any related implications for fees. The process for agreeing fee variations begins with local communication, and ideally agreement. We have produced a fee variation process note which is available on our website ([Fee variations process](#)). Please note that all fee variations are required to be approved by PSAA before they can be invoiced.

Quality of Audit Services

We are committed to do all we can to ensure good quality audits and a high-quality service for the bodies that have opted into our arrangements. The service that you can expect to receive from your auditors is set out in their Method Statement, which is available from your auditors.

Whilst professional regulation and contractual compliance are important components of the arrangements for a quality audit service, so too is the aspect of relationship management. We recently commissioned a survey via the LGA Research team to obtain audited bodies' views of the audit service provided to them. The themes and improvement areas from the survey will be discussed with firm contact partners for development at a local level. The results from our 2018/19 survey of all opted-in bodies will be available on our website in May and we will notify all S151 officers and Audit Committee Chairs.

Impact of COVID-19 on current 2019/20 audits

The global COVID-19 pandemic has created further turbulence impacting on all aspects of the economy including the public sector. There are potentially significant repercussions for the delivery of audits, audit-related issues and delays to signing audit opinions for 2019/20. MHCLG has acted to ease these pressures by providing more flexibility in the 2019/20 accounts preparation and auditing timetable by temporarily revising the Accounts and Audit Regulations. This has extended the period which an authority has to publish its draft financial statements until 31 August, and importantly there is much greater flexibility for the public inspection period as it is now required to start on or before the first working day of September 2020. The revised date for publishing audited accounts (if available) is 30 November 2020.

We recommend that you discuss with your auditors the use that can be made of this flexibility in meeting mutual governance and assurance responsibilities, noting that in a letter to all local authority Chief Executives on 22 April, MHCLG encouraged approval of pre-audit accounts earlier than 31 August if possible.

We have referred to the importance of audit quality in this letter, and just as important is the quality of the pre-audit financial statements and the working papers that are prepared by bodies. The disruption caused by COVID-19 will impact on areas of judgement and creates uncertainty in preparation of the financial statements, and it is key that bodies ensure there is sufficient focus upon financial reporting and related processes and controls, and that the planned timetable allows for sufficient internal quality assurance and review of financial reporting issues taking into account the wider impact of the pandemic on the officers' time.

Local Audit Quality Forum

Our Local Audit Quality Forum focuses on providing information to support audit committees (or equivalent) in delivering their remit effectively. We are disappointed that we are not able to host our planned event this summer due to the COVID-19 pandemic. However, we plan to host our next event towards the end of the year. It will provide an opportunity to discuss a range of relevant topics and themes. If there are any particular areas you would like to see included on a future agenda, or if you wish to raise any other issues with PSAA, please feel free to contact us at generalenquiries@psaa.co.uk

Your auditor will, of course, be best placed to answer any questions you may have with regard to your audit.

Yours sincerely,

Tony Crawley

Chief Executive

Agenda Item 6



Report To:	AUDIT COMMITTEE	Date:	27th JULY 2020
Heading:	TREASURY MANAGEMENT - ANNUAL REPORT 2019/20		
Portfolio Holder:	CLLR MADDEN- CABINET MEMBER FOR FINANCE & RESOURCES		
Ward/s:			
Key Decision:	NO		
Subject to Call-In:	NO		

Purpose of Report

This report provides information on the Council's Treasury Management 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 2019/20 against the prudential indicators, which were previously approved by Full Council on the 4th March 2019, as part of the Treasury Management Strategy. This ensures that borrowing and lending are controlled within reasonable limits, in line with good practice.

Recommendation(s)

Members are requested to:

- i) Note the performance including the compliant prudential indicators, as outlined in the report.
- ii) Recommend consideration of the report by Cabinet, including points raised by the Audit Committee in respect of the report (if any).

Reasons for Recommendation(s)

In accordance with the requirements of the Council's Financial Regulations (C.31), the Audit Committee is responsible for ensuring effective scrutiny of the Treasury Management Strategy and policies.

In accordance with the requirements of the Council's Financial Regulations (C.30), Cabinet will receive an annual Treasury Management Performance Report.

In accordance with the CIPFA Code of Practice for Treasury Management in Public Services (the "CIPFA TM Code"), Members should approve the annual report for Treasury Management activity in 2019/20 which forms part of this document.

Under CIPFA's Prudential Code for Capital Finance in Local Authorities, Members have a statutory duty to adopt a set of annual indicators relating to capital expenditure and Treasury Management.

Alternative Options Considered

None.

Detailed Information

TREASURY MANAGEMENT - ANNUAL REPORT 2019/20

1. Introduction

- 1.1 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 Chartered Institute of Public Finance & Accountancy (CIPFA) Code of Practice for Treasury Management.

2. The Financial Markets during 2019/20

- 2.1 Investment returns remained low during 2019/20. The expectation for interest rates within the treasury management strategy for 2019/20 was that Bank Rate would stay at 0.75%, as it was not expected that the Monetary Policy Committee would be able to deliver an increase in Bank Rate until the Brexit issue was finally settled. However, there was an expectation that Bank Rate would rise after that issue was settled, but would only rise to 1.0% during 2020.
- 2.2 Rising concerns over the possibility that the UK could leave the EU at the end of October 2019 caused longer term investment rates to be on a falling trend for most of April to September. They then rose after the end of October deadline was rejected by the Commons but fell back again in January before recovering again after the 31 January departure of the UK from the EU. When the coronavirus outbreak hit the UK in February/March, rates initially plunged but then rose sharply back up again due to a shortage of liquidity in financial markets.
- 2.3 There is likely to be little upward movement in the bank rate and PWLB rates over the next two years as it will take national economies a prolonged period to recover all the momentum they will lose in the sharp recession that will be caused during the coronavirus shut down period. Inflation is also likely to be very low during this period and could even turn negative in some major western economies during 2020/21.

3. Borrowing

3.1 The borrowing activities undertaken during the year are summarised below:

Type of Loan	Amount Outstanding 01/04/19 £'000	Borrowed £'000	Repaid £'000	Amount Outstanding 31/03/20 £'000
Long Term Loans				
- PWLB	41,248	28,300	(7,012)	62,536
- Mortgage Loan	40,500	0	(6,000)	34,500
- Temporary Loan	0	5,000	0	5,000
Total External Debt	81,748	33,300	(13,012)	102,036

3.2 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.

4. Prudential Borrowing Limits

4.1 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. The Council sets its own targets, boundaries or limits against which it monitors actual performance. For 2019/20 these were approved by Council on 4th March 2019. The comparison of out-turn to those targets are set out in Appendix 1 to this report.

4.2 There was one occasion where the Annual Treasury Management strategy was not adhered to. This was with regards to our deposit account with Barclays, our main bank, where as a result of all the alternative investment options being at full capacity the £5m limit was exceeded for one working day. This was due to large grant funding being received at short notice from central government in response to Covid-19.

5. Loan Interest Payments

5.1 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	1,485	1,449	(36)
Mortgage Loans	1,887	1,938	51
Temporary Loan	4	15	11
Total	3,376	3,402	26

5.2 The reason for the variances above are as follows:

- a) PWLB – the main reason for the underspend on the PWLB interest was due to the Council financing part of its borrowing using temporary loans which incur a lower interest payable rate than the PWLB.
- b) Mortgage Loans – there is a variance on the Mortgage loans as the interest paid on the loans was higher than the revised estimate.
- c) Temporary Loan - the Council decided to use temporary borrowing rather than longer-term PWLB borrowing to fund some of its day-to-day activities. Temporary borrowing is the cheapest method of borrowing externally.

6. Investments

6.1 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 01/04/19	7,432
New Investments	182,754
Repayments	(180,204)
Balance at 31/03/20	9,982
Annual Return	0.65%

6.2 Overall Investment Income achieved compared to the revised budget is as follows:

Revised Estimates	Actual
£000	£000
35	78

6.3 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 Council being able to loan monies on a short-term basis to other Local Authorities and receive a higher return than if the monies were invested in a bank or Money Market Fund.

6.4 During 2019/20, the base rate started at 0.75% and ended the year at 0.10%.

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 and C.31.

Finance:

Budget Area	Implication
General Fund – Revenue Budget	No direct financial implications arising from this report.
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.

Environmental/Sustainability

No adverse Environmental implications identified.

Equalities:

No adverse Equality implications.

Other Implications:

Reason(s) for Urgency

Reason(s) for Exemption

Background Papers

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APPENDIX 1 PRUDENTIAL INDICATORS OUTTURN 2019/20

1. Prudential Indicators of Affordability

a) Ratio of financing costs to net revenue stream 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.

2019/20	Target %	Actual %
Housing Revenue Account	13.99	13.93
General Fund	12.33	8.58

The variance to target on the General Fund is mainly due to the sale of the Glenrothes Investment Property reducing the Minimum Revenue Provision required in the year.

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.

2019/20	Target £	Actual £
Housing Revenue Account (52 Weeks)	0.00	0.00
General Fund (Band D)	27.42	52.80

The target indicators were approved by Council 4th March 2019. After the indicators were set, approval was gained to change the Capital Programme to reflect 2018/19 slippage on investment property purchases and bring forward £20m for investment property purchases to 2019/20 from 2022/23.

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 2020	Target £m	Actual £m
Housing Revenue Account	80	80
General Fund	58	81

The main reason for the variance for the General Fund is due to the movement on the investment property capital programme as discussed in b) above, and lower than expected MRP charges as a result of slippage on the 2018/19 capital outturn.

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

2019/20	Target £m	Revised Capital Programme £m	Actual £m
Housing Revenue Account	10.7	7.9	6.5
General Fund	26.9	52.9	43.9

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) will be re-programmed into the 2020/21 and future years works schedules.
- ii) GF – Underspends on Investment Properties, Kings Mill Reservoir and Vehicles. The Council only acquires Investment Properties following full due diligence and when and where they can be purchased at an appropriate price, the Kings Mill Reservoir has been delayed due to Covid-19 and procurement of vehicles purchases have been delayed due to Covid-19 procurement issues.

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.

2019/20	Authorised Limit £m	Actual Borrowing £m
Borrowing	150	102

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.

2019/20	Operational Boundary £m	Actual Borrowing £m
Borrowing	140	102

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 at an amount which is 40% of the Authorised Limit.

Principal Outstanding 2019/20	Target £'000	Actual £'000
At Fixed Rates	140,000	82,536
At Variable rates	56,000	19,500

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 2020 £'000
Less than 12 months	0	20,000	5,000
12 months to 24 months	0	20,000	6,500
24 months to 5 years	0	25,000	8,190
5 years to 10 years	0	50,000	9,046
10 year and over	10	100,000	73,300

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.

2019/20	Limit £m	Actual £m
Upper Limit	5	0

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Ashfield District Council – Internal Audit Annual Report 2019-20

Audit Committee: 27 July 2020



Contents Page

Introduction	3
Quality Assurance and Improvement Programme	5
Audit Opinion 2019-20	7
Audit Coverage	12
Performance Measures	16
QAIP – Improvement Plan	17

Our Vision

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

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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 Governance, Risk and Internal Control** – Findings indicate significant 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 Governance, Risk and 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 Governance, Risk and Internal Control** - Findings indicate that on the whole, arrangements 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

Ashfield District Council – Internal Audit Annual Report 2019-20

As required, we have also undertaken a self-assessment against the Standards in January 2020 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 2019-20

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

In forming this opinion, I am satisfied that no conflicts of interest have occurred which would have any bearing on my independence or objectivity. Also, my 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.

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

- The level of coverage provided by Internal Audit was considered adequate.
Note: The completion of the key areas of 2019-20 audit work was not significantly disrupted by the COVID-19 pandemic. Those audit reviews that were an essential component to inform the annual opinion were either completed or sufficiently completed to enable the overall opinion to be determined.
- We place reliance on other assurance providers who contribute to the overall assurance framework.
- 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 insight gained from our interactions with Senior Management and the Audit Committee.
- The changing risk environment within the Council has been taken into account during the 2019-20 financial year. Key features included;

Strategic Leadership - Following the departure of the Chief Executive in September 2019, the Interim Director of Place & Communities was appointed to the role of Interim Chief Executive whilst the post was permanently recruited to. This allowed a smooth transfer of responsibility and has been an ongoing arrangement due to the pandemic delaying the recruitment process.

Anti-Fraud – The Council continued to develop a framework to underpin its Anti-fraud and corruption agenda, and further work on NFI Data Matching has taken place during the year. A review of Single Person Discounts and of anti-fraud measures at the Council highlighted further opportunities to improve and embed an anti-fraud culture. The Corporate approach needs to be further developed and supported by appropriate capacity.

Commercial Investments - The Council continued with its ambitious programme of Commercial investments, increasing its reliance on the income

Ashfield District Council – Internal Audit Annual Report 2019-20

generated to support the provision of services. The effective management of the portfolio and its effects on the Council's financial sustainability will be kept under review during 2020-21.

- One change was made to the Audit Plan during the year; a People Management audit was removed and the additional time was spent on securing the implementation of outstanding recommendations. A planned training session on the importance of recommendation implementation with the Council's managers was postponed due to the pandemic. Issues with progressing recommendation implementation have been exacerbated by the pandemic as officers time has been diverted to business continuity arrangements.

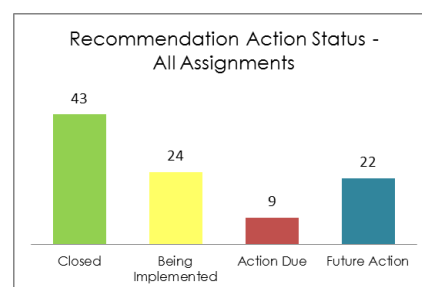
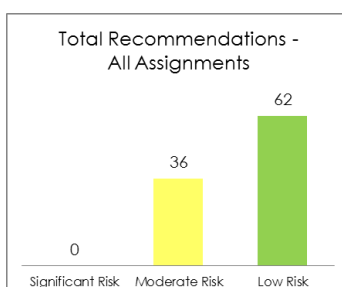
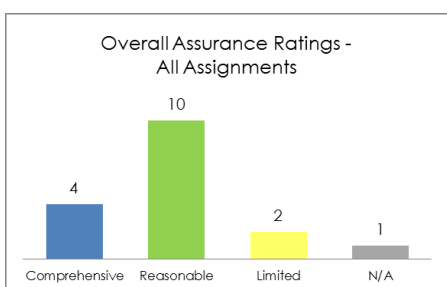
Note: The impact of the COVID-19 pandemic is largely on the 2020-21 governance, risk and control environment. This will be reflected in the 2020-21 internal audit plan which will be reviewed on an on-going basis. Any changes to the internal audit plan will be discussed with Senior Management and reported to the Audit Committee.

- No adverse implications for the organisation's Annual Governance Statement have been identified from any of the work that Internal Audit has undertaken in 2019-20.
- The 2019-20 Internal Audit Plan, approved by the Audit Committee on 11th 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 following tables summarise the 2019-20 Audit Plan assignments and their outcomes as well as those assignments from the 2018-19 Audit Plan which were still ongoing in 2019-20.

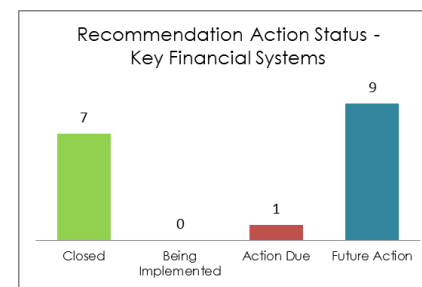
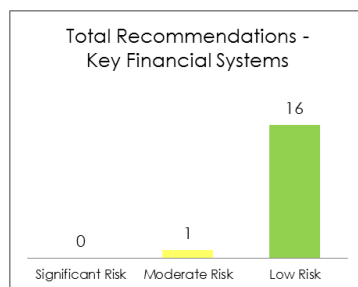
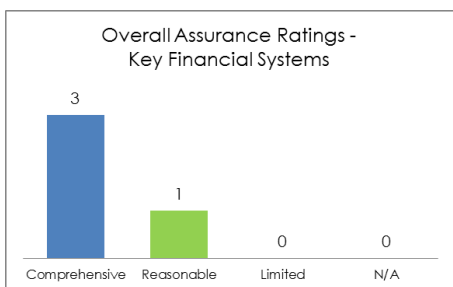
2019-20 Jobs	Status	% Complete	Assurance Rating
Anti-Fraud & Corruption 2019-20	Final Report	100%	Reasonable
Information Governance	Final Report	100%	Reasonable
Medium Term Financial Plan	Final Report	100%	Reasonable
Creditors 2019-20	Final Report	100%	Comprehensive
IT Policy Compliance	Final Report	100%	Limited
Transformation Project Assurance	In Progress	60%	
Digital Transformation	Final Report	100%	Reasonable
Data Quality & Performance Management	Final Report	100%	Reasonable
Procurement 2019-20	Final Report	100%	Reasonable
NDR 2019-20	Final Report	100%	Comprehensive
E-Payments 2019-20	Final Report	100%	Comprehensive
Anti-Social Behaviour	Final Report	100%	Reasonable
Fire Safety	Final Report	100%	Reasonable
Homelessness	Final Report	100%	Reasonable
Asset Management - Door Access	Final Report	100%	Limited

B/Fwd Jobs	Status	% Complete	Assurance Rating
Anti-Fraud	Final Report	100%	N/A
Commercial Property Management	Final Report	100%	Reasonable
Universal Credit	Final Report	100%	Comprehensive

- Of the 17 completed assignments, 14 attracted either a Comprehensive or Reasonable assurance rating and 2 assignments were given a Limited assurance rating. There was also a piece of work on Anti-fraud that could not be assigned an assurance rating due to the nature of the review. From the completed assignments a total of 98 recommendations were made; 62 of these were considered to present a low risk; 36 were considered to present a moderate risk; none were considered to present either a significant or critical risk. Although there were a number of moderate risk recommendations made, they were not significant in aggregate to the system of internal control.



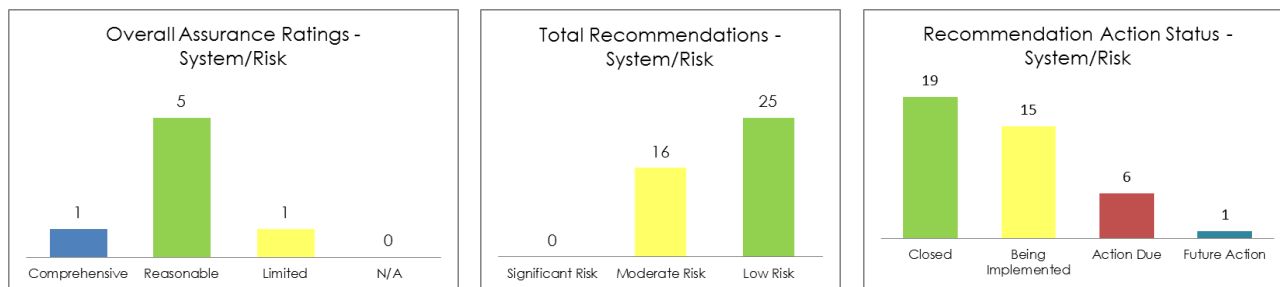
- All of the 4 **Key Financial System** audits undertaken in 2019-20 were finalised and 3 attracted a Comprehensive overall assurance rating and 1 a Reasonable rating. These audit assignments identified 17 recommendations, 16 of which were classified as low risk and 1 moderate risk. The moderate risk recommendation has a future action date.



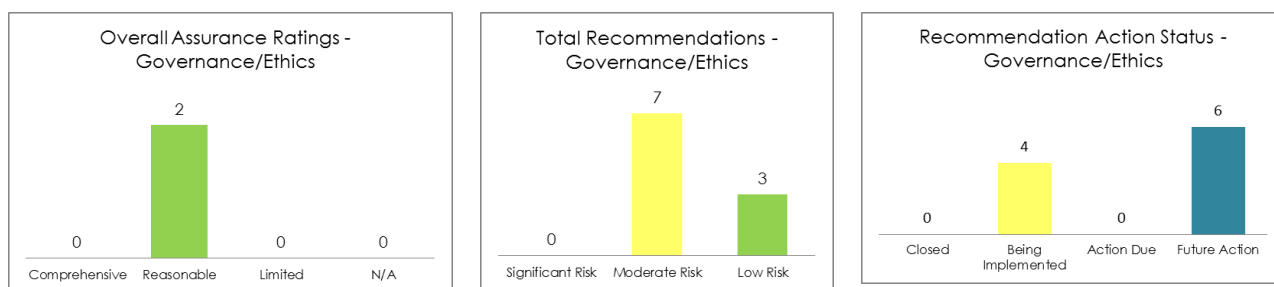
- Of the 7 **System/Risk** audits undertaken in 2019-20, all were finalised. One attracted a Comprehensive; 5 a Reasonable overall assurance rating and 1 attracted a **Limited** assurance rating (Asset Management – Door Access). A total of 41 recommendations were made; 16 of which were considered to present a moderate risk, 25 were judged as low risk. There were no significant or critical risk issues identified. Of the 16 moderate risk issues identified, 10 had been addressed to our satisfaction; 2 had passed their original action date but management had yet to provide any update information (Asset Management

Ashfield District Council – Internal Audit Annual Report 2019-20

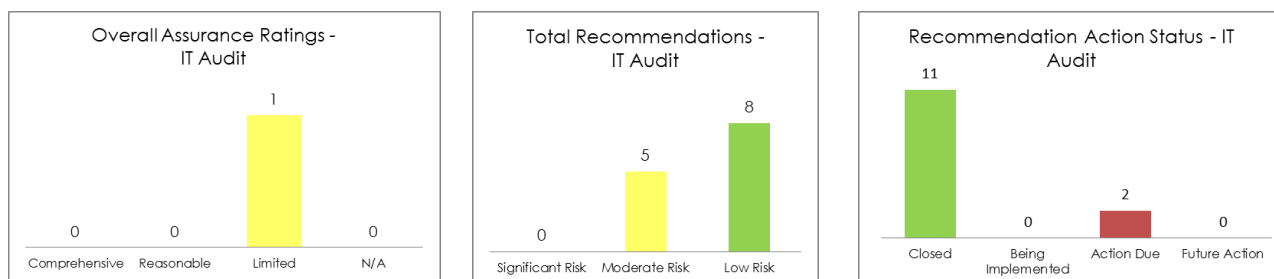
– Door Access and Anti-Social Behaviour); the remaining 4 recommendations were in the process of being implemented and have revised action dates.



- Both of the **Governance/Ethics** audits undertaken during 2019-20 have been finalised and were judged to have Reasonable overall assurance ratings. The assignments resulted in 10 recommendations; 7 of which were considered to represent a moderate risk and 3 a low risk. 3 of the moderate risk issues are in the process of being implemented and 4 have a future action date.



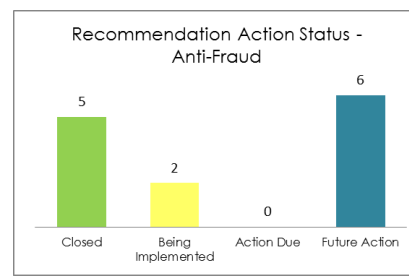
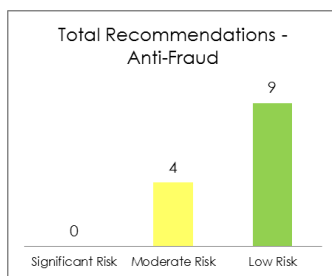
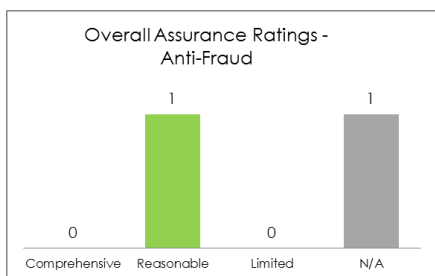
- Of the 2 **IT Audits** undertaken one was completed during 2019-20 and attracted a **Limited** assurance rating (IT Policy Compliance). A total of 13 recommendations were made, 5 of which were moderate risk recommendations and 8 low risk. Of the 5 moderate risk issues, 4 have been implemented to our satisfaction, the remaining issue has passed its original action date, but management has not provided a revised action date when the issue will be addressed. The other assignment regarding the Transformation Project Assurance won't be assigned an assurance rating due to the nature of the review.



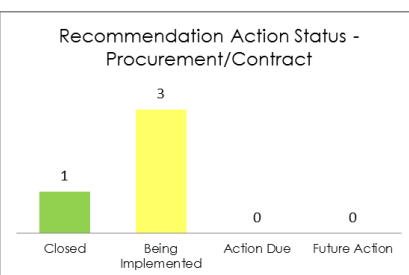
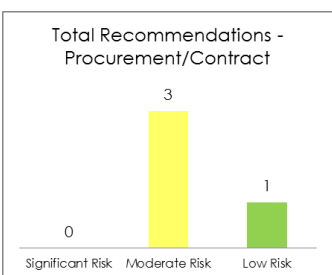
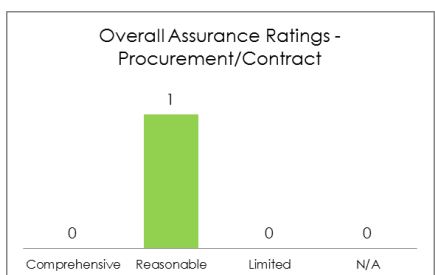
- Of the 2 **Anti-fraud** assignments undertaken in 2019-20, 1 piece of consultancy work was finalised that did not result in an overall assurance rating, but raised 2 moderate risk recommendations, both of which have passed their original action date and have revised action dates. The other audit was completed

Ashfield District Council – Internal Audit Annual Report 2019-20

and attracted a Reasonable assurance rating. Of the 11 recommendations raised, 2 were considered to be moderate risk and both have future implementation dates.



- The 1 **Procurement/Contract** audit finalised during 2019-20 attracted an overall assurance rating of Reasonable. The assignment identified 4 recommendations, 3 of which were classified as moderate risk and 1 was considered a low risk. All 3 moderate risk recommendations have passed their original action date and have a revised action date.



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 2019-20 and the assurance ratings associated with each audit assignment.

Summary of Audit Plan 2019-20 Results (incl. Jobs B/Fwd)	Type of Review						Totals
	Key Financial System	System/ Risk	Governance /Ethics	IT Audit	Anti- Fraud	Procurement /Contract	
Not Yet Complete				1			1
Comprehensive	3	1					4
Reasonable	1	5	2		1	1	10
Limited		1		1			2
None							
N/A					1		1
	4	7	2	2	2	1	18

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.

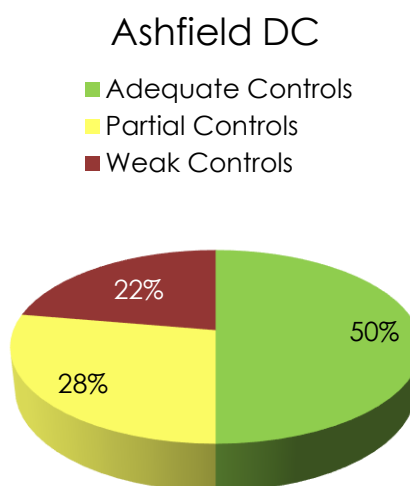
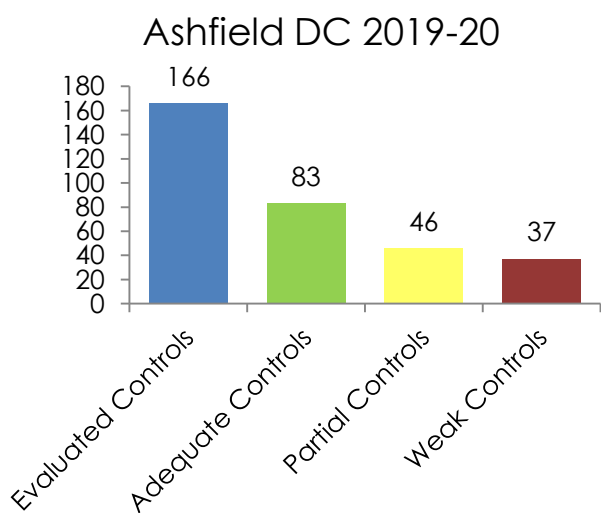
These assurance ratings are determined using our bespoke modelling technique which takes into account the number of control weaknesses identified in relation to those examined, weighted by the significance of the risks.

Audit Plan Assignments 2019-20

Audit Assignments Completed in Period	Assurance Rating	Recommendations Made				% Recs Closed
		Critical Risk	Significant Risk	Moderate Risk	Low Risk	
Medium Term Financial Plan	Reasonable			1	6	14%
Creditors 2019-20	Comprehensive				4	
NDR 2019-20	Comprehensive				3	100%
Universal Credit	Comprehensive				3	100%
Data Quality & Performance Management	Reasonable			1	3	
E-Payments	Comprehensive				2	
Anti-Social Behaviour	Reasonable			2	5	29%
Fire Safety	Reasonable			3	2	80%
Homelessness	Reasonable			2	7	22 %
Asset Management - Door Access	Limited			4	4	63%
Commercial Property Management	Reasonable			4	2	100%
Information Governance	Reasonable			3	1	
Digital Transformation	Reasonable			4	2	
IT Policy Compliance	Limited			5	8	85%
Transformation Project Assurance						n/a
Anti-Fraud & Corruption 2019-20	Reasonable			2	9	45%
Anti-Fraud	N/A			2		
Procurement 2019-20	Reasonable			3	1	25%
TOTALS				36	62	44%

Internal Controls Examined

For those audits finalised during 2019-20, we established the following information about the controls examined:



Ashfield District Council – Internal Audit Annual Report 2019-20

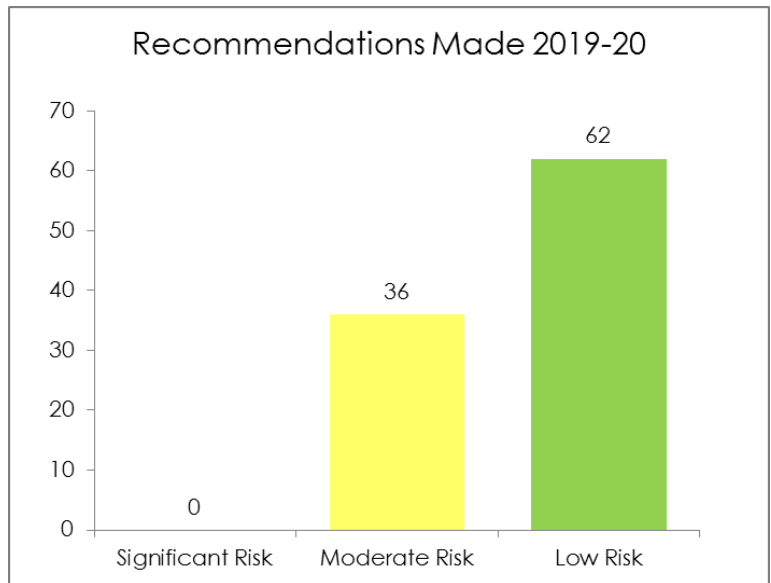
Recommendations Made

The control weaknesses identified above resulted in 98 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 2019-20:

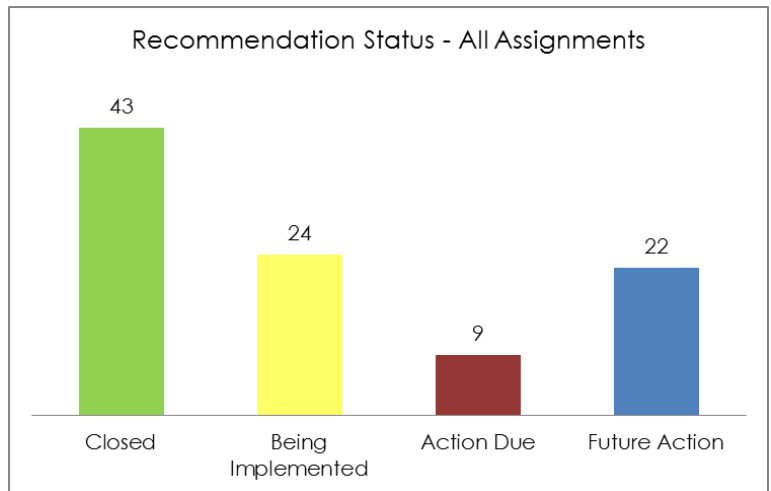
Audit Assignments Completed in Period	Type of Review	Recommendations Status			
		Total Closed	Action Due	Being Implemented	Future Action
Medium Term Financial Plan	Key Financial System	1			6
Creditors 2019-20	Key Financial System		1		3
NDR 2019-20	Key Financial System	3			
Universal Credit	Key Financial System	3			
Data Quality & Performance Management	System/Risk			4	
E-Payments	System/Risk		1		1
Anti-Social Behaviour	System/Risk	2	5		
Fire Safety	System/Risk	4		1	
Homelessness	System/Risk	2		7	
Asset Management - Door Access	System/Risk	5		3	
Commercial Property Management	System/Risk	6			
Information Governance	Governance/Ethics			4	
Digital Transformation	Governance/Ethics				6
IT Policy Compliance	IT Audit	11	2		
Transformation Project Assurance	IT Audit				
Anti-Fraud & Corruption 2019-20	Anti-Fraud	5			6
Anti-Fraud	Anti-Fraud			2	
Procurement 2019-20	Procurement/Contract	1		3	
TOTALS		43	9	24	22

Recommendations Summary

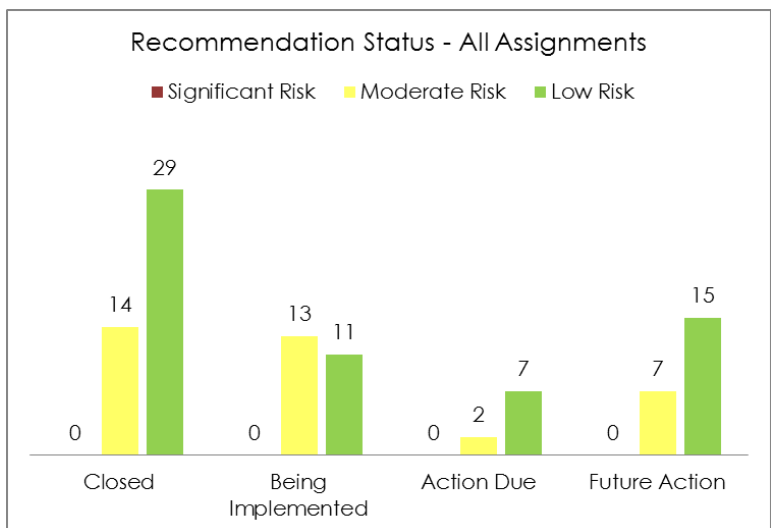
These 98 recommendations have resulted from the 17 audit assignments finalised either during 2019-20 or finalised in the time following the year-end. Approximately 63% of all recommendations made were considered to present a low risk, 37% a moderate risk and 0% a significant risk.



Of the 98 recommendations made, 44% have been closed, 25% have passed their original action date and a revised target has been set, 9% have passed their original action date but we have not yet received information regarding the status of management's action. The remaining 22% have an agreed original action date set in the future.



It is pleasing to note that 14 of the moderate risk recommendations raised have been addressed to our satisfaction, as have 29 of the low risk recommendations. We will continue to monitor all recommendations not yet addressed and will bring those moderate risk recommendations that remain outstanding to the attention of the Audit Committee throughout the coming year.

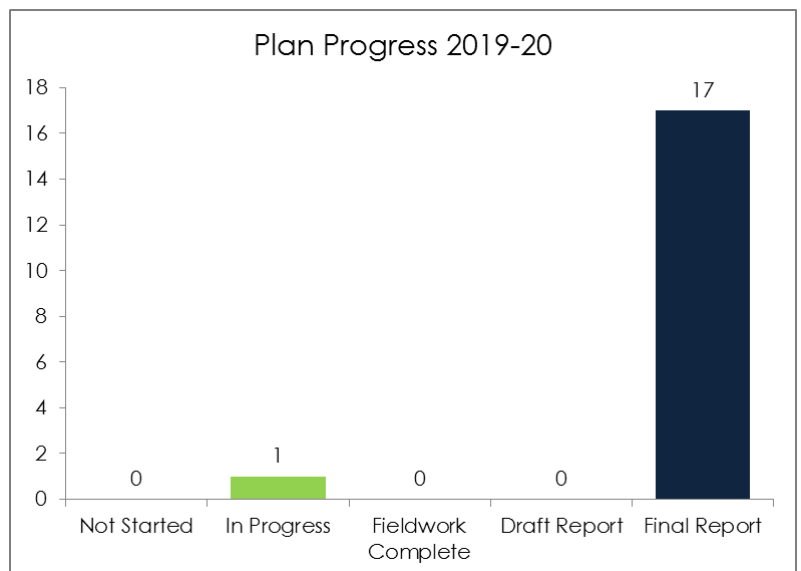


Performance Measures

Of the 13 customer satisfaction surveys sent, only 46% have been returned. Surveys contain 11 questions regarding the audit service provided and asked managers to score each on a scale of 1-5 (1=Very Poor, 2=Poor, 3=Fair, 4=Good, 5=Excellent). From the 6 customer satisfaction returns received, the overall average score out of 55 was 49.7.



By the end of 2019-20 we had completed 94.9% of the revised Audit Plan against a target of 90%. Our progress with certain audit assignments has been impacted by the Covid-19 situation from the middle of March 2020 onwards.



QAIP – Improvement Plan

ACTIONS
1. We could seek 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 or we could seek a formal endorsement from Audit Committee and Client Lead Officer of the Audit Plan and our Opinion when reporting to Committee.
2. We should 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 should re-iterate/ emphasise our rules and individual responsibilities to matters concerning the impairment of our professional judgement. As we have new members of the team, this could be discussed at a future Team Meeting.
4. Ethical use of information should be emphasised at a team meeting when discussing auditor responsibilities towards security and confidentiality of information in their possession.
5. We should 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. We should continue to promote a culture of continuous improvement which considers the needs of individuals by: <ul style="list-style-type: none"> • staff completing the Audit Management System (AMS) in respect of any training received, • undertaking Great Performance Conversations in accordance with the hosts requirements and • producing a Training & Development Plan.
7. Our opinion statements should explicitly state whether there are any perceived conflicts of interest with any other assurance providers which the CAE is relying upon when forming an opinion.
8. We should ask staff to complete a Personal Development Plan and then produce a Training & Development Plan for the Team.
9. We should establish a robust process for engaging capable assistance when resource shortfalls exist (e.g. contracts for Co-sourcing, specialists service providers etc.)
10. To ensure that audit engagements are supported by appropriate tools, we should encourage Auditors greater use of CAATs (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.
11. Complete this self-assessment and produce a revised QAIP and Action Plan for reporting to all necessary parties.
12. To demonstrate stakeholder engagement with the process, we should ensure that the QAIP Action Plan is a standard agenda item on both Operational

Management group and at Audit Section meetings.

13. To demonstrate each work programme has been appropriately approved, we should 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 should continue to gather control/risk/test data from existing audits ready for import into the database. In the interim we could record the development and approval of the programme of work in the AMS.
14. The Audit Together Partnership has initiated a potential peer review opportunity for all Group members to participate in. We should enquire with members of the Group whether anyone would be prepared to undertake an external review of CMAP when it is next due.
15. We should produce a revised Business Plan that demonstrates how the internal audit activity intends to add value to each organisation.
16. We should continue to develop the process for incorporating other assurance 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.
17. We should ensure that our Audit Manual is complete, up-to-date, readily available and used by all audit staff.
18. To support the improvement of the organisation's governance framework, we should undertake consultancy work to facilitate the self-assessment of the effectiveness of the Audit Committee at all partner organisations.
19. We should consider how we could systematically evaluate the potential for the occurrence of fraud at each partner organisation and how each organisation manages fraud risk.



Ashfield District Council – Audit Progress Report

Audit Committee: 27th July 2020



Contents

Page

AUDIT DASHBOARD	2
AUDIT PLAN	4
AUDIT COVERAGE	6
RECOMMENDATION TRACKING	13

Our Vision

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

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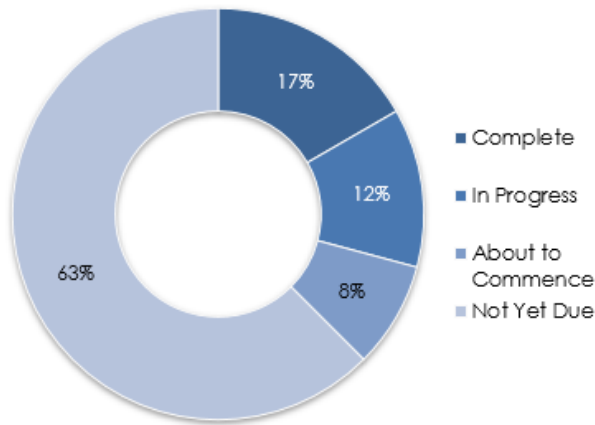
central midlands audit partnership

Providing Excellent Audit Services in the Public Sector

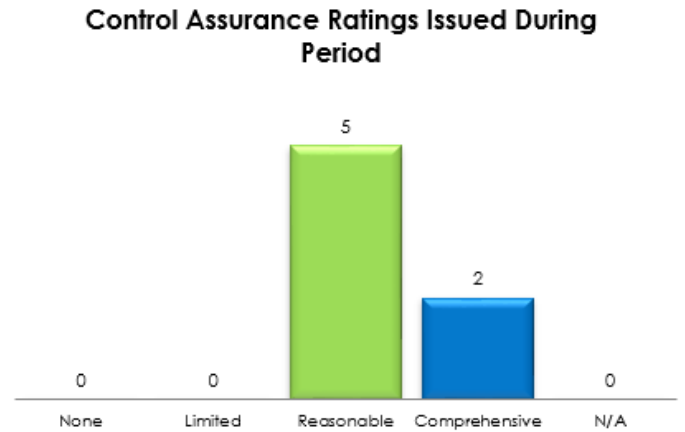
AUDIT DASHBOARD

Ashfield District Council – Audit Progress Report

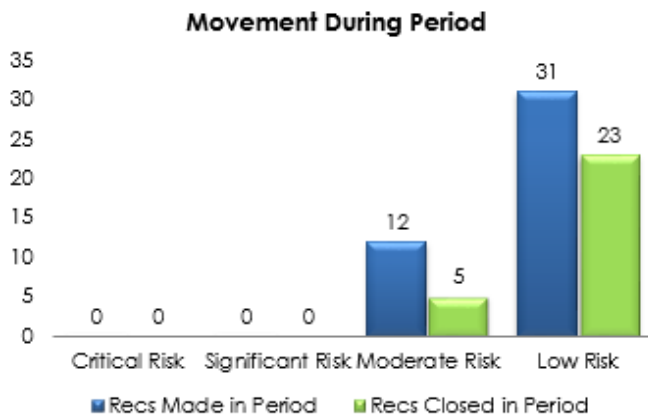
Plan Progress



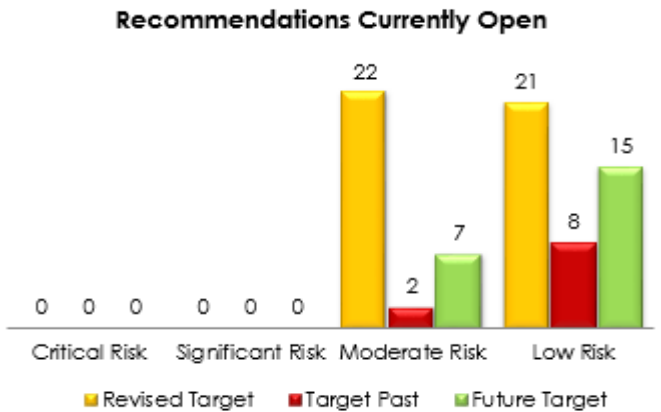
Assurance Ratings



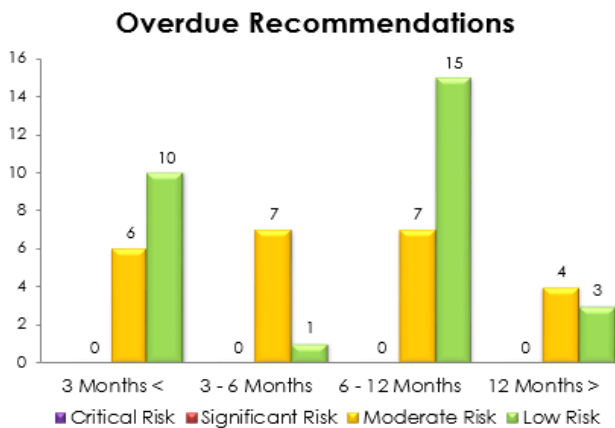
Recommendations



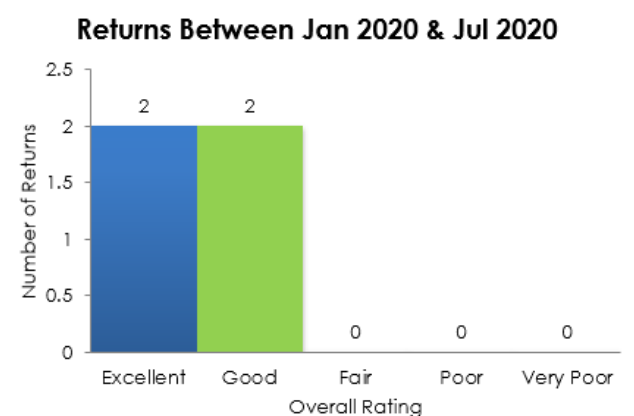
Recommendations



Recommendations



Customer Satisfaction



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 9th July 2020.

2020-21 Jobs	Status	% Complete	Assurance Rating
Anti-Fraud & Corruption	Not Allocated	0%	
Business Continuity & Emergency Planning	Not Allocated	0%	
Main Accounting Systems	Not Allocated	0%	
Taxation	Not Allocated	0%	
Creditors	Not Allocated	0%	
IT Applications	Not Allocated	0%	
ICT Infrastructure	Not Allocated	0%	
Corporate Improvement/Transformation	Not Allocated	0%	
Risk Registers	Not Allocated	0%	
Contracts Register	Allocated	0%	
Commercial Property Portfolio	Not Allocated	0%	
Procurement	Not Allocated	0%	
Debtors	Not Allocated	0%	
People Management	Not Allocated	0%	
Payroll	Not Allocated	0%	
Complex Case Work	Allocated	10%	
Environmental Protection	Not Allocated	0%	
Disabled Facilities Grants	In Progress	75%	
Rent Control	Draft Report	95%	
B/Fwd Jobs	Status	% Complete	Assurance Rating
Medium Term Financial Plan	Final Report	100%	Reasonable
Creditors 2019-20	Final Report	100%	Comprehensive
Anti-Fraud & Corruption 2019-20	Final Report	100%	Reasonable
Digital Transformation	Final Report	100%	Reasonable
Transformation Project Assurance	In Progress	60%	
E-Payments*	Final Report	100%	Comprehensive
Homelessness*	Final Report	100%	Reasonable
Information Governance*	Final Report	100%	Reasonable

*Reports finalised during 2019-20 so not b/fwd into 2020-21 but not yet reported to Committee.

Ashfield District Council – Audit Progress Report

Audit Plan Changes

The People Management audit was removed from 2019-20 plan to allow for additional time to be spent on recommendation follow up work. A People Management audit has been included in the 2020-21 Audit Plan.

It is highly likely that the delivery of the 2020-21 Audit Plan will be affected by the Covid-19 pandemic. The disruption to services caused by the lockdown, staff secondments into front-line services and increased sickness levels will inevitably lead to delays in our audits and a reduction in audit coverage. We are not currently in a position to determine exactly what that reduction will be. Accordingly, we have not yet make any changes to the 2020-21 Audit Plan at this time, but we are envisaging that audit work on the Business Support Grants will be introduced. We anticipate that further updates on revisions to the Audit Plan will be brought to the next Audit Committee meeting.

Ashfield District Council – Audit Progress Report

AUDIT COVERAGE

Completed Audit Assignments

Between 4th December 2019 and 9th July 2020, 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	
Information Governance	Reasonable	0	0	3	1	0%
Homelessness	Reasonable	0	0	2	7	22%
E- Payments	Comprehensive	0	0	0	2	0%
Creditors 2019-20	Comprehensive	0	0	0	4	0%
Medium Term Financial Plan	Reasonable	0	0	1	6	14%
Anti-Fraud & Corruption 2019-20	Reasonable	0	0	2	9	45%
Digital Transformation	Reasonable	0	0	4	2	0%
TOTALS		0	0	12	31	19%

Information Governance				
Control Objectives Examined	Controls Evaluated	Adequate Controls	Partial Controls	Weak Controls
The Council has taken sufficient action to be able to demonstrate compliance with the General Data Protection Regulations	14	11	3	0
The requirements in relation to the General Data Protection Regulations have become embedded and are being adhered to in practice across the Council.	4	1	2	1
TOTALS	18	12	5	1
Summary of Weakness	Risk Rating	Agreed Action Date		
The Council had not reviewed and updated the policies within its IT Security Policy Framework to reflect GDPR legislation.	Low Risk	31/03/2020		
Not all Council employees had undertaken the required GDPR e-learning training.	Moderate Risk	30/06/2020		
Data Protection Impact Assessments had been completed but had not been subject to review or sign off by the Data Protection Officer, as per the Councils guidance.	Moderate Risk	30/06/2020		

Ashfield District Council – Audit Progress Report

Sensitive, personal data was being stored in locations which were not suitably restricted to only those officers with a genuine business need to access such information Moderate Risk 30/06/2020

<h2 style="margin: 0;">Homelessness</h2>	<p style="margin: 0;">Assurance Rating</p>			
Control Objectives Examined	Controls Evaluated	Adequate Controls	Partial Controls	Weak Controls
There are adequate operational procedures in place that ensure that the Council is complying with the Homelessness Reduction Act.	12	5	7	0
The Council ensures that the Personalised Housing Plans are being completed, that they are adequate, effective and actions are completed when required.	5	2	3	0
TOTALS	17	7	10	0
Summary of Weakness	Risk Rating	Agreed Action Date		
The Housing Options section mainly operated using paper based files. Occasions had been noted where the paper file did not corresponded with the information in the H-CLIC system.	Low Risk	31/05/2020		
Testing noted two occasions where the Council had not retained evidence of the documentation checked that demonstrated the applicant met the eligibility criteria regarding citizenship and residency and was therefore eligible for assistance.	Moderate Risk	30/06/2020		
In one case, the Council was unable to provide evidence that they had checked that the applicant was threatened with homelessness within 56 days.	Low Risk	30/06/2020		
There were minor differences in the description of the priority need categories between the Council's list of applicants with priority need to that documented in the Homelessness Code of Guidance for Local Authorities, provided by the Ministry of Housing, Communities & Local Government.	Low Risk	31/05/2020		
The section in the H-CLIC system designed to show if a Personalised Housing Plan had been developed, communicated to and accepted by the applicant, had not been completed for 3 of the 17 applications tested.	Low Risk	30/06/2020		
Decisions regarding applicant's vulnerability as part of their priority need criteria had not been documented.	Low Risk	30/06/2020		
Testing noted one occasion where the Council had not evidenced that they had completed the actions noted in a Personalised Housing Plan.	Low Risk	30/06/2020		

Ashfield District Council – Audit Progress Report

Review of the Personalised Housing Plans found two plans which did not include any actions for the Council to undertake.	Moderate Risk	30/06/2020
The H-CLIC system was not being fully utilised to enable monitoring of actions completed from Personalised Housing Plans.	Low Risk	30/06/2020

<h2>E-Payments</h2>	<p style="text-align: center;">Assurance Rating</p>			
Control Objectives Examined	Controls Evaluated	Adequate Controls	Partial Controls	Weak Controls
The Income Management system upgrade is working as expected and there is an external control system around the new processes, including reconciliations, monitoring and reviews of the system.	7	6	0	1
Employees are encouraging/promoting the use of the online store.	2	0	2	0
The rental payments i.e. Markets collections and other collections, on mobile payment devices are working as required.	2	1	1	0
TOTALS	11	7	3	1
Summary of Weakness		Risk Rating	Agreed Action Date	
Reconciliations of income records to the ledger were not being undertaken by all service areas in receipt of online payments.		Low Risk	31/08/2020	
Access permissions to the Square Payments system were not appropriate for the duties assigned to an individual officer.		Low Risk	30/06/2020	

<h2>Creditors 2019-20</h2>	<p style="text-align: center;">Assurance Rating</p>			
Control Objectives Examined	Controls Evaluated	Adequate Controls	Partial Controls	Weak Controls
To review and test the adequacy of creditors processes including supplier set up and changes, authorisations of ordering and invoices, and payment controls.	10	6	4	0

Ashfield District Council – Audit Progress Report

To review the robustness of controls and procedures around the new intelligence scanning system currently being embedded.	3	3	0	0
TOTALS	13	9	4	0
Summary of Weakness		Risk Rating	Agreed Action Date	
The procedure notes for creditor processing had not been updated following the Civica Financials upgrade.		Low Risk	30/09/2020	
Testing of new creditor set ups identified one request which did not have supporting evidence retained on file.		Low Risk	31/05/2020	
Procedural guidance documents did not clearly instruct officers to undertake and document the appropriate verification checks that should be undertaken prior to amending creditor bank details.		Low Risk	30/07/2020	
Due to technical issues, the system control has been disabled that informs the officer raising the requisition where there is insufficient budget in place to cover their order.		Low Risk	30/09/2020	

<h2>Medium Term Financial Plan</h2>	<p>Assurance Rating</p>			
Control Objectives Examined	Controls Evaluated	Adequate Controls	Partial Controls	Weak Controls
The Medium Term Financial Plan Accurately reflects the objectives set out in the Medium Term Financial Strategy.	7	3	4	0
The Medium Term Financial Plan has adequate controls and access is restricted to appropriate personnel.	2	0	2	0
The Medium Term Financial Plan reflects outcomes from assessments, for example, the CIPFA Financial Resilience Index.	2	2	0	0
The Medium Term Financial Plan has been effective in closing previous funding gaps and is a realistic plan for managing the Council's finances.	2	1	1	0
TOTALS	13	6	7	0
Summary of Weakness		Risk Rating	Agreed Action Date	
A full and comprehensive Medium Term Financial Strategy had not been produced and approved by Members since October 2015.		Moderate Risk	28/02/2021	
An updated Medium Term Financial Strategy report was not brought back to Members as recommended, following the closure and audit of the 2018/19 Accounts.		Low Risk	31/12/2020	

Ashfield District Council – Audit Progress Report

The Medium Term Financial Strategy Update, reported to Cabinet in February 2020, did not include sufficient information and clarity for Members and other stakeholders to fully understand the Council's financial position.	Low Risk	28/02/2021
A review of the Financial Plan and Strategy Update Cabinet report from February 2020 noted some typographical errors with the reported data.	Low Risk	31/05/2020
The Medium Term Financial Plan spreadsheet was being updated and amended without changes being checked by another officer.	Low Risk	30/11/2020
Access to the Medium Term Financial Plan spreadsheet was restricted to one officer which represents a single point of failure should that officer be unavailable.	Low Risk	30/11/2020
The Medium Term Financial Strategy Update (reported in Feb 2020) did not include estimates for Council Tax Income increases from growth and prudent estimated savings from the Digital Transformation Programme.	Low Risk	28/02/2021

<h2>Anti-Fraud & Corruption 2019-20</h2>	<p>Assurance Rating</p>																
Control Objectives Examined	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="background-color: #4F81BD; color: white;">Controls Evaluated</th> <th style="background-color: #4F81BD; color: white;">Adequate Controls</th> <th style="background-color: #4F81BD; color: white;">Partial Controls</th> <th style="background-color: #4F81BD; color: white;">Weak Controls</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">7</td> <td style="text-align: center;">2</td> <td style="text-align: center;">4</td> <td style="text-align: center;">1</td> </tr> <tr> <td style="text-align: center;">9</td> <td style="text-align: center;">2</td> <td style="text-align: center;">3</td> <td style="text-align: center;">4</td> </tr> <tr> <td style="text-align: center;">TOTALS</td> <td style="text-align: center;">4</td> <td style="text-align: center;">7</td> <td style="text-align: center;">5</td> </tr> </tbody> </table>	Controls Evaluated	Adequate Controls	Partial Controls	Weak Controls	7	2	4	1	9	2	3	4	TOTALS	4	7	5
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9	2	3	4														
TOTALS	4	7	5														
The Gifts & Hospitality Register is kept up to date and is operated within a clear policy.	7	2	4	1													
The Council has effective anti-fraud measures in place within the Right to Buy process which deter and stop fraudulent applications from being made and processed; ensuring only legitimate and eligible tenants are successful with their Right to Buy application.	9	2	3	4													
TOTALS	16	4	7	5													
Summary of Weakness	Risk Rating	Agreed Action Date															
The Council's current Member Code of Conduct does not comply with the latest recommendations on gifts and hospitality made in the report of the Committee of Standards in Public Life relating to Local Government Ethical Standards. The report recommends that a Local Authority Register of Gifts and Hospitality should include gifts and hospitality over £50 or totalling £100 per annum, from a single source. It also recommends that the Register is updated on a quarterly basis and published in an accessible form.	Low Risk	30/04/2021															
The hyperlink on the Council's intranet to the Members Code of Conduct was incorrectly linked to a document called 'Guidance for Officers'.	Low Risk	Implemented															

Ashfield District Council – Audit Progress Report

Testing identified an Officer disclosure form which had not been approved by a relevant Manager. We also noted an Officer disclosure form and 5 Member disclosure forms which had been subject to a significant delay in the approval of those forms.	Low Risk	31/07/2020
One instance had been noted where the disclosure of a gift had been made by a Member nine months after its acceptance. Also, four employees had received hospitality but had not made a declaration and therefore had not had approval to attend the event. Additionally the forms did not require the disclosure of a date of the receipt of gift or hospitality and an approximate value.	Low Risk	31/07/2020
The spreadsheet used to confirm historical tenancy information had not been protected from editing and could be amended deliberately or erroneously to provide a tenant with discount that they had no entitlement to. It was also accessible to 14 employees who did not have a genuine business need to access the information.	Low Risk	Implemented
Credit checks were not completed as part of the initial checks on Right to Buy applicants.	Moderate Risk	31/08/2020
The Right to Buy assessment process did not include a visit to the applicant at the property to be purchased, to confirm that the tenant was actually living there.	Moderate Risk	31/12/2020
Only the current balance of the rent account of the property subject to the Right to Buy application would be checked. Historical balances on the rent account were not reviewed, therefore not identifying previous arrears, unusual transactions or changes to the account which could identify an ineligible applicant.	Low Risk	Implemented
The Council Tax and Housing Benefit accounts had not been reviewed to identify occupancy changes and arrears that could invalidate the Right to Buy application.	Low Risk	Implemented
Birth Certificates were accepted as proof of identification for Right to Buy applicants, where Photo Identification documents were not available.	Low Risk	Implemented
There were no documented alternative anti-money laundering checks in place for Right to Buy applicants who did not appoint a solicitor.	Low Risk	30/09/2020

Digital Transformation				
	Controls Evaluated	Adequate Controls	Partial Controls	Weak Controls
Control Objectives Examined	5	1	2	2
The Council has robust controls over the purchase, maintenance and upgrade of business applications.	5	1	2	2

Ashfield District Council – Audit Progress Report

The Council has up to date and legally binding contracts in place with providers of business applications.	2	0	0	2
TOTALS	7	1	2	4
Summary of Weakness		Risk Rating	Agreed Action Date	
Budget holders within service areas have the ability to purchase and upgrade applications without consultation and approval from the Digital Services Transformation Board.		Moderate Risk	31/08/2020	
There were no formally documented governance requirements for budget holders when purchasing new applications or upgrading existing applications.		Moderate Risk	31/08/2020	
Some of the maintenance agreements for the applications in the audit sample did not include sufficient detail of what was included in the cost.		Low Risk	31/10/2020	
The order and payment of annual maintenance costs for applications tested identified that some had not been checked back to the relevant contract details before authorisation, to ensure that the amount was correct.		Low Risk	31/10/2020	
The Council did not have signed, up to date and adequate contracts in place for some of the applications tested.		Moderate Risk	31/10/2020	
The contracts register did not include accurate detail for the applications reviewed as part of the audit.		Moderate Risk	31/10/2020	

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
31-Oct-16	Main Accounting (MTFP)	Reasonable	0	1	0
11-Jan-18	Anti-Fraud & Corruption	Reasonable	0	1	0
27-Mar-18	Rent Arrears	Comprehensive	0	1	0
28-Mar-18	ECINS Security Assessment	Limited	0	3	0
24-Apr-18	ICT Performance Management	Reasonable	0	2	0
22-Jun-18	Health & Safety	Comprehensive	0	1	0
10-Jan-19	Depot Investigation	Limited	0	7	0
30-Jan-19	Licensing	Reasonable	0	1	0
14-Feb-19	Risk Registers	Reasonable	1	1	0
12-Mar-19	Treasury Management & Banking	Reasonable	0	1	0
16-Aug-19	Fire Safety	Reasonable	0	1	0
18-Sep-19	IT Policy Compliance	Limited	2	0	0
24-Sep-19	Door Access Control	Limited	0	3	0
09-Oct-19	Procurement 2019-20	Reasonable	0	3	0
29-Nov-19	Anti-Social Behaviour	Reasonable	5	0	0
29-Nov-19	Anti-Fraud 2018-19	N/A	0	2	0
03-Dec-19	Data Quality & Performance Management	Reasonable	0	4	0
31-Jan-20	Information Governance	Reasonable	0	4	0
16-Mar-20	Homelessness	Reasonable	0	7	0
18-Mar-20	E-Payments	Comprehensive	1	0	1
30-Apr-20	Creditors 2019-20	Comprehensive	1	0	3
27-May-20	Medium Term Financial Plan	Reasonable	0	0	6
08-Jul-20	Anti-Fraud & Corruption 2019-20	Reasonable	0	0	6
09-Jul-20	Digital Transformation	Reasonable	0	0	6
		TOTALS	10	43	22

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

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

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

Ashfield District Council – Audit Progress Report

Audit Assignments with Recommendations Due	Action Due			Being Implemented		
	Significant Risk	Moderate Risk	Low Risk	Significant Risk	Moderate Risk	Low Risk
Risk Registers	0	0	1	0	1	0
Depot Investigation	0	0	0	0	4	3
Licensing	0	0	0	0	0	1
Rent Arrears	0	0	0	0	0	1
ICT Performance Management	0	0	0	0	2	0
Health & Safety	0	0	0	0	0	1
Anti-Fraud & Corruption	0	0	0	0	0	1
Fire Safety	0	0	0	0	1	0
ECINS Security Assessment	0	0	0	0	2	1
IT Policy Compliance	0	1	1	0	0	0
Main Accounting (MTFP)	0	0	0	0	0	1
Treasury Management & Banking Services	0	0	0	0	0	1
Data Quality & Performance Management	0	0	0	0	1	3
Anti-Social Behaviour	0	1	4	0	0	0
Procurement 2019-20	0	0	0	0	3	0
Anti-Fraud	0	0	0	0	2	0
Asset Management - Door Access	0	0	0	0	1	2
Information Governance	0	0	0	0	3	1
Homelessness	0	0	0	0	2	5
E-Payments	0	0	1	0	0	0
Creditors 2019-20	0	0	1	0	0	0
TOTALS	0	2	8	0	22	21

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

Anti-Social Behaviour	Rec No. 3
Summary of Weakness / Recommendation	Risk Rating
<p>Insufficient case notes were documented, impacting on the ability of third parties to review the actions taken.</p> <p>We recommend that Management follow up the issue of new guidance by reviewing each officer's documentation and provide training if required.</p>	Moderate Risk
Management Response/Action Details	Action Date
<p>We acknowledge that case notes have been minimal at times with no Clear actions on next steps of the case.</p> <p>We acknowledge that some cases have not been changed to INACTIVE on ECINS and achieved when closed.</p> <p>ECINS best practice guide is now in place and is required to be followed by officers within the ASB Team.</p> <p>Process now implemented and will be included in the wider procedure manual which is in progress.</p> <p>Monthly audit in place but has not been fully completed.</p>	31/12/2019
Status Update Comments	Revised Date

IT Policy Compliance	Rec No. 7
Summary of Weakness / Recommendation	Risk Rating
<p>A significant amount of duplicate files were found across the S:\ drive (totalling over 150 GB of data), raising concerns around departments housekeeping, records management and filing structures.</p> <p>We recommend that management issues routine duplicate file reports to departmental managers and ensures departments are reminded of their responsibilities for establishing routine housekeeping, controlled filing structures and appropriate records management processes.</p>	Moderate Risk
Management Response/Action Details	Action Date
<p>We will go through a process of reminding managers of their responsibilities and investigate software options to provide duplicate file reports and implement if practical. We have recently implemented the new 'dedupe' facility on the main file server following its migration to a later operating system. This removes space taken up by identical blocks of data (rather than just looking at duplicate files) and freed up 400gb of space.</p>	01/11/2019
Status Update Comments	Revised Date

Ashfield District Council – Audit Progress Report

Being Implemented Recommendations

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> <p>With regards to two factor authentication, whilst recommended as best practice for remote access/Cloud systems TFA also presents draw back in terms of immediate access. Other organisations within the Notts programme have also raised the same issue but have accepted the risk in light of this fact and have instead chosen to focus on developing internal user policies that offer assurance around use of the system by staff to offset the risks. ADC will do the same and is working with Nottingham City Council, which is developing a set of conventions.</p>	30/10/2019

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 organisation 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> <p>ECINS does provide reporting that can highlight the volume of access by users in terms</p>	30/10/2019

Ashfield District Council – Audit Progress Report

of when it was last accessed, by who, how much data they have added to the system etc. It would be up to ADC to set regulations and conventions around what policies they would like to see enforced against this data, e.g. users who have not logged on for thirty days or more get access suspended. These functions are all available through the stats and lists function of ECINS.

Nottingham City Council are developing a number of guidelines/conventions and best practice approaches which upon completion will be shared across the programme. The Ecins Manager is happy to discuss at the next local delivery group what might be a good approach at ADC. The Ecins Manager is in the process of finalising an organisational best practice guide.

The training provided by the programme at present is basic user training reflecting the agreed usage conventions for the system across the county (now echoed across the east midlands). The idea for more advanced organisation admin training is a good one and something which the Ecins manager is looking into.

ICT Performance Management		Rec No. 1
Summary of Weakness / Recommendation		Risk Rating
<p>Despite commitment to performance management in the Councils latest Technology Strategy, we could not find any documented performance management metrics and goals to support this. Similarly, performance metrics for IT did not appear to be subject to annual review, or agreed or monitored by the Council.</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>This action will fall in line with the new service desk application. Action on hold due to COVID-19.</p>		30/09/2020

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
<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>This action will fall in line with the new service desk application. Action on hold due to COVID-19.</p>		30/09/2020

Ashfield District Council – Audit Progress Report

Risk Registers	Rec No. 3
Summary of Weakness / Recommendation	Risk Rating
<p>The Council had not formally considered and documented its risk appetite.</p> <p>We recommend that the Council formally assesses and documents its risk appetite as soon as practically possible. As a core consideration of the Council's risk management approach, formally documenting its risk appetite could help the Council to make informed decisions, achieve its goals and support sustainability. We recommend that the Council formally assesses and documents its risk appetite as soon as practically possible. As a core consideration of the Council's risk management approach, formally documenting its risk appetite could help the Council to make informed decisions, achieve its goals and support sustainability.</p>	Moderate Risk
Management Response/Action Details	Action Date
<p>Risk appetite has now been assessed for all corporate and service level risks and incorporated into reports. To continue this approach for Audit Committee reporting.</p>	30/09/2019
Status Update Comments	Revised Date
<p>The analysis of the risk appetite has been prepared on a service by service area basis. This was also completed for our corporate risks last October and now in place for all the service areas. Action date revised to January 2020 to allow time to consider whether the requirements set out in the strategy continue to meet the Council's needs.</p>	31/01/2020

Depot Investigation	Rec No. 1
Summary of Weakness / Recommendation	Risk Rating
<p>The Zeus time recording system was not being used fully and consistently across the Service.</p> <p>We recommend that Management ensure that employee time is recorded accurately, fully and consistently. Management should perform adequate checks to ensure time recording systems are being used as expected and hold staff to account where appropriate. Training should be given to staff where required and supported by procedural guidance notes.</p>	Moderate Risk
Management Response/Action Details	Action Date
<p>Review of time recording systems and policy. Training and reminder messages for managers and officers. Introduce spot checks.</p>	30/09/2019
Status Update Comments	Revised Date
<p>Policy has been reviewed and circulated to trade unions. Training is still to be finalised. Due to other commitments, deadline needs to be extended.</p>	31/10/2020

Ashfield District Council – Audit Progress Report

Depot Investigation	Rec No. 2
Summary of Weakness / Recommendation	Risk Rating
<p>Management and staff were not always adhering to the Council's Leave Policy with meeting requests being used to request and approve leave.</p> <p>We recommend that Management ensure they are complying with the Council's Leave Policy and use the official process to authorise and record leave. After the year end, a sample of leave records should be examined by Management, independently of authorising Managers, to check for accuracy and review the appropriateness of records maintained.</p>	Moderate Risk
Management Response/Action Details	Action Date
Review policy. Implementation of electronic leave request and approval system through MyView. Training and reminder messages for managers and officers. Introduce sample checks	01/04/2020
Status Update Comments	Revised Date
Policy has been reviewed and circulated to trade unions. Training is still to be undertaken. This has been put on hold due to retirement of the System Administrator and COVID-19.	30/09/2020

Depot Investigation	Rec No. 3
Summary of Weakness / Recommendation	Risk Rating
<p>We were informed by the Investigating officer that the Transport Manager's Purchase card had been photocopied and was available for use, unsecured in the general office.</p> <p>We recommend that all Purchase Card holders are reminded of the corporate policy and their personal responsibilities in relation to holding a card. Management should take appropriate action where instances of misuse are found.</p>	Moderate Risk
Management Response/Action Details	Action Date
Carry out a review of the policy and procedure and then roll out to officers through the provision of information and training.	31/10/2019
Status Update Comments	Revised Date
Policy to be reviewed and training/information provided to relevant Officers. Postponed due to COVID-19.	30/09/2020

Depot Investigation	Rec No. 4
Summary of Weakness / Recommendation	Risk Rating
<p>There were variances between Directorates over the controls in place for the authorisation and the recording and retention of supporting information for Purchase card usage.</p> <p>We recommend that corporate guidance is provided to Card holders which detail how they should be authorising and recording card purchases and the requirements for supporting information retention. The use of Purchase cards should be subject to regular Management oversight.</p>	Moderate Risk
Management Response/Action Details	Action Date
Carry out a review of the policy and procedure and then roll out to officers through the provision of information and training. The revised policy will include a process for ensuring management oversight.	31/10/2019
Status Update Comments	Revised Date
Due to other commitments, the deadline will need to be extended. Postponed due to	30/09/2020

Ashfield District Council – Audit Progress Report

COVID-19.

Anti-Fraud	Rec No. 1
Summary of Weakness / Recommendation	Risk Rating
<p>The Anti-fraud Sub-group had not met regularly for some months and the Baseline Assessment had not been completed. Therefore the review of the Council's anti-fraud measures could not be completed.</p> <p>We recommend that the Service Manager, Revenues & Benefits, resumes the Anti-fraud Sub-group meetings with a priority action to complete the Baseline Assessment. This will enable the group to compare the Council's anti-fraud activities with good practice in each service area and produce a development plan. Regular updates should then be provided to Management, the Anti-Fraud Group and the Audit Committee.</p>	Moderate Risk
Management Response/Action Details	Action Date
Data-matching Sub-Group Meetings will resume and will report on its actions to the main Anti-Fraud Officer Working Group.	31/03/2020
Status Update Comments	Revised Date
Action on hold due to COVID-19.	30/09/2020

Anti-Fraud	Rec No. 2
Summary of Weakness / Recommendation	Risk Rating
<p>The Council's use of the NFI and Data Matching exercises to identify fraud and error had been limited. We were unable to identify the Council's plans for further development in this area.</p> <p>We recommend that the Service Manager, Revenues & Benefits, evaluates the current NFI and Data Matching provision within the Council and explores results of the NFI and Data Matching exercises to determine which of the matches should be pursued and appropriately resourced. The Service Manager, Revenues & Benefits should also evaluate the suggested further actions in the Anti-fraud Review and make appropriate recommendations to the Anti-Fraud Group in order to develop and embed an anti-fraud culture within the Council.</p>	Moderate Risk
Management Response/Action Details	Action Date
The Council is considering its current arrangements and will review these in light of best practice in order to develop an action plan designed to embed an anti-fraud culture within the Council including carrying out NFI and data matching exercises.	31/03/2020
Status Update Comments	Revised Date
Action on hold due to COVID-19.	30/09/2020

Ashfield District Council – Audit Progress Report

Asset Management – Door Access	Rec No. 2
Summary of Weakness / Recommendation	Risk Rating
<p>Inadequate processes were in place for the control and monitoring of temporary and visitor door access cards.</p> <p>We recommend that the processes for temporary and visitor door access cards are reviewed and appropriate controls are put in place for the issue and monitoring of these cards. We suggest that this includes the introduction of controls such as:</p> <ul style="list-style-type: none"> • Temporary or visitor cards have a standard naming format such as Temp Kirkby1, Temp Kirkby2 and Temp Sutton1, Temp Sutton2, etc. • A definitive list should be developed and maintained of which officers have the ownership and responsibilities for which cards. • The Cards which are permanently enabled and provided to an individual to hand out are removed, and only allowed if a full business case is approved at Director Level and then manual record controls should be enforced and monitored on a regular basis. • Where the Council provide temporary cards held by individuals to hand to third parties, the use of the access cards and council buildings should form part of an agreement and the third parties should sign to confirm they will keep the cards secure and use them as agreed. Management should also obtain evidence that cards had been kept safely and manual records kept of usage. • Regular reconciliations from actual card stock to Paxton records should be completed to ensure records are correct and visitor and temporary cards have been returned as required. 	<p>Moderate Risk</p>
Management Response/Action Details	Action Date
<p>To introduce additional processes to ensure unused cards temporary/visitor cards are controlled and securely stored with set places in the Council, ensuring they can be more easily reconciled. Formal reconciliations will be completed. Instructions will be given to other areas responsible for issue of temporary card to complete formal reconciliations. Only permanent and temporary are issued.</p>	<p>31/12/2019</p>
Status Update Comments	Revised Date
<p>Procedures have been drafted to include processes for issuing temporary and visitor cards.</p>	<p>31/07/2020</p>

Ashfield District Council – Audit Progress Report

Procurement	Rec No. 1
Summary of Weakness / Recommendation	Risk Rating
<p>There was no formal contract in place between the Council and the provider of procurement services.</p> <p>We recommend that the Council produce a contract for the provision of procurement services as a matter of urgency. We would expect that the contract would be a comprehensive document that would include clauses covering:</p> <ul style="list-style-type: none"> • How the service is hosted • Financial and other arrangements (e.g. VAT, use of council property, services) • Governance arrangements • Monitoring arrangements • Right of access • Third party assurance • Issue Escalation/Dispute Resolution • Break clauses • Contingency arrangements • Exit strategy 	Moderate Risk
Management Response/Action Details	Action Date
The contract is currently in Legal and being drafted. Delays have occurred due to unforeseen circumstances not related to the contract. This will require the approval of both sides and time must be allowed for negotiation and clarification.	31/03/2020
Status Update Comments	Revised Date
Revised contract still being considered by ADC and NCC Legal teams. Proposed contract was due to be presented to Cabinet on 30th June 2020 but was postponed to enable sufficient time to address COVID-19 related issues. To be ratified by Directors of Resources and Business Transformation and Legal and Governance.	31/10/2020

Procurement	Rec No. 3
Summary of Weakness / Recommendation	Risk Rating
<p>The Contracts Register did not include all of the Council's contracts or all of the information required by the Local Government Transparency Code 2015. As such, it did not completely fulfil the purpose of a Contracts Register.</p> <p>We recommend that the officer with designated responsibility for managing the Contracts Register carry out an exercise to ensure that it is a full and complete record of all contracts in place in the Council. We further recommend that the information included in the Contract Register is reviewed to ensure that it fully complies with the requirements of the Transparency Code.</p>	Moderate Risk
Management Response/Action Details	Action Date
Officers will review and determine an appropriate method for managing the Contracts Register moving forward, ensuring that all data required is published.	31/03/2020
Status Update Comments	Revised Date
Responsibility for overall corporate provision and updating of suitably robust contracts register has been realigned to be a responsibility of the Finance service following the departure of the Commercial Development Service Manager.	30/11/2020

Ashfield District Council – Audit Progress Report

Procurement	Rec No. 4
Summary of Weakness / Recommendation	Risk Rating
<p>The Council were not publishing the required data for the contracts where invitations to tender over the value of £5,000 had been raised in the previous quarter, as required by the Local Government Transparency Code 2015.</p> <p>We recommend that details of Invitations to Tender are separated from the Contracts Register and published in their own Register. This should be added to the Council's website as soon as is practically possible and updated quarterly. The following details should be recorded, as required by the Local Government Transparency Code 2015:</p> <ul style="list-style-type: none"> • Reference number. • Title. • Description of goods and/or services sought. • Start date, end date and review dates. • Department responsible. 	Moderate Risk
Management Response/Action Details	Action Date
Officers will review and determine an appropriate method for managing this information moving forward, ensuring that all data required is published.	31/03/2020
Status Update Comments	Revised Date
Responsibility for collating and publishing required contracts data has been realigned to be a responsibility of the Finance service following the departure of the Commercial Development Service Manager.	30/11/2020

Fire Safety	Rec No. 5
Summary of Weakness / Recommendation	Risk Rating
<p>Not all entrance doors to flats comply with Fire Safety Regulations.</p> <p>We recommend that the Council reviews all flat entrance doors to identify those which do not comply with Fire Safety Regulations, or those that have failed recent government tests. The Council should then take action to ensure the appropriately accredited fire safety doors are installed at the entrances to all flats.</p>	Moderate Risk
Management Response/Action Details	Action Date
An assessment of all flat entrance doors has been completed and the results forwarded to the Assets & Investment Section for building into future door replacement programme(s). However, due to uncertainties around the manufacture, testing, certification and subsequent affected supply of composite fire doors, it is currently not possible to identify a definitive timescale for completion. The option to use alternative timber fire doors of the appropriate fire safety standards and specification are currently being looked into.	31/03/2020
Status Update Comments	Revised Date
Assessments have been done, and project has been mobilised, however, due to restrictions on COVID-19 all major works have been postponed.	31/10/2020

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