



central midlands audit partnership

Ashfield District Council – Audit Progress Report

Audit Committee: 25th September 2017



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Our Vision

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

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Ashfield District Council – Audit Progress Report

Introduction

Role of Internal Audit

The Internal Audit Service for Ashfield District Council is now provided by the Central Midlands Audit Partnership (CMAP). The Partnership operates in accordance with standards of best practice applicable to Internal Audit (in particular, the Public Sector Internal Audit Standards – PSIAS). CMAP also adheres to the Internal Audit Charter.

The role of internal audit is to provide independent assurance that the organisation's risk management, governance and internal control processes are operating effectively.

Recommendation Ranking

To help management schedule their efforts to implement our recommendations or their alternative solutions, we have risk assessed each control weakness identified in our audits. For each recommendation a judgment was made on the likelihood of the risk occurring and the potential impact if the risk was to occur. From that risk assessment each recommendation has been given one of the following ratings:

- Critical risk.
- Significant risk.
- Moderate risk
- Low risk.

These ratings provide managers with an indication of the importance of recommendations as perceived by Audit; they do not form part of the risk management process; nor do they reflect the timeframe within which these recommendations can be addressed. These matters are still for management to determine.

Control Assurance Definitions

Summaries of all audit reports are to be reported to Audit Committee together with the management responses as part of Internal Audit's reports to Committee on progress made against the Audit Plan. All audit reviews will contain an overall opinion based on the adequacy of the level of internal control in existence at the time of the audit. This will be graded as either:

- **None** - We are not able to offer any assurance. The areas reviewed were found to be inadequately controlled. Risks were not being well managed and systems required the introduction or improvement of internal controls to ensure the achievement of objectives.
- **Limited** - We are able to offer limited assurance in relation to the areas reviewed and the controls found to be in place. Some key risks were not well managed and systems required the introduction or improvement of internal controls to ensure the achievement of objectives.
- **Reasonable** - We are able to offer reasonable assurance as most of the areas reviewed were found to be adequately controlled. Generally risks were well managed, but some systems required the introduction or improvement of internal controls to ensure the achievement of objectives.
- **Comprehensive** - We are able to offer comprehensive assurance as the areas reviewed were found to be adequately controlled. Internal controls were in place and operating effectively and risks against the achievement of objectives were well managed.

This report rating will be determined by the number of control weaknesses identified in relation to those examined, weighted by the significance of the risks. Any audits that receive a None or Limited assurance assessment will be highlighted to the Committee in Audit's progress reports.

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Audit Coverage

Progress on Audit Assignments

The following table provides the Committee with information on how audit assignments were progressing as at 31st August 2017.

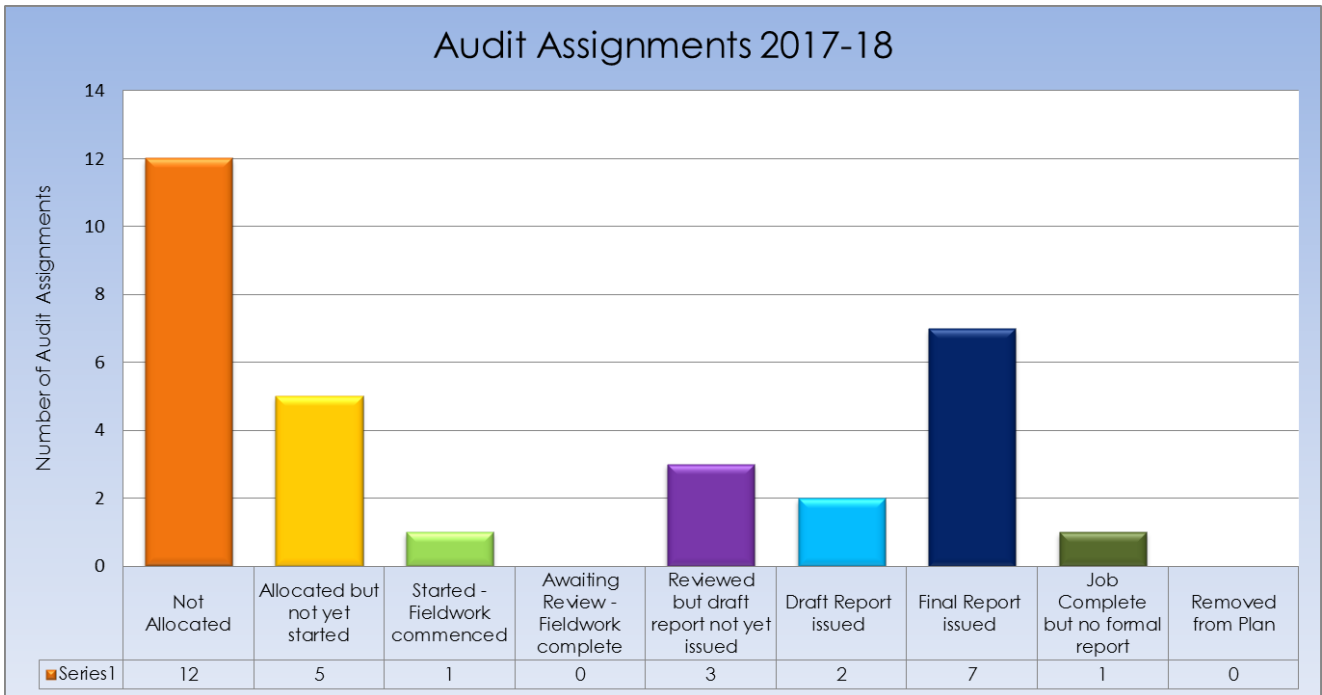
2017-18 Audit Plan Assignments	Type of Audit	Current Status	% Complete
Corporate Governance	Governance & Ethics Review	In Progress	45%
Anti-Fraud & Corruption	Anti-Fraud/Probity/Investigation	Allocated	10%
Capital Accounting	Key Financial System	Not Allocated	
Taxation	Key Financial System	Fieldwork Complete	90%
Fixed Assets	Key Financial System	Not Allocated	
Rent Accounting	Key Financial System	Not Allocated	
Housing Benefit & Council Tax Support	Key Financial System	Not Allocated	
Right to Buy	Systems/Risk Audit	Final Report	100%
Depot Income	Systems/Risk Audit	Fieldwork Complete	90%
Development Control	Systems/Risk Audit	Fieldwork Complete	90%
Markets	Systems/Risk Audit	Allocated	10%
Homelessness	Systems/Risk Audit	Not Allocated	
Housing Lettings/Allocations	Systems/Risk Audit	Not Allocated	
Contract Management	Procurement/Contract Audit	Not Allocated	
Rent Arrears	Systems/Risk Audit	Not Allocated	
Responsive Maintenance/Voids (Agile Audit)	Systems/Risk Audit	Final Report	100%
Health & Safety - Gas Safety	Systems/Risk Audit	Allocated	
External Wall Insulation Project – Grant Funding	Grant Certification	Complete	100%
Health & Safety	Governance & Ethics Review	Not Allocated	
ECINS Security Assessment	IT Audit	Allocated	25%
ICT Infrastructure	IT Audit	Not Allocated	
People Management	Systems/Risk Audit	Allocated	5%
Payroll	Key Financial System	Not Allocated	
Corporate Improvement/Transformation	Governance & Ethics Review	Not Allocated	
Audit Plan Assignments B/fwd from 2016-17			
Data Quality & Performance Management	Governance & Ethics Review	Final Report	100%
Main Accounting Systems 2016-17	Key Financial System	Draft Report	95%
Creditors	Key Financial System	Final Report	100%
xPress Security Assessment	IT Audit	Draft Report	95%

3 more audit assignments finalised by June 2017 have already been reported to the Committee.

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Audit Coverage

Progress on Audit Assignments Chart



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Audit Coverage

Completed Audit Assignments

Between 1st July 2017 and 31st August 2017, the following audit assignments reached their conclusion:

1. Data Quality & Performance Management. (**Comprehensive**)
2. Creditors 2016-17. (**Reasonable**)
3. Right to Buy. (**Reasonable**)
4. External Wall Insulation Project - Grant Funding.
5. Responsive Maintenance/Voids (Agile Audit). (**Comprehensive**)

Data Quality & Performance Management

Overall Assurance Rating: Comprehensive

This audit focused on data quality arrangements at the Council as a whole, rather than specific indicators. In particular the review looked at governance, performance management processes and quality checks which form the basis of the function.

From the 14 key controls evaluated in this audit review, 12 were considered to provide adequate control and 2 contained weaknesses. This report contained 1 recommendation which was considered to present a low risk. The following issue was considered to be the key control weakness:

1. Data quality related risks were not covered in the Corporate Risk Register. (**Low Risk**)

The issue raised within this report was accepted. Management agreed to take action to address it by the end of December 2017.

Creditors 2016-17

Overall Assurance Rating: Reasonable

This audit focused on the controls in place to manage the purchase order process around the Fleetwave (vehicle maintenance) and ELF (public building maintenance) feeder systems prior to the interface with the Civica creditors system. It also tested the authorised signatory's procedure and the availability of purchase order and invoicing procedures.

From the 26 key controls evaluated in this audit review, 20 were considered to provide adequate control and 6 contained weaknesses. This report contained 4 recommendations, 3 of which were considered to present a low risk and 1 presenting a moderate risk. Another 2 minor risk issues were highlighted for management's consideration. The following issues were considered to be the key control weaknesses:

1. Specimen signatures had not been obtained for two officers on the Authorised Signatory list as they were absent at the time the forms were circulated. Specimen signatures were not requested on their return. Also, three of thirteen leavers tested had not been removed from the Authorised Signatory List. (**Low Risk**)
2. The Civica Purchasing module did not accurately reflect the officers approved to authorise purchases for the Council in all of the cases sampled. (**Low Risk**)
3. There were no procedure notes in place for the Fleetwave Purchase Order module. (**Low Risk**)
4. There was no evidence that the budget for parts, lubricants, tyres and consumables was being actively managed to avoid overspends. (**Moderate Risk**)

All issues raised within this report were accepted and action had been taken to address one of the issues at the time of issuing the final report. Actions were to be taken to address the remaining 3 issues by March 2018.

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Right to Buy

Overall Assurance Rating: **Reasonable**

This audit focused on assessing the procedures in place for the administration of the Right to Buy scheme for Council Houses, to ensure that the processes were properly documented and properties were accurately valued.

From the 29 key controls evaluated in this audit review, 23 were considered to provide adequate control and 6 contained weaknesses. This report contained 5 recommendations, 4 of which were considered to present a low risk and 1 a moderate risk. Another 1 minor risk issue was also highlighted for management's consideration. The following issues were considered to be the key control weaknesses:

1. There was no formally documented Right to Buy policy and Right to Buy Charter in place that had been officially approved by the Council. (Low Risk)
2. The procedure for processing Right to Buys was documented in the format of a flowchart but did not include the requirement for obtaining and evidencing approvals. (Low Risk)
3. An assumption was made that a non-response to an email enquiry indicated the tenant did not have a Ground 2 Criminal Nuisance Order or the Property have a Demolition Order. (Moderate Risk)
4. The Guidance from Department for Communities and Local Government required Section125 to include the number of bedrooms; this was not included in the Council's standard Section125 offer notices. (Low Risk)
5. The 'Cost Floor' figure for Right to Buy properties were not being obtained to show that the costs of improvements done in the past decade was lower than the proposed sale price of the properties. (Low Risk)

The 5 issues raised within this report were accepted. Management had already taken action to address 4 of the issues at the time of issuing the final report and had agreed to take action to address the remaining issue by 31 December 2017.

External Wall Insulation Project - Grant Funding

Overall Assurance Rating: **Not Applicable**

This audit focused on the review of the External Wall Insulation (EWI) grant, specifically considering the finances associated with the project and the records maintained.

There were no issues raised in respect of this review.

Responsive Maintenance/Voids (Agile Audit)

Overall Assurance Rating: **Comprehensive**

This audit was delivered as an agile audit. It focused on the appointments and jobs allocation process; the compliments, comments and complaints system; the process for maintaining and applying the Schedule of Rates; monitoring of professional certification for employees and contractors and; the process for bringing voids back into use.

From the 37 key controls evaluated in this audit review, 30 were considered to provide adequate control and 7 contained weaknesses. This report contained 4 recommendations, which were all considered to present a low risk. Another 2 minor risk issues were highlighted for management's consideration. The following issues were considered to be the key control weaknesses:

1. Inspections of completed works had not been undertaken since February 2017 and the target 10% for repair post inspection was not met in 2016/17. (Low Risk)
2. Management had not put in place a plan to ensure that the Schedule of Rates was regularly monitored and updated, following the full review. (Low Risk)
3. Evidence of the calculation of the materials costs had not been retained during the review of the painting Schedule of Rates. (Low Risk)

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4. A succession plan was currently not in place for key roles within the repairs team. (Low Risk)

All 4 issues were accepted. Management had already taken action to address 2 of the issues at the time of issuing the final report and had agreed to take action to address the remaining 2 issues by 31 March 2018.

Audit Plan Changes

With the agreement of the Council's Director of Legal and Governance (& Monitoring Officer) in July 2017, changes were made to the Internal Audit Plan to address emerging risks identified by management.

- Arising from the Council's Anti-Fraud & Corruption Strategy Group it was determined that Internal Audit should undertake a review of the current arrangements before management developed a revised strategy document.

Accordingly, the Procurement audit has been withdrawn from the 2017-18 Plan and the time originally assigned to this audit will be utilised for a Anti-Fraud & Corruption audit.

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Audit Performance

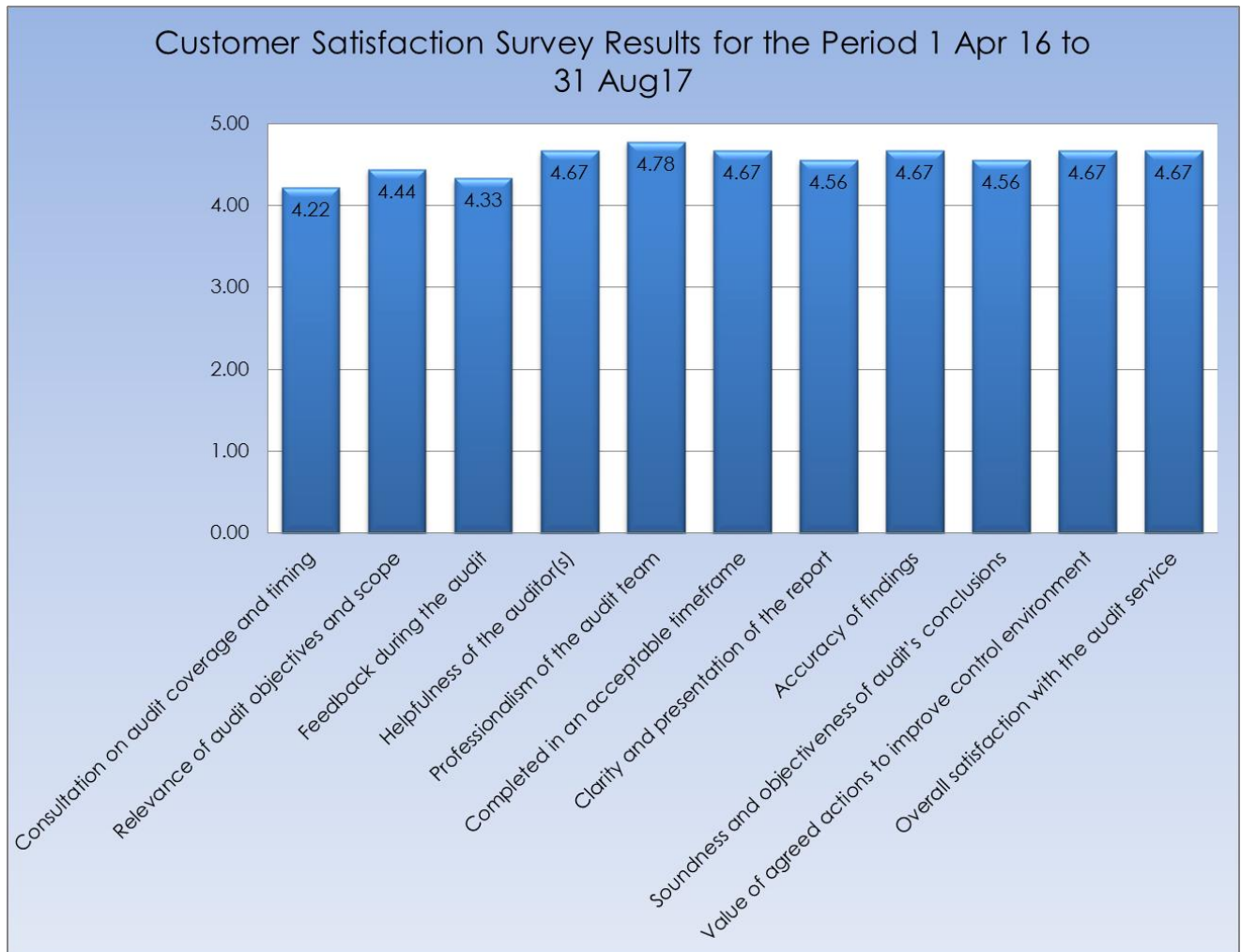
Customer Satisfaction

The Audit Section sends out a customer satisfaction survey with the final audit report to obtain feedback on the performance of the auditor and on how the audit was received. The survey consists of 11 questions which require grading from 1 to 5, where 1 is very poor and 5 is excellent. The chart across summarises the average score for each question from the 9 responses received between 1st April 2016 and 31st August 2017. The overall average score from the surveys was 50.2 out of 55.

The overall responses are graded as either:

- Excellent (scores 47 to 55)
- Good (scores 38 to 46)
- Fair (scores 29 to 37)
- Poor (scores 20 to 28)
- Very poor (scores 11 to 19)

Of the 9 responses received to date, 8 categorised the audit service they received as excellent and the other 1 as good.



Ashfield District Council – Audit Progress Report

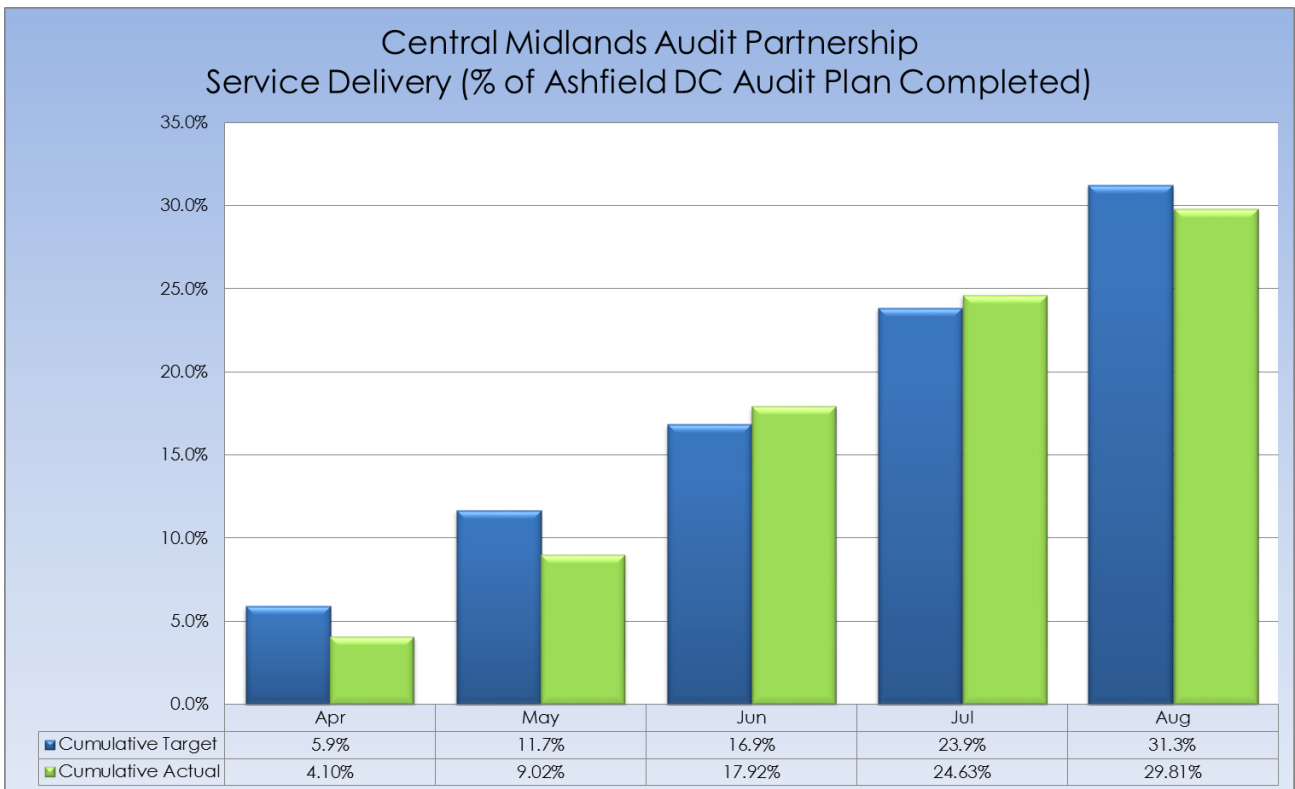
Audit Performance

Service Delivery (% of Audit Plan Completed)

At the end of each month, Audit staff provide the Audit Manager with an estimated percentage complete figure for each audit assignment they have been allocated. These figures are used to calculate how much of each Partner organisation's Audit Plans have been completed to date and how much of the Partnership's overall Audit Plan has been completed.

Shown below is the estimated percentage complete for Ashfield DC 2017-18 Audit Plan (including incomplete jobs brought forward) after approximately 5 months of the Audit Plan year.

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



Ashfield District Council – Audit Progress Report

Recommendation Tracking

Follow-up Process

The Council has operated its own procedure for monitoring the implementation of agreed Audit recommendations. This process will now be undertaken by Internal Audit.

Internal Audit has developed a bespoke system whereby emails, automatically generated by our recommendations database, can be sent to officers responsible for action where their recommendations' action dates have been exceeded. The emails request an update on each recommendation's implementation status, which will be fed back into the database, along with any revised implementation dates.

Each recommendation made by Internal Audit will be assigned one of the following "Action Status" categories as a result of our attempts to follow-up management's progress in the implementation of agreed actions. The following explanations are provided in respect of each "Action Status" category:

- **Action Due** = Action is due and Audit has been unable to ascertain any progress information from the responsible officer.
- **Future Action** = Action is not due yet, so Audit has not followed up.
- **Implemented** = Audit has received assurances that the agreed actions have been implemented.
- **Superseded** = Audit has received information about changes to the system or processes that means that the original weaknesses no longer exist.
- **Being Implemented** = Management is still committed to undertaking the agreed actions, but they have yet to be completed. (This category should result in a revised action date)
- **Risk Accepted** = Management has decided to accept the risk that Audit has identified and take no mitigating action.

Implementation Status Details

Reports to the Committee are intended to provide members with an overview of the current implementation status of all agreed actions to address the control weaknesses highlighted by audit recommendations made between 1st April 2016 and 12th September 2017:

	Implemented	Being Implemented	Risk Accepted	Superseded	Action Due	Future Action	Total
Low Risk	62	15	2	0	3	8	90
Moderate Risk	14	4	0	0	1	1	20
Significant Risk	0	0	0	0	0	0	0
Critical Risk	0	0	0	0	0	0	0
Totals	76	19	2	0	4	9	110

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

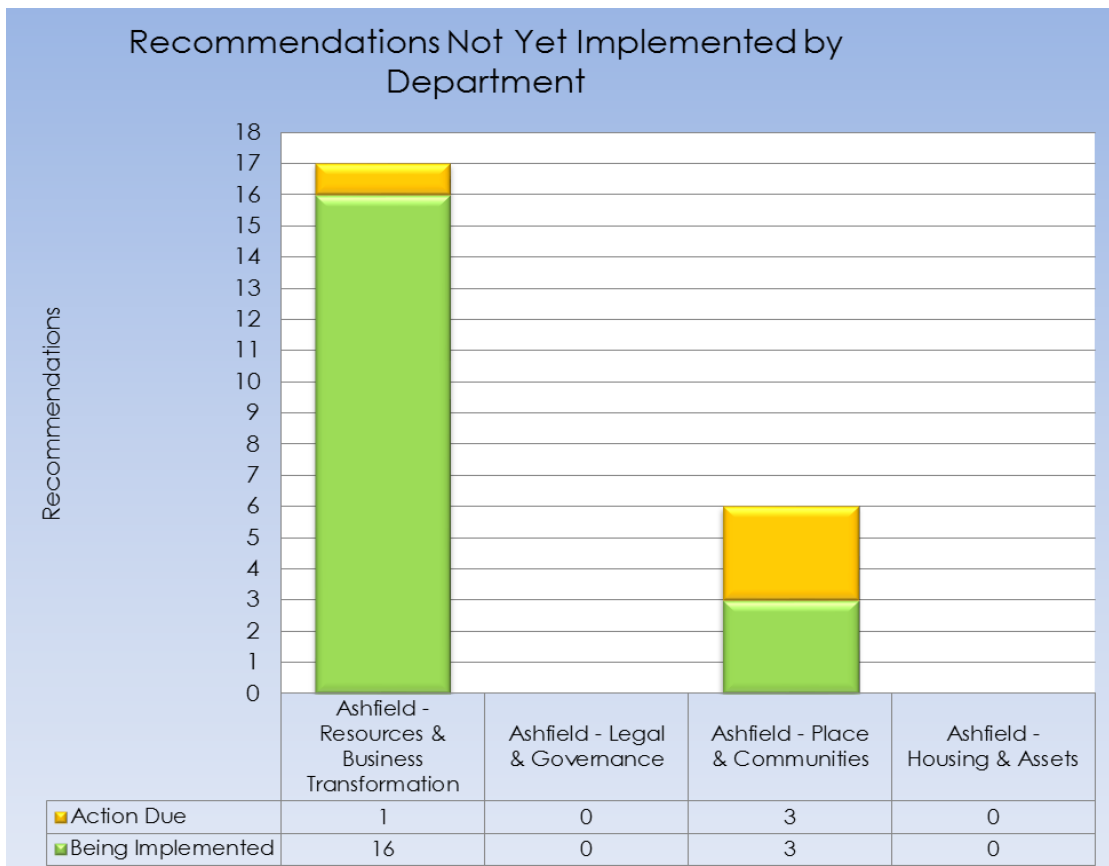
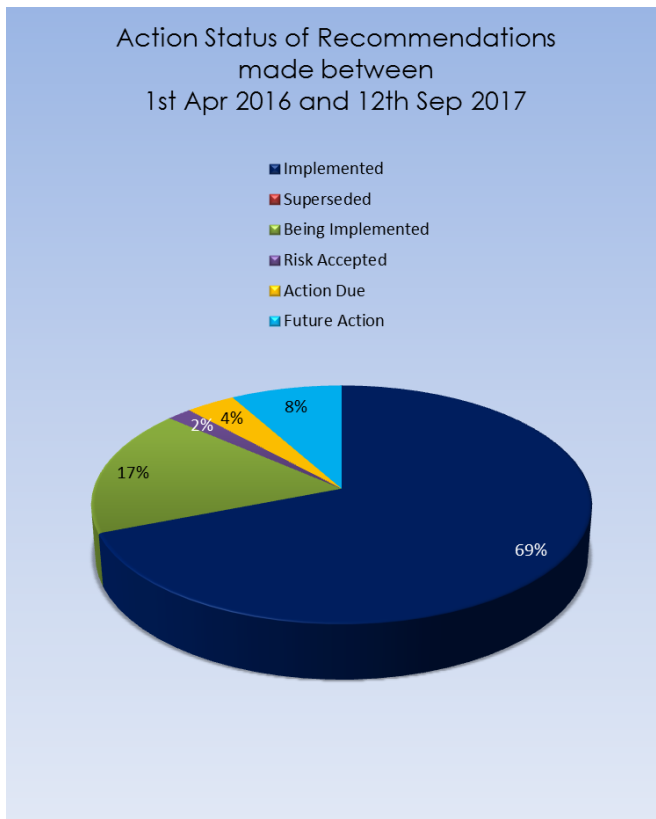
Recommendations Not Yet Implemented	Resources & Business Transformation	Legal & Governance	Place & Communities	Housing & Assets	Totals
Being Implemented	16	0	3	0	19
No progress information	1	0	3	0	4
	17	0	6	0	23

Internal Audit has provided Committee with summary details of those recommendations still in the process of 'Being Implemented' and those that have passed their due date for implementation. We will provide full details of any moderate, significant or critical risk issues where management has decided not to take any mitigating actions (shown in the 'Risk Accepted' category above). Both of the risk accepted issues shown above have already been reported to this Committee.

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Recommendation Tracking

Implementation Status Charts



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Recommendation Tracking

Highlighted Recommendations

We have included this section of this report to bring recommendations to your attention for the following reason:

- Any Moderate, Significant or Critical risk recommendations (either being implemented or with no response) that have passed their original agreed implementation date.
- Any Low risk recommendations still being implemented where it has been more than a year since the original agreed implementation date or those with no response where it has been more than 3 months since the original agreed implementation date.

Resources & Business Transformation

Business Continuity & Emergency Planning

Control Issue 2 - There were numerous Business Continuity Service Area Plans and Critical Plans that were not in place or up-to-date. The Business Continuity Plans for the Housing Services Directorate (formerly Ashfield Homes Ltd.) should have been reviewed at various dates in 2016, however this had not happened.

Risk Rating – Moderate Risk

Status Update - Nearly there with all BC service plans but now cross referencing the critical functions and identifying gaps. The exception report on BC service plans didn't go to CLT as was waiting for the Critical functions to be attached. There is a cross checking exercise matching the critical functions identified in BC Service plans against the actual plans and also where they have previously been rated (RAG). Despite repeated chasing plans are not forthcoming and therefore the programme of testing is being implemented - firstly to underpin the robustness of the BC programme but also to identify weaknesses and where additional plans may be required.

Original Action Date 30 Apr 17 **Revised Action Date** 31 Oct 17

Control Issue 4 - The red rated Critical Plans and Business Continuity Plans had not been included on the Resilience Direct Website.

Risk Rating – Moderate Risk

Status Update - Nearly there with all BC service plans but now cross referencing the critical functions and identifying gaps. The exception report on BC service plans didn't go to CLT as was waiting for the Critical functions to be attached. There is a cross checking exercise matching the critical functions identified in BC Service plans against the actual plans and also where they have previously been rated (RAG). Despite repeated chasing plans are not forthcoming and therefore the programme of testing is being implemented - firstly to underpin the robustness of the BC programme but also to identify weaknesses and where additional plans may be required.

Original Action Date 31 May 17 **Revised Action Date** 31 Oct 17

Ethical Processes & Payments

Control Issue 3 - The declaration of interest form for members were not being returned within the set time frame and Employee declaration forms were only being issued to employees over Grade E. Also employees were not being chased, to complete and return their declaration forms to HR for filing.

Risk Rating – Moderate Risk

Status Update - Forms have been circulated to all employees (either via email or via mail) and we are now collating those forms. The Director has been regularly provided with reports outlining those forms outstanding for circulation to managers to chase their return. Former Ashfield Homes' employees are not being chased as they are not on the ADC code of conduct.

Original Action Date 1 May 17 **Revised Action Date** 30 Jun 17

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Place & Communities

Private Sector Housing

Control Issue 5 - There was not a central record for monitoring the status of enforcement cases to ensure key actions had been completed.

Risk Rating – Moderate Risk

Status Update - No Response Received

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

Safeguarding

Control Issue 5 - Review of HR recruitment checks done for 10 new starters identified 3 cases where there was no evidence that the recruitment checking procedures had been followed.

Risk Rating – Moderate Risk

Status Update – Review of the recruitment strategy has been completed and the process for completing DBS checks has been changed. HR Advisers are currently progressing any checks that need renewing.

Original Action Date 31 Mar 17 **Revised Action Date** 30 Sept 17

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Status of Previous Audit Recommendations

Recommendations Not Implemented

There were a number of Audit Recommendations that were issued and agreed prior to Ashfield District Council joining the Central Midlands Audit Partnership. Two legacy recommendations remain outstanding relating to Ashfield Homes Ltd. These continue to be monitored and details are provided on the following page.

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Ashfield Homes Ltd – Outstanding Recommendations

Report	Recommendation	Responsible officer	Due date	Update
C Welfare Reform 15/16-08	The report written previously on how the Company plan to handle a roll out of the Universal Credit scheme is reviewed and submitted to Senior Management and Council for information.	Temporary Senior Housing Operations Manager (Housing)	30/10/16	<p>The report is being revisited to review the proposals moving forward to manage the project. There are no dates at present for wider roll out of UC. This issue has been raised and discussed at Welfare Reform Board Meetings (ADC and AHL).</p> <p>Update 14/11/2016 – As there is no planned wider roll out of UC at present, the report has not been revisited. This cannot be revisited and the proposals updated until we have a clear date moving forward. This can be raised at the next Welfare Reform meeting in December 2016.</p> <p>Update 09/03/2017 – The Council and Company have now amalgamated so the issue is now being approached corporately. The Council has an agreement with DWP to assist customers to apply for Universal Credit, which is being rolled out to Ashfield for working age claimants in 2018. The Council's future approach will be developed through the Welfare Reform Group which meets quarterly and produces an action plan to deal with the wide aspects of Welfare Reform.</p> <p>Update 10/07/2017 - The wider roll out of Universal Credit has been confirmed as August 2018. There is no action plan in place at present. It is due to be presented to the next meeting in 5 October 2017 following the production of this and liaison with the Director of Housing and Assets (Paul Parkinson)</p>
C Housing Maintenance 15/16-10	The full review of the in-house Schedule of Rates is given an end target date, and progress is monitored and reported to SMT.	Responsive and Voids Maintenance Manager & Support Services Manager	31/03/18	<p>A full programme is in place to complete the review of the schedule of rates. Progress of this will be monitored through Senior Management Team</p> <p>Update 16/11/2016 Potentially looking at buy off the shelf paperless system and therefore changing the system altogether.</p> <p>Update 01/02/2017 – No further updates. Any action has been put on hold as there is a service review underway.</p> <p>Update 10/07/2017 – The full review of in-house Schedule of Rates is now in progress.</p>