

**AUDIT & ACCOUNTS COMMITTEE**

*Date of Meeting:* Wednesday 27 April 2016  
*Time:* 10 am  
*Venue:* F35, Kelham Hall

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Your ref:  
Our ref:

Tuesday 19 April 2016

**To: All Members of the Audit & Accounts Committee**

You are hereby requested to attend the above Meeting to be held at the time/place on the date mentioned above for the purpose of transacting the business on the Agenda as under.



A W Muter  
Chief Executive

**AGENDA**  
**WEDNESDAY 27 APRIL 2016, 10am**

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Any questions relating to the agenda items should be submitted to Nicky Lovely Business Manager- Financial Services, at least 24 hours prior to the meeting in order that a full response can be provided.

## Distribution

Councillors: B. Crowe  
Mrs R. Crowe  
Mrs M. Dobson  
P. Handley  
Mrs S.M. Michael (C)  
D. Staples

Officers: N. Lovely  
N. Pickavance  
A. Hunt (Audit Lincs)  
Lucy Pledge (Audit Lincs)  
John Sketchley (Audit Lincs)  
John Cornett (KPMG)  
Helen Bayne (x2)

NEWARK & SHERWOOD DISTRICT COUNCIL

Minutes of the meeting of the **AUDIT & ACCOUNTS COMMITTEE** held in Room G21, Kelham Hall on Wednesday, 10 February 2016 at 10am.

PRESENT: Councillor Mrs S.M. Michael (Chairman)

Councillors: Mrs R. Crowe, R.A. Crowe, G.P. Handley and D. Staples.

ALSO IN  
ATTENDANCE: Nicky Lovely (Business Manager Financial Services NSDC)  
Tara Beesley (Accountant NSDC)  
Helen Brookes (KPMG)  
John Sketchley (Audit Manager (Audit Lincolnshire))  
Lucy Pledge (Audit Lincs)

41. APOLOGIES FOR ABSENCE

Apologies for absence were submitted by Jonathan Gorrie (KPMG), David Dickinson (Director – Resources NSDC) and Amanda Hunt (Principal Auditor (Audit Lincolnshire)).

42. DECLARATIONS OF INTEREST BY MEMBERS AND OFFICERS AND AS TO THE PARTY WHIP

NOTED: that no Member or Officer declared any interest pursuant to any statutory requirement in any matter discussed or voted upon at the meeting.

43. DECLARATION OF ANY INTENTION TO RECORD THE MEETING

The Chairman informed the Committee that the Council was undertaking an audio recording of the meeting.

44. MINUTES OF MEETING HELD ON 4 NOVEMBER 2015

AGREED that the Minutes of the meeting held on 4 November 2015 be approved as a correct record and signed by the Chairman.

45. INTERNAL AUDIT PROGRESS REPORT

John Sketchley and Lucy Pledge from Audit Lincolnshire presented the Internal Audit Progress report covering the period to 31 December 2015. They reported that progress against the audit plan was now at 60% completed and detailed the outcome of audits completed, audits in progress and outstanding recommendations. The Committee noted that of the audits completed all had either received substantial or high assurance and congratulated homelessness and waste management (operational risk management) for achieving a high level of assurance. The Committee considered the report and debated a number of points as detailed.

Within the Key Financial Controls audit, with regard to Treasury Management, it was noted that additions may be needed to the Counterparty list to ensure that the Council did not exceed investment limits within one bank, with increased flexibility to spread the investments across various banks or for a longer period of time.

The Committee questioned the number of recommendations outstanding and in considering the reasons for this highlighted the limited capacity of officers. This was particularly relevant in relation to long term sickness absence and the pressure this created for staff covering workloads. The Committee agreed that a report highlighting the outstanding recommendations and the level of risk that this exposed the Council to should be considered at their meeting in April and the issue raised with the Chief Executive by the Financial Services Manager.

AGREED (unanimously) that:

- (a) the internal progress report be noted;
- (b) a report detailing the outstanding audit recommendations and associated risk be considered by the Committee at their meeting in April; and
- (c) the Business Manager - Financial Services meet with the Chief Executive to consider the outstanding recommendations and reasons for these.

46. DRAFT TREASURY STRATEGY FOR 2016/17

The Committee considered the draft Treasury Strategy for 2016/17 and subsequent years, which set out the expected treasury operations for the period, based on the latest capital programme submitted to the Policy & Finance Committee. The report included Prudential Indicators, Minimum Revenue Provision Policy, Treasury Management Strategy Statement and the Investment Strategy. The Council would consider the Treasury Management Strategy at its meeting on 10 March 2016.

The Committee heard that there had not been much change to the Treasury position in terms of borrowing and lending and the interest rates had not changed significantly. Officers were considering cash flow projected over the next few years to inform external and internal borrowing. The level of internal borrowing was set by the CFR limit which was approved as part of the Treasury Strategy.

It was noted that there was no change to the Counterparty List and officers confirmed that no foreign banks would be placed on the list without prior consultation with the Committee. Advice from the Council's Treasury advisors would also always be sought prior to adding any counterparties to the list.

AGREED that the Committee recommends to Council for approval:

- (a) the Treasury Management Strategy 2016/17;
- (b) the investment counterparty criteria listed in paragraph 5.4 of the report;
- (c) the Prudential Indicators and Limits set out in the report; and

- (d) the Minimum Revenue Provision statement contained in paragraph 7.3 of the report.

47. ANNUAL EXTERNAL AUDIT 2015/16

Helen Brookes (KPMG) presented the Annual External Audit Plan for 2015/16 which set out the proposed work relating to the financial statements and value for money conclusion. The Committee considered details relating to the financial statement audit materiality and significant risks. Within the significant risks it was noted that these were 'standard' risks and there were none that were not also identified as risks to other local authorities. There would now be focus on sustainability within the value for money conclusion. Details of the audit fee were also considered.

AGREED that the Annual External Audit Plan be noted.

48. RISK MANAGEMENT

The Business Manager - Policy and Commissioning, was in attendance to present a report on the Council's Risk Management Process and work undertaken across the Council. The work of the Risk Management Group was detailed, as were the strategic risks and operational risks. The Committee considered the identified risks and requested further information on the process of determining a strategic risk, to ensure they could undertake their role in considering whether the Council's arrangements for risk management were adequate.

AGREED that the Committee noted the report on the Council's risk management approach and related assurance processes.

49. REVIEW OF SIGNIFICANT GOVERNANCE ISSUES HIGHLIGHTED IN THE ANNUAL GOVERNANCE STATEMENT

The Business Manager - Financial Services presented a report which provided an update on the significant issues identified in the Annual Governance Statement. The Committee considered each of the issues, which were: Relocation of the Council Headquarters; Organisational Change; Management of Leisure Services; Collaboration Agreement; and Major Projects.

With regard to collaboration with other local authorities, it was confirmed that when a possible opportunity for collaborative working became apparent, the possibility of working with existing partners was explored before seeking new partners. However, the timing and nature of the work more frequently determined the partner organisation.

AGREED that the report be noted.

50. RESULTS OF THE REVIEW OF THE ASSESSMENT OF EFFECTIVENESS OF THE INTERNAL AUDIT FUNCTION

The Business Manager- Financial Services presented a report which detailed the results of the assessment of effectiveness of the internal audit function. The self-assessment was in two parts. The first reviewed the internal audit function against the Public Sector Internal Audit Standards (PSIAS) and Local Government Advisory Note (LGAN), and the second reviewed the effectiveness of the Committee. This had been undertaken using a questionnaire provided within CIPFA's Practical Guidance for Audit Committees in accordance with the Public Sector Internal Audit Standards.

The review confirmed that the internal audit function was operating in accordance with the PSIAS and that of the 30 questions in the CIPFA questionnaire, the Audit & Accounts Committee demonstrated best practice in 27 areas and partially in 3 areas. An action plan had been included for the areas only partially meeting best practice which included: communicating the role of the Committee across the authority; determining whether good governance was fully referenced within the Committee terms of reference; and obtaining feedback on the work of the committee.

The Committee heard that it was now no-longer a requirement to undertake an annual self-assessment, but an external assessment of the internal audit function must be undertaken every five years. Audit Lincs was proposing to procure this an external review later in the year and then report back to the Committee.

Another point that had been raised during the self-assessment process was the potential attendance of the Chairman of the Committee at the meetings of the Council's Committee Chairs. This had been raised with the Deputy Chief Executive.

AGREED that the Committee:

- (a) notes the results of the review of the effectiveness of the Internal Audit Function;
- (b) notes the results of the Self-Assessment of the Effectiveness of the Audit & Accounts Committee;
- (c) adopts the action plan;
- (d) agrees that a bi-annual review of effectiveness of the Internal Audit function and a self-assessment of the Committee should take place, and that the next assessment should be undertaken in June/July 2017;
- (e) notes that the results of the external assessment of Audit Lincs will be presented to the Committee later in 2016.

51. AUDIT COMMITTEE WORK PROGRAMME

AGREED that Committee noted the work programme.

52. DATE OF NEXT MEETING

NOTED that the date of the next meeting was Wednesday 27 April 2016

The meeting closed at 12.07pm.

Chairman



**REMIT OF AUDIT AND ACCOUNTS COMMITTEE**

**1.0 Purpose of Report**

1.1 To advise Members of the revised remit of the Audit and Accounts Committee.

**2.0 Introduction**

2.1 The remit of the Audit and Accounts Committee is determined by the Council and forms part of the Council's Constitution.

2.2 The main areas covered by the current terms of reference are as follows:

- Approval of the Council's published accounts;
- To receive and review internal audit reports;
- To consider reports presented by the Council's external auditors;
- Oversight of the Council's Risk Management arrangements;
- Approval of relevant assurance statements; and
- Oversight of the Council's Treasury Management arrangements.

2.3 At its meeting on 10<sup>th</sup> March 2016, the Council approved that the Committee's terms of reference be revised to include express responsibility for reviewing the Council's corporate governance arrangements to ensure that efficient and effective assurance arrangements are in place.

**3.0 RECOMMENDATION that:**

**The remit of the Audit and Accounts Committee is noted.**

**Background Papers**

Nil.

For further information contact Nicky Lovely, Business Manager Financial Services, on extension 5317.

Nicky Lovely  
Business Manager Financial Services

**STATEMENT OF ACCOUNTING POLICIES FOR 2015/2016 ACCOUNTS**

**1.0 Purpose of Report**

- 1.1 To provide Members with any updates made to the Council's accounting policies in relation to the closedown of the 2015/2016 financial year.

**2.0 Introduction**

- 2.1 Prior to the completion of the Statement of Accounts for 2015/2016 it is important that Members are given the opportunity to discuss and comment on the accounting policies to be used in the production of the financial statements. These policies will be applied to the treatment of all transactions that make up the figures in the Statement of Accounts to ensure the accounts present a true and fair view of the financial position of the Council as at 31<sup>st</sup> March 2016.
- 2.2 The 2015/2016 Statement of Accounts will be prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015-16 (the Code) which is based on International Financial Reporting Standards (IFRS).

**3.0 Updates to the Statement**

- 3.1 The 2015/2016 Code introduces changes to the following standards  
IFRS 13 – Fair Value Measurements  
IFRIC 12 - Levies
- 3.2 The Council's Policy 1.3 Prior Period Adjustments, Changes to Accounting Policies and Estimates and Errors - has been amended to describe changes which have been made to the Code. A complete set of the Accounting Policies for 2015/2016 are attached at Appendix A.
- 3.3 The Council's policy 1.10 Non-Current Assets - has been amended to incorporate the new definition of fair value for investment properties and surplus assets as detailed in IFRS 13 – Fair Value Measurements. Additional disclosure notes are required under this standard and these have been incorporated into the Notes to the Accounts. The changes for this standard are prospective i.e. do not need to be applied to previous financial years. No prior year adjustment has, therefore, been made to 2014/2015 figures.
- 3.4 The Council's policy 1.16 Interests in Companies and Other Entities - has been updated to reflect the new position with Active4Today Ltd. The company began trading on 1<sup>st</sup> June 2016.
- 3.5 There have been no changes to Council policies in respect of the introduction of IFRIC 12 – Levies.

#### **4.0    RECOMMENDATION**

##### **a)   Members approve the amended Statement of Accounting Policies for 2015/2016**

##### **Background Papers**

Nil.

For further information please contact Nicola Pickavance on extension 5326.

Nicky Lovely  
Business Manager Financial Services

**1 Accounting Policies****1.1 General Principles**

The Statement of Accounts summarises the Council's transactions for the 2015/2016 financial year and its position at the year-end of 31 March 2016. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/2016 (the Code) and the Service Reporting Code of Practice 2015/2016, supported by International Financial Reporting Standards (IFRS). The accounting convention adopted is historical cost, modified firstly by the revaluation of certain categories of non-current assets and secondly as regards the valuation of stocks. Accounting policies and estimation techniques have been selected and exercised, having regard to the accounting principles and concepts set out in IAS 8, specifically the qualitative characteristics of financial information:

- Relevance
- Reliability
- Comparability
- Understandability
- Materiality and pervasive accounting concepts:
- Accruals
- Going Concern
- Primacy of legislative requirements

**1.2 Accruals of Income and Expenditure**

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

- Fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods or services.
- Supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received and their consumption, they are carried as stocks on the Balance Sheet.
- Works are charged as expenditure when they are completed, before which they are carried as works in progress on the Balance Sheet.
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Income and expenditure are credited and debited to the relevant service revenue account, unless they properly represent capital receipts or capital expenditure.

**1.3 Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors**

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

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

Amendments have been made to the following accounting standards which have been adopted fully by the Council in the 2015/2016 statements:

- IFRS 13 Fair Value Measurements
- IFRIC 12 Levies

The preparation of IFRS accounts requires the use and calculation of estimates. It also requires management to exercise its judgement in applying the use of the Council's accounting policies. The areas involved in a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in the relevant sections of the financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results may differ from these estimates.

#### **1.4 Provisions, Contingent Liabilities and Contingent Assets**

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

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

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

Provisions may also be created where there is some uncertainty over the Council's entitlement to receive income. This may arise in connection with changes in the eligibility criteria of central government programmes or as a result of the interpretation of new legislation.

Contingent Liabilities: arises where an event has taken place that gives the authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events, not wholly within the control of the authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets: arises where an event has taken place that gives the authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

## **1.5 Reserves**

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

Certain reserves are kept to manage the accounting processes for non current fixed assets and retirement benefits and do not represent usable resources for the Council - these reserves are explained in the relevant policies below.

## **1.6 Government and Other Grants and Contributions**

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations (including donated assets), both revenue and capital, are recognised as due to the Council when there is reasonable assurance that

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

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied the grant or contribution is credited to the Comprehensive Income and Expenditure Account.

Revenue grants are matched in service revenue accounts with the service expenditure to which they relate. Grants to cover general expenditure (e.g. Revenue Support Grant and

New Homes Bonus Grant) and all capital grants and contributions are credited to Taxation and Non Specific Grant Income. Capital grants are reversed out of the General Fund Balance in the Movement in Reserves Statement.

Community Infrastructure Levy: the authority has elected to charge a Community Infrastructure Levy (CIL). The levy is charged on new builds with appropriate planning consent. The Council charges and collects the levy which is received without outstanding conditions and is, therefore, treated in accordance with the policy set out above. The income from the levy will be largely used to fund capital infrastructure projects, however a small proportion may be used to fund revenue expenditure.

## **1.7 Post-Employment Benefits**

The Council fully complies with the requirements of IAS 19 Employee Benefits and recognises the cost of retirement benefits in the revenue account when employees earn them rather than when the benefits are eventually paid as pensions.

Employees of the Council are members of the Local Government Pensions Scheme, administered by Nottinghamshire County Council (the pension fund). The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

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

Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on high quality corporate bonds.

The assets of the pension fund attributable to the Council are included in the Balance Sheet at their fair value:

- quoted securities – current bid price
- unquoted securities - professional estimate
- unitised securities - current bid price
- property - market value.

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

- Service Cost comprising
  - current service cost - the increase in liabilities as a result of years of service earned this year - allocated in the Comprehensive Income and Expenditure Statement to the revenue accounts of services for which the employees worked
  - past service cost - the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years - debited to the (Surplus)/Deficit on Continuing Operations in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
  - net interest on the net defined benefit liability or asset ie net interest expense for the authority – the change during the period in the net defined benefit liability or

asset that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability or asset at the beginning of the period – taking into account any changes in the net defined benefit liability or asset during the period as a result of contribution and benefit payments

- Re-measurements comprising
  - the return on plan assets – excluding amounts included in net interest on the defined benefit liability or asset – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
  - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- Contributions paid to the pension fund - cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

Statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement on the General Fund Balance, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year-end.

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

## **1.8 Value Added Tax**

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue and Customs and all VAT paid is recoverable from them.

## **1.9 Overheads and Support Services**

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2015/2016 (SerCOP). The total absorption costing principle is used - the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core - costs relating to the Council's status as a multi-functional, democratic organisation.
- Non Distributed Costs - discretionary benefits awarded to employees retiring early and depreciation and impairment losses chargeable on non-operational properties.



These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement Account, as part of Continuing Operations.

The bases of allocation used for the main categories of overhead and support services are outlined below:

<b><u>Service</u></b>	<b><u>Basis of Charge</u></b>
Administrative Buildings	Area occupied
Information Communication Technology	Systems operated and equipment utilised
Audit	Staff time
Revenue Collection Services	Transactions
Human Resources	Staff numbers
Administrative Services	Staff time
Legal	Staff time
Financial Services	Staff time and transactions
Central printing, telephones and postages	Transactions
Corporate Property Services	Staff time
Management and Administration	Staff time

#### **1.10 Non- Current Assets**

Non-current assets are assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis.

**Recognition:** expenditure on the acquisition, creation or enhancement of non current assets is capitalised on an accruals basis, provided that it yields benefits to the Council and the services that it provides for more than one financial year. Expenditure that secures but does not extend the previously assessed standards of performance of an asset (e.g. repairs and maintenance) is charged to revenue as it is incurred. Expenditure under the value of £15,000 is treated as de-minimis.

**Measurement:** assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the Balance Sheet using the following measurement bases:

- Investment properties and Surplus Assets – fair value
- Infrastructure assets – are written off in full if they have no tangible value
- Community Assets (including property Heritage Assets) and Assets Under Construction (excluding Investment Property under construction) – measured at historical cost
- Other Land and Buildings, Vehicles, Plant and Equipment – fair value or, where there is no market based evidence of fair value, depreciated historical cost
- Council dwellings – fair value measured using existing use value – social housing
- Assets Held for Sale – the lower of carrying amount and fair value less costs to sell
- Heritage Assets (non-property) – insurance cost valuation

Fair Value is defined as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date and can be further assessed as follows:

- Property Plant and Equipment – the amount that would be paid for the asset in its existing use (current value)
- Investment Properties and Surplus Assets– the amount that would be paid for the asset in its highest and best use ie market value
- Assets Held for Sale – the amount that would be paid for the asset in its highest and best use ie market value

Valuation: assets are included in the Balance Sheet at current value on the basis recommended by CIPFA and in accordance with the Appraisal and Valuation Manual issued by the Royal Institution of Chartered Surveyors (RICS). Non-current assets are classified into the groupings required by the CIPFA Code of Practice on Local Authority Accounting.

Assets included in the Balance Sheet at current value are revalued where there have been material changes in the value, but as a minimum every five years. Community Assets, Infrastructure Assets and Assets Under Construction are held at historical cost and are not revalued. Increases in valuations (except increases in Investment Properties) are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of an impairment loss previously charged to a service revenue account. All gains on Investment Properties are charged to a service revenue account.

The Revaluation Reserve contains revaluation gains recognised since 1<sup>st</sup> April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment: the values of each category of assets and of material individual assets that are not being depreciated are reviewed at the end of each financial year for evidence of reductions in value. Where impairment is identified as part of this review or as a result of a valuation exercise, this is accounted for by:

- Non-revalued asset – recognised in the Comprehensive Income and Expenditure Statement
- Revalued asset (for both asset specific and non-asset specific impairment) - recognised in the Revaluation Reserve up to the credit balance existing in respect of the asset and thereafter to the Comprehensive Income and Expenditure Statement
- Investment Properties and Assets Held for Sale– all impairments are charged direct to the Comprehensive Income and Expenditure Statement

Impairment losses are not proper charges to the General Fund and any such amounts are transferred to the Capital Adjustment Account and reported in the Movement in Reserves Statement.

Disposals and Non-Current Assets Held for Sale: when it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell, Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

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

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

The Council has taken advantage of the ability to earmark all sales of non right to buy housing revenue account land and property for the provision of affordable housing. In this way 100% of such sales can be retained.

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

Depreciation: depreciation is provided for on all non current assets with a determinable finite life (except for investment properties, assets held for sale and land with an unlimited useful life) by allocating the value of the asset in the Balance Sheet over the periods expected to benefit from their use.

Depreciation is calculated on the following bases:

<u>Asset</u>	<u>Depreciation Method</u>	<u>Useful Life in Years</u>
Council Dwellings	Straight line allocation over the life of the property as estimated by the Valuer	35 – 50
Other Buildings	Straight line allocation over the life of the property as estimated by the Valuer	20 – 100
Vehicle, Plant and Equipment	Straight line allocation, taking into account any residual value, over their useful life as advised by a suitably qualified officer	5 – 10
Infrastructure	Straight line (where asset has tangible value)	25
Community Assets	Straight line	100

Surplus Assets	Straight line	10 -100
Land	No depreciation charged	
Assets Under Construction	No depreciation charged	
Assets Held for Sale	No depreciation charged	
Investment Properties	No depreciation charged	

Where an asset has major components with different estimated useful lives these are depreciated separately. Land and buildings are separate assets and are accounted for separately, even when they are acquired together.

Revaluation gains are also depreciated with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Heritage Assets: Heritage Assets are assets with historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture. Assets are recognised and valued in accordance with the policy on Property, Plant and Equipment unless the cost of the valuation is not commensurate with the benefit to the users of the financial statement; in such an instance historical cost (less any accumulated depreciation, amortisation and impairment losses) is used. Valuation is made by an appropriate method and after an appropriate period. Depreciation is not charged on heritage assets which have indefinite lives, however, the value of an asset will be reviewed where there is evidence of impairment and any such impairment will be dealt with in accordance with the non current asset impairment policy above. Disposals of heritage assets are dealt with in accordance with the non current asset disposal policy above.

Intangible Assets: expenditure on assets that do not have physical substance but are identifiable and controlled by the Council (e.g. software licences) is capitalised when it will bring benefits to the Council for more than one financial year. The balance is amortised to the relevant service revenue account over the economic life of the investment to reflect the pattern of consumption of benefits.

### **1.11 Charges to Revenue for Non Current Assets**

General Fund service revenue accounts, support services and trading accounts are debited with the following amounts to record the real cost of holding non current assets during the year:

- depreciation attributable to the assets used by the relevant service
- impairment losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off or which have been recognised on investment properties and assets held for sale
- amortisation of intangible assets attributable to the service.

The Council is not required to raise council tax to cover depreciation, impairment losses or amortisations. However, it is required to make an annual contribution from revenue to contribute towards the reduction in its overall borrowing requirement (equal to at least 4% of the underlying amount measured by the adjusted Capital Financing Requirement,

excluding amounts attributable to HRA activity). Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

### **1.12 Revenue Expenditure Funded from Capital under Statute**

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

### **1.13 Leased Assets**

Finance leases. Assets acquired under finance leases are capitalised in the authority's accounts, together with the liability to pay future rentals. The Council accounts for leases as finance leases when substantially all the risks and rewards relating to the leased property transfer to the Council. Rentals payable are apportioned between

- a charge for the acquisition of the interest in the property (recognised as a liability in the Balance Sheet at the start of the lease, matched with a non current asset - the liability is written down as the rent becomes payable) and
- a finance charge (debited to (Surplus)/Deficit on Continuing Services in the Comprehensive Income and Expenditure Statement as the rent becomes payable).

Non current assets recognised under finance leases are accounted for using the policies applied generally to Non Current Assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

Operating Leases. Leases that do not meet the definition of finance leases are accounted for as operating leases. Rentals payable are charged to the relevant service revenue account on a straight-line basis over the term of the lease, generally meaning that rentals are charged when they become payable.

### **1.14 Financial Liabilities**

Financial liabilities are recognised on the Balance Sheet where the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. Annual charges to the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability multiplied by the effective rate of interest for the instrument. The effective annual interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised. For most of the borrowings held by the Council this means the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

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

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

### **1.15 Financial Assets**

Financial assets are classified into two types:

- Loans and Receivables – assets that have fixed or determinable payments but are not quoted in an active market
- Available for Sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments. The Council does not hold any assets of this type.

Loans and Receivables: are recognised in the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. Annual credits to the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans the Council has made this means the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

However, the Council has made a number of loans under its Enterprise Scheme to help new businesses at less than market rates (soft loans). Where these are material a loss is recorded in the Comprehensive Income and Expenditure Statement in line with statutory guidelines.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the derecognition of the asset are credited/debited to the Comprehensive Income and Expenditure Statement.

## **1.16 Interests in Companies and Other Entities**

The Council has material interests in companies and other entities that have the nature of subsidiaries, associates and joint ventures and require it to prepare group accounts. In the Council's own single entity accounts the interests in companies and other entities are recorded as investments i.e. at cost less any provision for losses.

Newark and Sherwood Homes Ltd is a wholly owned subsidiary of the authority which manages the housing stock, owned by the Council, under an arms length arrangement and their accounts are consolidated with the authority's in accordance with IAS 27.

Active4Today Ltd is a wholly owned subsidiary of the authority which manages the provision of leisure services from the Council's leisure premises and their accounts are consolidated with the authority's in accordance with IAS 27.

Mansfield Crematorium has been recognised as a joint arrangement between Mansfield District Council, Ashfield District Council and Newark and Sherwood District Council. The authority accounts directly for its part of the assets, liabilities, income, expenditure and cash flows held arising from the operations of the crematorium.

## **1.17 Cash Equivalents**

Cash equivalents are held for the purpose of meeting short term commitments rather than for investment or other purposes. The Council classifies the following as cash equivalents:

- Overdrawn balances on the Council's bank accounts. Bank overdrafts are an integral part of the authority's cash management and bank balances fluctuate on a regular basis from being positive to overdrawn.
- Short term investments with immediate call back or instant access. Any short term investment which is for a fixed term, regardless of the remaining length of that term, is accounted for as a financial instrument. Interest follows the related investment.

## **1.18 Termination Benefits**

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

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

## **1.19 Events After the Reporting Period**

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

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

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.



**UNDERLYING PENSION ASSUMPTIONS FOR 2015/2016 STATEMENT OF ACCOUNTS**

**1.0 Purpose of Report**

- 1.1 To provide Members with information regarding the assumptions made by the pension fund actuary in calculating the IAS 19 (International Accounting Standard 19 - Employee Benefits) figures to be reported in the 2015/2016 Statement of Accounts.

**2.0 Introduction**

- 2.1 IAS 19 - Employee Benefits is one of the financial reporting standards with which we must comply when producing our annual Statement of Accounts.
- 2.2 The basic requirement of IAS 19 is that an organisation should account for retirement benefits when it is committed to give them, irrespective of when they are paid out.
- 2.3 To calculate the cost of earned benefits for inclusion in the Statement of Accounts, the scheme actuaries use certain assumptions to reflect expected future events which may affect the cost. The assumptions used should lead to the best estimate of the future cash flows that will arise under the scheme liabilities. Any assumptions that are affected by economic conditions should reflect market expectations at the balance sheet date.
- 2.4 The Council will use the calculated costs and the underlying assumptions, based upon the advice of the actuary of the Nottinghamshire County Council Pension Fund and the administering authority (Nottinghamshire County Council), in preparing the annual Statement of Accounts.
- 2.5 A formal actuarial valuation is carried out every three years, the last being as at 31st March 2013. The figures produced for 31st March 2015 are estimates based on the last full actuarial valuation rolled forward and allowing for any change in the underlying assumptions.
- 2.6 All of the figures relating to IAS 19 are simply accounting adjustments made to comply with accounting standards and have no direct impact on resources. The amount charged to the General Fund Balance is the actual amount paid out in employers' contributions and not the charge calculated in accordance with IAS 19. The liability shown in the balance sheet is an estimate based on assumptions and would only ever become payable if the Council ceased as a going concern.
- 2.7 The Actuary's report for 2015/2016 is due to be received on 21<sup>st</sup> April 2016. The figures for 2015/2016 will, therefore, be provided at committee.

### 3.0 **Financial Assumptions**

	2015/2016	2014/2015
Price Inflation This allows for the effect of inflation on salary growth RPI CPI		3.2% 2.4%
Pension Increase Rate Public sector pension increases are linked to the Consumer Prices Index (CPI).		2.4%
Salary Increase Rate Reflects the expected rate of growth in pensionable pay, allowing for increases over and above inflation, eg career progression		4.2%
Discount Rate This allows for the effect of inflation on the liabilities in the scheme.		3.3%

### 4.0 **Demographic Assumptions**

	2015/2016	2014/2015
Pensioner Mortality This impacts on the length of time pensions are expected to be payable Retiring today  Retiring in 20 years		Male 22.1 Female 25.2 Male 24.2 Female 27.6
Commutation This allows for the effect of future retirees choosing to take a larger initial lump sum and reduced annual pension.		50%
Timing of Retirement Members will retire at one retirement age for all tranches of benefit		Pension weighted average tranche retirement age
LGPS 2014 50% Contribution The % of active members who will take up the option to pay 50% of contributions for 50% pf benefits		10%

## 5.0 **Impact in Financial Statements**

Assumption	Movement	Impact
Price Inflation	Decrease	Decrease in charge for cost of future pensions
	Increase	Increase in charge for cost of future pensions
Pension Increase Rate	Decrease	Decrease in liabilities
	Increase	Increase in liabilities
Salary Increase Rate	Decrease	Decrease in charge for cost of future pensions
	Increase	Increase in charge for cost of future pensions
Discount Rate	Decrease	Reduction in liabilities
	Increase	Increase in liabilities

## 6.0 **RECOMMENDATION**

- a) Members note and approve the assumptions used in the calculation of pension figures for 2015/2016.

### Background Papers

Nil.

For further information please contact Nicola Pickavance on extension 5326.

Nicky Lovely  
Business Manager Financial Services

**STRATEGIC RISK EXAMPLE**

**1.0 Purpose of Report**

- 1.1 To provide a worked example of the process for developing a strategic risk.

**2.0 Outline of the Council's strategic risk register**

- 2.1 Strategic risks are those significant risks faced by the Council that have the potential to halt or interfere with its ability to achieve its priorities and deliver its statutory duties.
- 2.2 Strategic risks are determined at CMT level with the assistance of our insurers and support the objectives and direction of the Council. They are concerned with how the whole organisation is positioned in relation to achieving its aims and are affected by numerous internal and external factors, some of which will be out of the control of the Council for example economic downturn. The purpose of actions plans around Strategic Risks is to control or mitigate high-level risks and support the Council in achieving its aims.
- 2.3 Following a review by CMT, the Council now has the following Strategic Risks:

<b>Risk Code</b>	<b>Risk Title</b>
STRAT_SR001	Financial sustainability.
STRAT_SR002	Major projects.
STRAT_S2003	Facilitating growth.
STRAT_SR004	Supply chain failures and contract management.
STRAT_SR005	Transformational change.
STRAT_SR006	Sustainable communities.
STRAT_SR007	Continuity of service (Civil Contingency & Emergency).
STRAT_SR008	Corporate governance.
STRAT_SR009	Data management and security.

- 2.4 As before, ownership of each risk is assigned to a relevant director(s) who have, with the assistance of business managers, developed action plans to manage, mitigate or reduce the risk accordingly. However, as the very nature of strategic risks are complex and influenced by many outside factors/controls, some actions can be very long term and the ability to reduce the risk level may be limited. Having risks that are either shown as high risk or above target risk level does not necessarily mean that the Council is not actively managing the risk.
- 2.5 Beneath the strategic risks, the Council has operational risks for all business units. These have been developed between business managers and the Risk and Safety Management Officer and have been recorded on Covalent for management purposes. Both managers and directors have responsibility to manage and monitor these.

2.6 As required by the Council's Risk Management Policy, the strategic risks were formally reviewed during a workshop facilitated with our insurer Zurich Municipal, and agreed by CMT.

2.7 The table below illustrates the strategic risk profile at the time of the review:

**Strategic Risk Matrix - January 2016**

<i>L i k e l i h o o d</i>	High				
	Significant				
	Low		1,7,8,9	3,4,5	
	Very Low		6	2	
		Negligible	Marginal	Critical	Catastrophic

*Impact*

Key:

	Low risk
	Medium risk
	High risk

### 3.0 Worked example of a strategic risk

3.1 Prosperity is one of the Council's key priorities and a relevant strategic risk, "STRAT\_SR003 Facilitating Growth", has been chosen to illustrate the strategic risk development process.

3.2 Attached at Appendix A is the information recorded within Covalent to describe the risk, its assessments and proposed mitigating actions.

3.3 The information recorded for this risk was developed as follows:

Step 1	Review of strategic risk register by CMT.
Step 2	Strategic risk, previously called "Growth Delivery", was revised and downgraded from a High to a Low likelihood of occurrence — relevant business managers asked for comments.
Step 3	Risk was reviewed in a workshop by CMT strategic risk owners and relevant business managers leading to updating of triggers, vulnerabilities, impacts, proposed additional mitigating actions and new risk assessment.
Step 4	Strategic risk register considered by CMT and agreed mitigating actions to be approved and integrated into business unit service plan.

## **5.0     RECOMMENDATION**

That the Committee note the report.

### **Reason for Recommendations**

**To update the Committee on the Council's risk management approach and related assurance processes.**

### **Background Papers**

Nil.

For further information please contact Ged Greaves on ext: 5231

## APPENDIX A

### Information for Strategic risk "STRAT S2003 Facilitating Growth"

#### Latest risk profile

## PTA - AUD\_Risk Summary Report for Review



Generated on: 11 April 2016

Management Action Plan	STRAT_SR003 Facilitating growth		Risk Owner	Lamb, Matt (BM - DEV); Reader-Sullivan, Julie (BM - ECO-GRO); Norton, Matthew (BM - PLAN-P); Main, Rob (BM - STRAT-HG); Cole, Kirsty (CMT); Statham, Andy (CMT)		
Description	The inability of the Council to facilitate the market to deliver the Council's growth agenda. This failure may reduce investment in infrastructure, inward investment, job opportunities, new housing and commercial development therefore impacting on communities and businesses.		Assigned To	Greaves, Ged (BM - POL&COM/PERF ADMIN)		
Original Risk Matrix	Current Risk Matrix	Target Risk Matrix	Risk Review Period	Quarterly		
<div><div>Likelihood</div><div><div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div></div><div>Impact</div></div> <div><div>Likelihood</div><div><div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div></div><div>Impact</div></div> <div><div>Likelihood</div><div><div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div></div><div>Impact</div></div> <div>Last Review Date</div> <div>Target Date</div> <div>Management</div>						
			23-Mar-2016	31-Mar-2016	Control Pending	
Vulnerability	Inability of the market to deliver Growth agenda including housing, infrastructure, commercial and leisure requirements affecting the investment potential. Low confidence in house building sector. Low growth locally. No investment due to the economic climate locally and nationally. Limited development for infrastructure/technology for rural locations. Change in National policy and known/unintended consequences. Lack of capacity/funding to facilitate local growth (support and infrastructure).					
Trigger/Event	Delay of delivery of project due to investors/financial climate. Impact of Government forecasts and predictions. Economy Recovery falters. Uncertainty leading up to the Election slowing down policy. Impact of Community Infrastructure Levy on future development. Non availability of funding streams. Change in Bank of England interest rates which reduce appetite to invest. Fluctuations in inflation. Reduced level of Grant settlement received post 2014. The consequences of service reductions introduced by other public sector providers. Planning objections delaying progress. Planning consents not started. Poor infrastructure. Climatic events severe weather events. Impact of closure of a major local employer. Loss of significant business resulting in loss of confidence in investing in local area - also knock on effect to suppliers and supportive businesses. Loss of key train routes. EU referendum debate and outcome.					

	<p>New Homes Bonus consultation and policy framework.</p> <p>Legislation.</p> <p>Combined Authority.</p> <p>Insufficient capacity to support growth.</p> <p>Supply chain failures.</p> <p>100% retention of business rates.</p> <p>Developments not viable without reduction in community benefits.</p>
<b>Impact</b>	<p>Insufficient homes being built in the district to meet demand, including affordable housing Infrastructure not provided.</p> <p>Jobs not created (loss of employment/jobs not created).</p> <p>Failure to hit Growth aspirations and the consequential loss of income.</p> <p>Growing inability of NSDC to respond to increased need or support in the community.</p> <p>Reduced Council Income from fees and charges.</p> <p>Reduced funding/income will constrict service delivery.</p> <p>Increased homelessness.</p> <p>Increased unemployment.</p> <p>Lack of external investment in the District Insufficient businesses / roles to support expansion of community.</p> <p>Sustainability of community not improved.</p> <p>Loss of control of planned development.</p> <p>Pressure for growth leading to sacrifice of transport, healthcare facilities, schools, etc.</p> <p>Reduction in council income.</p>
<b>Measures in Place</b>	<p>Reviewing Core Strategy and Allocations DPDs to ensure they continue to be appropriate and facilitate growth in housing and employment over the coming years.</p> <p>Building companies are now putting in place increasing build programmes for 2014 onwards.</p> <p>Regular liaison with strategic site owners.</p> <p>Land south of Newark publically funded by £2.5m from GF and £7m from LEP. Work onsite started.</p> <p>Ongoing discussions with partners regarding support for strategic infrastructure.</p> <p>The Council's Think BIG loan scheme is operating and 14 loans have been made, with further loans being considered.</p> <p>Partnership with LEP and local businesses growing and improving.</p> <p>Monitoring of key economic data.</p> <p>Partnership arrangements with local colleges and universities.</p> <p>New Joint Committee for Nottinghamshire.</p> <p>Prosperity Agenda is the main priority for the council including funding scheme for new business development.</p> <p>Local Investment Plan and Local Delivery Plan in place.</p> <p>Local Housing Strategy in place.</p> <p>Working in partnership with Registered Providers, Homes and Communities Agency and other bodies to develop new build housing schemes across the district.</p> <p>Developing the Housing Growth Strategy for additional new build Council and market housing.</p> <p>Revised Economic development Strategy with continued focus on Inward Investment, Business Growth, Employability &amp; Skills, key sectors and infrastructure.</p> <p>Identification of local NSDC Land for development.</p> <p>Undertake Regeneration activities currently focussed on Bridge Ward, Boughton &amp; Hawtonville.</p> <p>Sale of Kelham Hall and relocation and construction of new Council offices will help to stimulate local economic growth.</p> <p>Skills Summit.</p> <p>Nottinghamshire Business Rates pool to be used for economic growth.</p> <p>Working with community groups to deliver community benefits.</p>
<b>Further control/actions required</b>	<p>The further actions required to be undertaken for this risk (if any) are detailed within the Strategic Risk Action Plan under the Risks Module of Covalent.</p> <p>Develop business growth reporting.</p> <p>Consideration of a development company (housing and commercial).</p>
<b>Linked Actions</b>	
STRAT_RP-SR003 Facilitating Growth - Risk Action Plan	
<b>Linked PIs</b>	
<b>Progress Bar</b>	
0%	
<b>Status</b>	

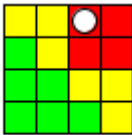
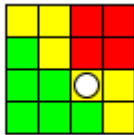
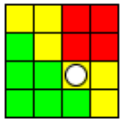


## Previous risk profile

# PTA - AUD\_Risk Summary Report for Review



Generated on: 13 January 2016

Management Action Plan	STRAT_SR003 Facilitating growth		Risk Owner	Lamb, Matt (BM - DEV); Reader-Sullivan, Julie (BM - ECO-GRO); Norton, Matthew (BM - PLAN-P); Main, Rob (BM - STRAT-HG); Cole, Kirsty (CMT); Statham, Andy (CMT)		
Description	The inability of <b><i>the Council to facilitate</i></b> the market to deliver the Councils growth agenda. This failure may reduce investment in infrastructure, inward investment, job opportunities, new housing and commercial development therefore impacting on communities and businesses.		Assigned To	Greaves, Ged (BM - POL&COM/PERF ADMIN)		
Original Risk Matrix	Current Risk Matrix	Target Risk Matrix	Risk Review Period	Quarterly		
<div>Likelihood</div> <div></div> <div>Impact</div>	<div>Likelihood</div> <div></div> <div>Impact</div>	<div>Likelihood</div> <div></div> <div>Impact</div>	Last Review Date	Target Date	Management	
			22-Dec-2015	31-Mar-2016	Control Pending	
Vulnerability	Inability of the market to deliver Growth agenda including housing, infrastructure, commercial and leisure requirements affecting the investment potential. Low confidence in house building sector Low growth locally No investment due to the economic climate locally and nationally Limited development for infrastructure/technology for rural locations					
Trigger/Event	Delay of delivery of project due to investors/financial climate Impact of Government forecasts and predictions. Economy Recovery falters. Uncertainty leading up to the Election slowing down policy Impact of Community Infrastructure Levy on future development Non availability of funding streams Change in bank of England interest rates which reduce appetite to invest Fluctuations in inflation Reduced level of Grant settlement received post 2014 The consequences of service reductions introduced by other public sector providers. Planning objections delaying progress Planning consents not started Poor infrastructure Climatic events severe weather events Impact of closure of a major local employer Loss of significant business resulting in loss of confidence in investing in local area - also knock on effect to suppliers and supportive businesses. Loss of key train routes <b><i>Trigger requires updating</i></b>					
Impact	Insufficient homes being built in the district to meet demand, including affordable housing Infrastructure not provided Jobs not created (loss of employment/jobs not created) Failure to hit Growth aspirations and the consequential loss of income Growing inability of NSDC to respond to increased need or support in the community Reduced Council Income from fees and charges Reduced funding/income will constrict service delivery Increased homelessness Increased unemployment Lack of external investment in the District Insufficient businesses / roles to support expansion of					

	community Sustainability of community not improved
<b>Measures in Place</b>	<p>Allocations DPD has been adopted and this will further facilitate growth in housing and employment over the coming years Building companies are now putting in place increasing build programmes for 2014 onwards</p> <p>A new major application is expected for the next phase at Fernwood in the near future</p> <p>Meeting with strategic site owners</p> <p>Land south of Newark shortlisted for loan facilities through the HAD and RDB</p> <p>The Council's Think BIG loan scheme is operating and 6 loans have been made, with further loans being considered</p> <p>Further consideration is being given to ways in which the council might encourage further housing growth within the period to 2015 to maximise receipt of New Homes Bonus</p> <p>Partnership with LEP and local businesses growing and improving</p> <p>Monitoring of key economic data</p> <p>Partnership arrangements with local colleges and universities. New Joint Committee for Nottinghamshire Prosperity Agenda is the main priority for the council including funding scheme for new business development LDF and core policies in place Homes and Communities Agency</p> <p>Local Investment Plan and Local Delivery Plan in place</p> <p>Local Housing Strategy in place</p> <p>Working in partnership with Registered Providers, Homes and Communities Agency and other bodies to develop new build housing schemes across the district</p> <p>Developing the Housing Growth Strategy for additional new build Council housing Land south of Newark outline planning application approved</p> <p>Revision of the Economic development Strategy with continued focus on Inward Investment, Business Growth, Employability &amp; Skills, key sectors and infrastructure</p> <p>Refined objectives and work plan is under development Identification of local NSDC Land for development</p> <p>Undertake Regeneration activities currently focussed on Bridge Ward, Boughton &amp; Hawtonville</p> <p>Sale of Kelham Hall and relocation and construction of new Council offices will help to stimulate local economic growth</p> <p><b>5 year land supply plan.</b></p>
<b>Further control/actions required</b>	The further actions required to be undertaken for this risk (if any) are detailed within the Strategic Risk Action Plan under the Risks Module of Covalent.
<b>Linked Actions</b>	<b>Progress Bar</b>
STRAT_RP-SR003 Facilitating Growth - Risk Action Plan	<input type="text" value="0%"/>
<b>Linked PIs</b>	<b>Status</b>

**INTERNAL AUDIT PROGRESS REPORT**

**1.0 Purpose of Report**

To receive and comment upon the latest Internal Audit Progress Report which covers the period up to 31 March 2016.

**2.0 Introduction**

The purpose of the internal audit progress report (Annex A) is to provide a summary of Internal Audit work undertaken during 2015/16 against the agreed audit plan.

**3.0 RECOMMENDATION**

**That the Audit and Accounts Committee consider and comment upon the latest internal audit progress report.**

**Background Papers**

Nil.

For further information please contact Lucy Pledge on 01522 553692.

Nicky Lovely  
Business Manager Financial Services



# **Internal Audit - Progress Report 2015 / 16**



**Date:     *March 2016***

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### Introduction

- 
- 1 The purpose of this report is to:
    - Advise of progress being made with the Audit Plan
    - Provide details of the audit work during the period
    - Raise any other matters that may be relevant to the Audit and Accounts Committee role

## **Key Messages**

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- 2 The Internal Audit plan for 2015/16 has been scheduled. Within the revised plan there are currently 31 audits/jobs, including two non-planned pieces of additional work, and one audit transferred from 2014/15. Progress so far is:

■ 20 audits/jobs complete	65% of jobs
■ 10 audits at draft report stage	32% of jobs
■ 1 audit at fieldwork stage	3% of jobs
- 3 We are pleased to report that we have issued eight reports since the last Committee. Four of these provide High level of assurance and three provided Substantial level of assurance. The remaining report was part of a gateway review of the Moving Ahead project so was not given a level of assurance.

## Internal Audit work completed from December to March 2016

4 The following audit work has been completed and a final report issued:

High Assurance	Substantial	Limited	Low
<ul style="list-style-type: none"> <li>■ Capital Programme</li> <li>■ Creditors</li> <li>■ Planning Applications</li> <li>■ Council Tax</li> </ul>	<ul style="list-style-type: none"> <li>■ HRA Business Plan</li> <li>■ Cash Receipting</li> <li>■ CCTV</li> </ul>	<ul style="list-style-type: none"> <li>■ None</li> </ul>	<ul style="list-style-type: none"> <li>■ None</li> </ul>

**Note** The Audit Committee should note that the assurance expressed is at the time of issue of the report but before the full implementation of the agreed management action plan. Definitions levels are shown in Appendix 1.

5 For the audits in the above table, we confirmed that the Council has sound processes in place. Below is a summary of our findings:-

### Capital Programme

The Council is managing its Capital Programme activity effectively. Robust procedures and processes are in place, which ensure that schemes included in the capital programme and any variations are reviewed, adequately financed and authorised in accordance with the requirements of the Council's Financial Regulations.

We found a number of areas of good practice including the following:

- Consultations with stakeholders are undertaken to agree the capital schemes.
- Management review and assess the adequacy of the financial resources available to support the capital programme including any authorised variations to the schemes.
- Schemes are subject to a series of management reviews before they are included in the committed capital programme list.
- The schemes are supported by project appraisal forms where appropriate.
- Progress reports on the capital programme are provided to the Policy and Finance Committee regularly.

### Creditors

Creditors' payments made are accurate, properly authorised, recorded in the E-Financials system and reconciliations are undertaken regularly to ensure that the creditors system is properly maintained.

Areas of good practice include:-

- VAT had been properly accounted for when posted in E-Financials system

- Goods were receipted by an appropriate officer.
- The invoice payments had been correctly coded to the relevant expenditure heads and had been scanned where necessary.
- Cheques are stored securely and a robust process is in place for reconciliation of cheques after printing.

### **Planning Applications**

The planning application service was found to be well managed and operating efficiently, exceeding the national targets.

The respective roles and responsibilities for administering and assessing the planning applications have been clearly established and the processing of planning applications is undertaken competently, with the applications examined in line with statutory and local requirements.

Performance against national and local targets is monitored.

### **Council Tax**

There are effective processes in place which ensure that Council Tax due to the Authority is correctly identified, calculated, requested and accounted for. We found that the controls are operating effectively to identify and mitigate the risks in managing Council Tax , in particular:

- Council Tax charge per property band is inputted onto the Council Tax system before the start of the financial year and is reviewed for accuracy by a senior officer.
- Procedures are in place to ensure the property details held on the Council Tax system are accurate, complete and reconciled to the Valuation Office report.
- The annual process of producing the Council Tax bills for all chargeable properties is done accurately and in a timely manner. A reconciliation of the bills to the number of properties on the Valuation Office report and on the Council Tax system is undertaken.
- All discounts and exemptions are correctly transferred from the Benefit system to the Council Tax system at the start of the year to be reflected on the annual bill.
- Council Tax refunds are correctly processed ensuring that they meet the qualifying requirements. The refunds are appropriately authorised before refunded to customers.
- Procedures are in place to ensure that income collected through the cash receipting system and other payment collection systems is reconciled and correctly posted to the Council Tax system.
- There is process in place for year-end reconciliation of the Council Tax system to the General Ledger.



## **Housing Revenue Account Business Plan**

The Council has arrangements in place to monitor the viability of the housing business plan and takes appropriate actions to maintain viability.

It has a clear awareness of reforms arising from the Government Housing and Planning Bill however; clarity around the implications for all of the proposed changes is still emerging.

We found areas of good practice in managing the business plan include:

- Financial modelling
- Viability testing of capital projects
- A costed asset management plan
- Regular review of service costs and income and expenditure in the plan
- Reporting through the governance structure of changes to assumption in the plan

## **Cash Receipting**

The arrangements in place for the administration of cash receipting are operating efficiently ensuring effective delivery of the activity. The controls in place for cash receipting are designed to mitigate the risk of cash loss and exposure to fraud.

We found a number of areas where good practice including:

- Clear operational guidance notes are established for staff members.
- Records which support the daily till takings.
- Existence of checks when cashing-up the tills including independent checks and ensuring that till sums reconcile to system report totals. A process is in place for recording discrepancies.
- Bank reconciliation for the cash, cheques and WebPay card payments undertaken by Financial Services.
- Adjustments are restricted to two Senior Officers and supported by written requests.
- Change floats are kept to a minimum for both Kelham Hall and Newark Town Hall offices.
- Cash and cheques are securely held in a locked safe and did not exceed the safe limits and cash is collected for banking on a daily basis.
- CCTV cameras within the offices.
- Restricted access to the establishment's keys including safe keys.

## **CCTV**

The day to day arrangements for the management and provision of the service are resulting in an effective service for all the partners. Output figures show that the service is performing at a consistent level.

The management of the service is in many respects quite informal with a small number of people working closely together, and regular contact with contractors. In our opinion the management of the service could be strengthened through the implementation of more formal arrangements.

## **Other Significant Work**

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### **6 Moving ahead project**

This gateway review looked at a number of key areas to determine the position in January 2016. Assurance on these key areas is as follows:-

- Business Case - High
- Governance Arrangements - High
- Stakeholder Engagement - High
- Risk and issue management - High
- Sustainability of the Building - High
- Programme and Project Management – Substantial:-

There is a resource pressure on the Assistant Financial Manager particularly given the other duties placed on her. This has been recognised and further resource is being sought but there will be a learning curve for any new resource.

In April 2015 a consultancy firm advised the Council on areas that required strengthening as part of setting up the programme. Their work identified potential for capacity issues in Finance and ICT support. Our view is that as the programme progresses both of these areas are critical to the success of the programme and should be reviewed to ensure sufficient capacity.

### **7 Newark and Sherwood Homes Partnership Audit – ‘Working together Effectively’**

This review looked at the effectiveness of the partnership between the Council and Newark and Sherwood Homes. It began with holding workshops with the leadership teams of both organisations in early 2015 enabling us to obtain views and ascertain insight and information. This then led onto fieldwork digging deeper into the issues raised and culminated in a final workshop in November. We have produced a draft report which raises the following key areas of improvement:-

- at senior management level further work is required to build trust and openness between partners
- a communication campaign is required to get key messages to Councillors, Board Members, senior leadership and staff which demonstrates a real desire to work together as partners in a positive environment

- the change in relationship between the Council and the Company needs to be explored to help identify what it really means for delivery and future planning
- fully integrate the Company in the Council's management processes through Company attendance at NSDC Business Manager meetings
- a governance review of the Strategic Housing Liaison Panel would be beneficial to the operation of the partnership
- further discussion between the Council and Company is required on the Company's growth aspirations and the Council's future growth plans
- implementation of a joint risk management process for the partnership would support delivery.

If issues highlighted in this review are not addressed, particularly around relationships and governance then there is a risk of the partnership failing to continue to be effective

## Audits in Progress

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8 The following 2015/16 audits have commenced:-

### Audits at Draft Report Stage

- Corporate Planning
- ICT Adaptability
- VAT
- Performance
- Strategic Risks
- Debtors
- Procurement
- NSDC and NSH Partnership
- ICT Payment Card Industry Data Security Standard (PCIDSS)
- Financial Regulations

### Audits in Progress

- Key controls - Fieldwork

## Performance Information

9 Our current performance against targets is shown below:-

Performance Indicator	Target	2015/16 Actual @ 31/03/16
Percentage of plan completed.	100% (Annual year end)	91%*
Percentage of key financial systems completed.	100% (Annual year end)	65%
Percentage of recommendations agreed.	100%	100%
Percentage of recommendations implemented.	100%	85%
Timescales		
a) Draft report issued within 10 working days of completing audit.	■ 100%	■ 100%
b) Final report issued within 5 working days of closure meeting / receipt of management responses.	■ 100%	■ 100%
c) Draft report issued within 2 months of fieldwork commencing	■ 80%	■ 93%
Client Feedback on Audit (average)	Good to excellent	Excellent

\*Indicator based on the number of days spent against the total number of days within the revised annual plan (65% of jobs have been completed).

- 10 Progress has again greatly improved this quarter with 97% of audits being at completed to at least draft report. A number of audits were started later than originally scheduled due to unforeseen resource issues at the start of the year. Unfortunately due to auditee availability the audit of Housing Benefits and Property, Plant and Equipment have now been rescheduled for completing in 2016/17 and will be accounted for when we report on progress against the 2016/17 plan.
- 11 The table represents the results of 2015/16 but we are still following-up the implementation of recommendations for 2014/15 and previous years. There is a separate report on the follow-up of recommendations being submitted to Committee.

## Other Matters of Interest

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### 12 **Grant Thornton – Reforging Local Government (December 2015)** **(Summary findings from the fifth year of financial health and governance reviews at English local authorities)**

This report provides some insight from research undertaken by Grant Thornton into the financial resilience of Councils to meet required savings by 2020.

Their research suggests that:

- The majority of councils will continue to weather the financial storm but to do so will now require difficult decisions to be made about services
- Most councils project significant funding gaps over the next three to five years but the lack of detailed plans to address these deficits in the medium-term represents a key risk
- Whitehall needs to go further and faster in allowing localities to drive growth and public service reform including proper fiscal devolution that supports businesses and communities
- Local government needs a deeper understanding of its local partners to deliver the transformational changes that are needed and to do more to break down silos
- Elected members have an increasingly important role in ensuring good governance is not just about compliance with regulations but also about effective management of change and risk
- Councils need to improve the level of consultation with the public when prioritising services and to make sure that their views help shape council development plans.

A copy of the report can be downloaded from -  
[www.grantthornton.co.uk/insights/reforging-local-government/](http://www.grantthornton.co.uk/insights/reforging-local-government/)

### 13 **CIPFA.SOLACE - Delivering Good Governance in Local Government 2016 Edition** **(April 2016)**

It is crucial that leaders and chief executives keep their governance arrangements up to date and relevant. To assist them, the Framework defines the principles that should underpin the governance of each local government organisation. It provides a structure to help individual authorities with their approach to governance.

To achieve good governance, each local authority should be able to demonstrate that its governance structures comply with the core and sub principles contained in this Framework. It should therefore develop and maintain a local code of governance/governance arrangements reflecting the principles set out. Whatever form of arrangements are in place, authorities should test their governance structures and partnerships against the Framework's principles.

Local authorities are required to prepare a governance statement in order to report publicly on the extent to which they comply with their own code of governance on an annual basis, including how they have monitored and evaluated the effectiveness of their governance arrangements in the year, and on any planned changes in the coming period. The process of preparing the governance statement should itself add value to the effectiveness of the governance and internal control framework.

This edition of the Framework applies to annual governance statements prepared for the financial year 2016/17 onwards.

## Appendix 1

### Assurance Definitions<sup>1</sup>

2015/16

<b>High</b>	<p>Our critical review or assessment on the activity gives us a high level of confidence on service delivery arrangements, management of risks, and the operation of controls and / or performance.</p> <p>The risk of the activity not achieving its objectives or outcomes is low. Controls have been evaluated as adequate, appropriate and are operating effectively.</p>
<b>Substantial</b>	<p>Our critical review or assessment on the activity gives us a substantial level of confidence (assurance) on service delivery arrangements, management of risks, and operation of controls and / or performance.</p> <p>There are some improvements needed in the application of controls to manage risks. However, the controls have been evaluated as adequate, appropriate and operating sufficiently so that the risk of the activity not achieving its objectives is medium to low.</p>
<b>Limited</b>	<p>Our critical review or assessment on the activity gives us a limited level of confidence on service delivery arrangements, management of risks, and operation of controls and / or performance.</p> <p>The controls to manage the key risks were found not always to be operating or are inadequate. Therefore, the controls evaluated are unlikely to give a reasonable level of confidence (assurance) that the risks are being managed effectively. It is unlikely that the activity will achieve its objectives.</p>
<b>Low</b>	<p>Our critical review or assessment on the activity identified significant concerns on service delivery arrangements, management of risks, and operation of controls and / or performance.</p> <p>There are either gaps in the control framework managing the key risks or the controls have been evaluated as not adequate, appropriate or are not being effectively operated. Therefore the risk of the activity not achieving its objectives is high.</p>

<sup>1</sup> These definitions are used as a means of measuring or judging the results and impact of matters identified in the audit. The assurance opinion is based on information and evidence which came to our attention during the audit. Our work cannot provide absolute assurance that material errors, loss or fraud do not exist.

## Appendix 2 - Internal Audit Plan & Schedule 2015/16

Area	Days	Indicative Scope	Planned Start Date	Actual Start Date	Final Report Issued	Status / Assurance Level Given
<b>Critical Service Activities</b>	<b>122</b>					
<b><u>Deputy Chief Executive</u></b>						
Planning Policy	10	Local Development Framework and other policies in place, compliance with the requirements of the Localism Act - neighbourhood planning and assets of community value.	April	April	July	Effective
Planning Applications	10	Processing and income	Jan/Feb	November	March	High
<b><u>Director Safety</u></b>						
HRA Business Plan	8	Reviewed, assumptions made, linkages.	Aug/Sept	05/10/15	February	Substantial
Partnership work - NSH	18	To review the partnership arrangements in place.	May/June	June		Draft report issued March.
Human Resources	0	Overview of service.	Oct/Nov			Moved to 2016/17 plan due to HR staff availability.
<b><u>Director Customers</u></b>						
Housing Options/Homelessness	8	High level review of strategies, policies and process to meet the homelessness responsibilities.	Jun/Jul	August	October	High



Area	Days	Indicative Scope	Planned Start Date	Actual Start Date	Final Report Issued	Status / Assurance Level Given
National Civil War Centre	8	Review requested of key processes in place for income, security and others following opening of centre.	June	June	September	Assurance level not given – advisory report.
ICT Audit	10	Review of the service itself looking at future planning and meeting objectives.	Jun/Jul	December		Client postponed until December due to staffing. Draft report with CMT.
Customer Services	10	Cash receipting, security, targets	Jan/Feb	January	March	Substantial
ICT Audit	15	PCIDSS	Jan	February		Draft report
<b><u>Director Communities</u></b>						
Refuse and Recycling	10	Review of processes in place to:- <ul style="list-style-type: none"> <li>○ collect domestic, bulky and trade waste</li> <li>○ collection of income</li> <li>○ meet the targets</li> </ul>	Sept/Oct	August	November	Substantial
<b><u>Director of Resources</u></b>						
Capital Programme	5	Approved and monitored.	Sept/Oct	November	January	High
Performance Management	10	Review of systems in place including process, Covalent and reporting.	Mar	March		Draft report
<b>Due Diligence</b>	<b>136</b>					
<b><u>Deputy Chief Executive</u></b>						
Corporate Planning	5	High level review of planning in	Aug/Sept	November		Draft report with CMT.

Area	Days	Indicative Scope	Planned Start Date	Actual Start Date	Final Report Issued	Status / Assurance Level Given
		place for the Council:- corporate priorities, business plans, objectives.				
<b><u>Director of Resources</u></b>						
Budgetary Control	8	Cyclical system review.	July	August	October	High
Creditors	8	Cyclical system review.	Aug/Sept	December	February	High
Debtors	8	Cyclical system review.	Aug/Sept revised Jan/Feb	January		Draft report.
VAT/Tax	10	Cyclical system review.	Jul/Aug	December		Draft report
Financial Regulations and Management	8	Regulations are in place, communicated and monitored for compliance	Sept/Oct	October		Draft report
Key Control Testing	30	Delivery of key control testing to enable the Head of Internal Audit to form an opinion on the Council's financial control environment.	Feb/Mar	March		Fieldwork half completed.
Property, Plant and Equipment	8	Cyclical system review.	Nov/Dec revised Feb/Mar			Postponed to 2016/17
Council Tax	15	Cyclical system review.	Nov/Dec revised Jan/Feb	January	March	High

Area	Days	Indicative Scope	Planned Start Date	Actual Start Date	Final Report Issued	Status / Assurance Level Given
Benefits	15	Cyclical system review.	Jan/Feb			Postponed to 2016/17
Procurement	11	Cyclical system review.	Feb/Mar	January		Draft report
<b><u>Director Safety</u></b>						
Equality and Diversity	10	Review of progress and benchmarking against the Public Sector duty. Requested by management.	Jul/Aug	July	November	Substantial
<b>Key Projects</b>	<b>8</b>					
Council Offices – Vacation and New Build	8	Key, two year project. Advisory / gateway review – first gateway review.	Sept/Oct	November	February	Assurance level not appropriate.
Council Offices – Vacation and New Build	0	Key, two year project. Advisory / gateway review – second gateway review.	Feb/Mar			Moved to 2016/17 due to progress of project.
<b>Strategic and Emerging Risks</b>	<b>13</b>					
Strategic Risks	8	Review of monitoring arrangements and detailed review of one or more strategic risks.	Aug/Sept	March		Draft report
Waste, Litter and Recycling - Risk management	5	Review of risks to ensure actions in place to monitor and mitigate the risks.	Jan/Feb	September	December	High
<b>Other relevant Areas</b>	<b>114</b>					
Mansfield Crematorium	5	We will undertake our annual review of accounts.	April	April	May 2015	Completed

Area	Days	Indicative Scope	Planned Start Date	Actual Start Date	Final Report Issued	Status / Assurance Level Given
Gilstrap Accounts	1	We will undertake our annual review of accounts.	July	August	August	Completed
Cattle Market	4	Annual audit of rental fee - additional work requested on 2013/14 figures.	Unplanned	May	N/A	Completed
Cattle Market	4	Rent calculation 2014/15	Unplanned	December	December	Completed
Newark and Sherwood Homes	73 (55+18)	Internal Audit Plan 2015/16	Various			Client briefs agreed. Additional work requested currently 18 days. 92% of plan completed.
Flood Grant	3	Assurance on flood grant for DEFRA.	Unplanned	December	December	Completed
Combined Assurance	20	Updating assurances on the Council's assurance map with service managers and helping to co-ordinating the annual status report.	October	October	March	Completed
Follow-up of previous audit reports	6		Ongoing			Completed
<b>Non-Audit</b>	<b>25</b>					
Advice & Liaison	10		Ongoing			Completed
Annual Report	3		Ongoing	April	N/A	Completed
Audit Committee	10		Ongoing			Completed
Review strategy and planning	2					Completed
Contingency	0	15 days total in original plan.	N/A	N/A	N/A	N/A

Area	Days	Indicative Scope	Planned Start Date	Actual Start Date	Final Report Issued	Status / Assurance Level Given
		Used:- 2 days Cattle Market additional work. 5 days ICT additional time for audit 4 days Cattle Market 2014/15 3 days flood grant 1 day Procurement additional time required.				
<b>Grand Total (Revised)</b>	<b>420</b>					

**OUTSTANDING INTERNAL AUDIT RECOMMENDATIONS**

**1.0 Purpose of Report**

To receive and comment upon the current status of outstanding Internal Audit recommendations.

**2.0 Introduction**

At its meeting on 10<sup>th</sup> February 2016 the Committee requested a report detailing the current status of the outstanding recommendations reported in the Internal Audit progress report. The report details for each audit with outstanding recommendations referred to in the progress report:

- Audit activity
- Assurance Opinion
- Number and priority of the recommendations outstanding
- Original implementation date
- Details of the recommendations and current status as reported by managers

**3.0 RECOMMENDATION**

**That the Audit and Accounts Committee consider and comment upon the outstanding recommendations and determines whether or not any additional action is to be taken.**

**Background Papers**

Nil.

For further information please contact Lucy Pledge on 01522 553692.

Nicky Lovely  
Business Manager Financial Services



# **Internal Audit Outstanding Recommendations**



**Date: March 2016**

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### Contact Details:

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## Introduction

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- 1 At its meeting on 10<sup>th</sup> February 2016 the Accounts and Audit Committee requested a report detailing the current status of the outstanding recommendations reported in the Internal Audit progress report.
- 2 This reports details for each audit with outstanding recommendations referred to in the progress report:
  - Audit activity
  - Assurance Opinion
  - Number and priority of the recommendations outstanding
  - Original implementation date
  - Details of the recommendations and current status as reported by managers

## Outstanding Recommendations

---

- 3 The outstanding recommendations are:

**Audit:** Corporate Governance

**Assurance:** Substantial

**Recommendations Outstanding:** 1 Medium Priority

**Original Implementation Date:** 31<sup>st</sup> March 2015

**Details:** Recommended that the draft procurement policy be approved. This is to be a joint policy with Rushcliffe and Gedling Borough Councils and is subject to on-going discussions with them. Responsibility for actions rests with Director of Resources.

**Audit:** Corporate Complaints

**Assurance:** Substantial

**Recommendations Outstanding:** 2 Medium Priority

**Original Implementation Date:** 31<sup>st</sup> December 2014

**Details:** Recommended that the policy cover anonymous complaints and include guidance for staff on dealing with complaints. This was delayed due to a lack of resources and competing priorities. It was then decided to review the customer comments/feedback process. New documentation has been finalised and is due to go to CMT in April 2016

**Audit:** Palace Theatre

**Assurance:** Some Improvement Needed = Substantial

**Recommendations Outstanding:** 1 Medium Priority

**Original Implementation Date:** 30<sup>th</sup> September 2015

**Details:** Recommended that the petty cash be reduced. This was delayed due to staff relocating to the Civil War Centre and has now been put on hold pending a review of petty cash for the new Heritage, Culture & Visitors business unit.

**Audit:** Transparency Agenda

**Assurance:** Effective = High

**Recommendations Outstanding:** 1 Medium Priority

**Original Implementation Date:** 30<sup>th</sup> September 2015

**Details:** Recommended that a number of data sets be updated to ensure compliance with the Code. This is being actioned as part of the implementation of the Due North computer system which has suffered delays due to issues with the software that has affected a number of Councils.

**Audit:** Data Protection

**Assurance:** Some Improvement Needed = Substantial

**Recommendations Outstanding:** 1 Medium Priority

**Original Implementation Date:** 30<sup>th</sup> September 2015

**Details:** Recommended that where required forms include a Privacy Notice. This work has commenced but has been delayed as it has turned out to be a bigger task than expected and other demands such as the Moving Ahead project. Staff sickness and an increase in requests have delayed the implementation further although work has commenced. Every web site page now has a link to the updated privacy policy. Work has commenced on updating the individual forms however, there are in excess of 250 forms to update and this task should be completed by 30 June 2016.

**Audit:** Customer Responsiveness

**Assurance:** High

**Recommendations Outstanding:** 1 Medium Priority

**Original Implementation Date:** 31<sup>st</sup> December 2015

**Details:** This recommendation is the same as one of the recommendations made in the Customer Complaints audit detailed above.

**Audit:** National Civil War Centre

**Assurance:** Not applicable as audit was a consultancy audit

**Recommendations Outstanding:** 1 High and 1 Medium

**Original Implementation Date:** 31<sup>st</sup> October 2015

**Details:** Recommended that a risk assessment be undertaken of cash security and actions arising from the assessment be implemented (High), and the petty cash level be reviewed (Medium). Temporary arrangements have been implemented to improve cash security pending the formation of the new Heritage, Culture & Visitors business unit when petty cash levels will also be reviewed.

**Audit:** ICT Partnership

**Assurance:** Some Improvement Needed = Substantial

**Recommendations Outstanding:** 1 Medium Priority

**Original Implementation Date:** 31<sup>st</sup> July 2015

**Details:** Recommended that a shared service ICT strategy be developed. A Digital Strategy has been completed and is live in both Broxtowe and Rushcliffe Borough Councils and was presented to CMT on 26<sup>th</sup> January. The broader ICT Shared Service Strategy was drafted in December.

**Audit:** Counter Fraud

**Assurance:** Limited

**Recommendations Outstanding:** 1 Medium Priority

**Original Implementation Date:** 30<sup>th</sup> September 2013

**Details:** Recommended that fraud reporting and training be improved. Most of the actions suggested by Internal Audit have been undertaken there only remains

training for members to be completed which is currently with Human Resources to arrange.

**Audit:** Treasury Management

**Assurance:** Some Improvement Needed = Substantial

**Recommendations Outstanding:** 1 Medium Priority

**Original Implementation Date:** 31<sup>st</sup> March 2015

**Details:** Recommended that the Treasury Management manual is updated. Parts of the manual have been updated and communicated to staff however resource issues have prevented the update being completed.

**Audit:** Insurance

**Assurance:** Effective = High

**Recommendations Outstanding:** 1 High Priority,

**Original Implementation Date:** 31<sup>st</sup> December 2015

**Details:** Recommended that the Self Insurance and Excess Fund is reviewed and recharges amended. The Fund has been reviewed and recharges are in the process of being amended.

**Audit:** Contract Management – Sale of Kelham Hall

**Assurance:** Some Improvement Needed = Substantial

**Recommendations Outstanding:** 4 Medium Priority

**Original Implementation Date:** 31<sup>st</sup> October 2015

**Details:** The recommendations outstanding are:

- For future sales, a clear brief and letter of appointment or contract are put in place for any consultants involved in the sale.
- For future major disposals a strategy and process are developed to guide the disposal.
- A departure plan including a risk assessment are undertaken to identify issues that may require attention in order for the disposal to complete satisfactorily.
- Fixtures and fittings to be included in the sale are valued.

The first two of these have not been actioned due to a vacancy with the relevant Business Manager post. Whilst a risk workshop has taken place there is no indication that a departure plan has been developed, and no indication that the fixtures and fittings were valued.

**Audit:** Health and safety

**Assurance:** Some Improvement Needed = Substantial

**Recommendations Outstanding:** 1 Medium Priority

**Original Implementation Date:** 1<sup>st</sup> June 2015

**Details:** Recommended that training be provided and training documentation be retained in respect of legionella testing. A training matrix has been developed and relevant staff identified with training to be provided by end of March 2016.

**Audit:** Safeguarding

**Assurance:** Some Improvement Needed = Substantial

**Recommendations Outstanding:** 5 Medium Priority

**Original Implementation Date:** 31<sup>st</sup> October 2015

**Details:** The recommendations outstanding are:

- Business Managers to return forms showing that safeguarding information has been given to staff.
- Safeguarding to be included in contract procedure rules as an additional contractual requirement.
- Job Descriptions for the Director-Safety and the Business Manager Housing Options, Energy and Home Support to be updated to reflect their roles in delivering the safeguarding policy for the Council
- Responsibilities under the safeguarding policy to be included in the code of conduct.
- Whistleblowing policy to be updated to reflect safeguarding issues and the contractor's employee responsible for whistleblowing undertakes relevant safeguarding training.

The Contract Procedure Rules are due for updating in May and they will reflect safeguarding. The Job descriptions have now been amended to reflect the safeguarding roles and responsibility will be included within the Code of Conduct before the end of March. The contractor is attempting to identify appropriate training for the employee responsible for whistleblowing.

**Audit:** Strategic Housing Strategy

**Assurance:** Some Improvement Needed = Substantial

**Recommendations Outstanding:** 1 Medium Priority

**Original Implementation Date:** 31<sup>st</sup> May 2015

**Details:** Recommended that a project plan be established to guide the development of the strategy. A review of the Council's housing strategy is currently being undertaken by the Strategic Housing Liaison Panel. It's programme of work for the review is due to conclude by the end of April following which a report will be presented to the Policy and Finance Committee for consideration and decision in May 2016.

**Audit:** Emerging Risks

**Assurance:** Substantial

**Recommendations Outstanding:** 1 Medium Priority

**Original Implementation Date:** 31<sup>st</sup> March 2015

**Details:** Recommended that the draft procurement policy be approved. This is the same recommended action as recorded under Corporate Governance above.

**COMBINED ASSURANCE REPORT**

**1.0 Purpose of Report**

- 1.1 To receive and comment upon the Combined Assurance Report which covers the period up to the end of January 2016.

**2.0 Background Information**

- 2.1 The Combined Assurance Report has been produced by Internal Audit working with Business Managers and the Corporate Management Team. It demonstrates the level of assurance the Council has in its activities at a set point in time, and identifies any gaps. This is then used to inform the annual Internal Audit Plan for the next financial year. The report is attached at Appendix A.

**3.0 RECOMMENDATION that:-**

- (a) **the Audit & Accounts Committee consider and comment upon the report**

**Background Papers**

Nil.

For further information please contact Nicky Lovely, Business Manager Financial Services on Ext 5317.

Nicky Lovely  
Business Manager Financial Services

# Combined Assurance *Status Report*

## *Newark and Sherwood District*



# Contents

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<i>Looking Ahead</i>	17

**Contact:** Nicky Lovely – Business Manager – Financial Services

**Details:** [nicola.lovely@nsdc.info](mailto:nicola.lovely@nsdc.info)

# Introduction

This is the fourth combined assurance report for the Council.

Working with management we have been able to show what assurances the Council currently has on the areas of the business that matter most – highlighting where there may be potential assurance ‘unknowns or gaps’.

We gathered and analysed assurance information in a control environment that:

- takes what we have been told on trust, and
- encourages accountability with those responsible for managing the service.

Our aim is to give Senior Management and the Audit and Accounts Committee an insight on assurances across all critical activities and key risks, making recommendations where we believe assurance needs to be stronger.

## Scope

We gathered information on our:

- **critical systems** – those areas identified by senior management as having a significant impact on the successful delivery of our priorities or whose failure could result in significant damage to our reputation, financial loss or impact on people.
- **due diligence activities** – those that support the running of the Council and ensure compliance with policies.
- **key risks** – found on our strategic risk register or associated with major new business strategy / change.
- **key projects** – supporting corporate priorities / activities.

## Methodology

We have developed a combined assurance model which shows assurances across the entire Council, not just those from Internal Audit. We leverage assurance information from your ‘business as usual’ operations. Using the ‘3 lines of assurance’ concept:



Our approach includes a critical review or assessment on the level of confidence the Council can have on its service delivery arrangements, management of risks, operation of controls and performance.

We did this by:

- Speaking to senior and operational managers who have the day to day responsibility for managing and controlling their service activities.
- Working with corporate functions and using other third party inspections to provide information on performance, successful delivery and organisational learning.
- Using the outcome of Internal Audit work to provide independent insight and assurance opinions.
- We used a Red (low), Amber (medium) and Green (high) rating to help us assess the level of assurance confidence in place.
- The overall assurance opinion is based on the assessment and judgement of senior management. Internal audit has helped co-ordinate these and provided some challenge **but** as accountability rests with the Senior Manager we used their overall assurance opinion.



# Key Messages



This combined assurance report sets out the position as at December 2015. The report covers each directorate together with strategic issues and risks. It complements the Annual Governance Statement which is reported to the Audit and Accounts Committee in September of each year.

The overall assurance status remains positive with 69% of services classified as having “green” status and no services assessed as “red”. There is a decline in the number of services having “green” status which is reflective of the economic position, changes in legislation and future uncertainty. All critical activities are included and these are generally subject to audit each year.

The Council currently has a number of major projects being progressed and these are also covered in this report and there is a section on key risks.

Overall, I am satisfied that the report provides a good level of assurance to the Council and highlights the key areas for the future.

Figure 1 –2015/16

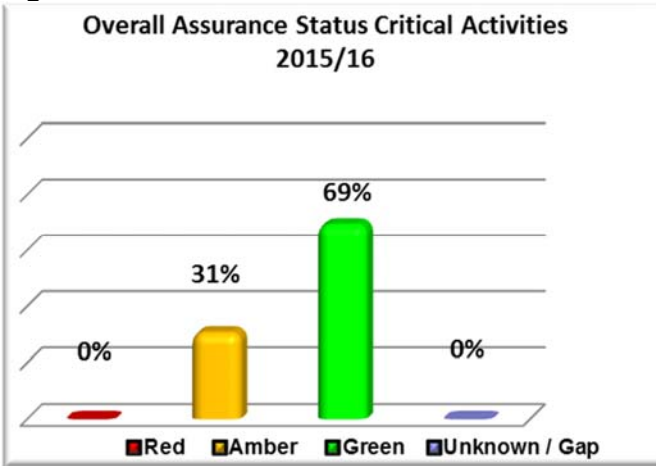
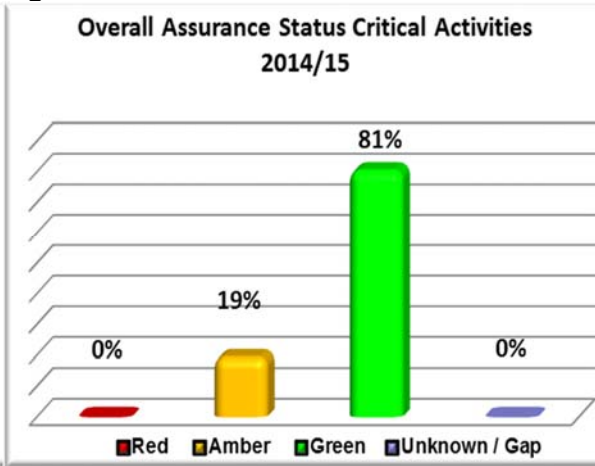


Figure 2 – 2014/15

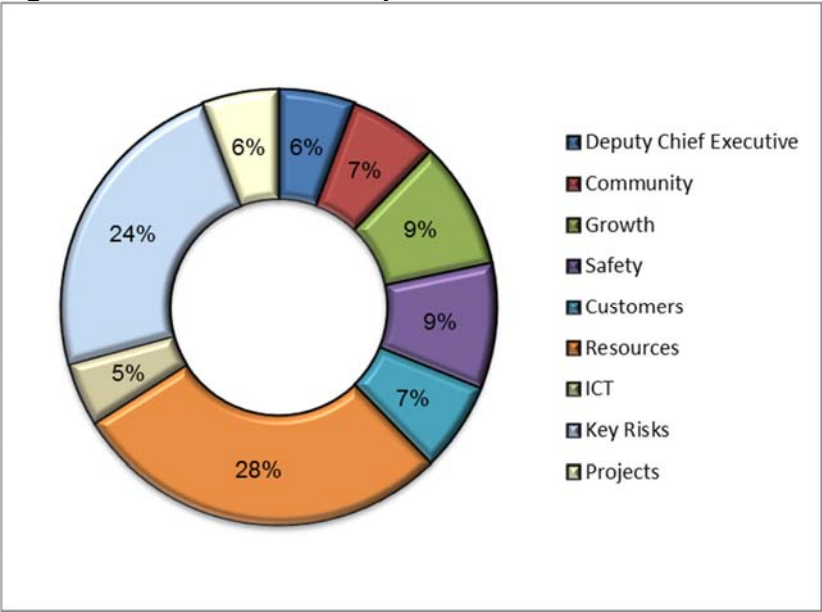


# Critical Systems

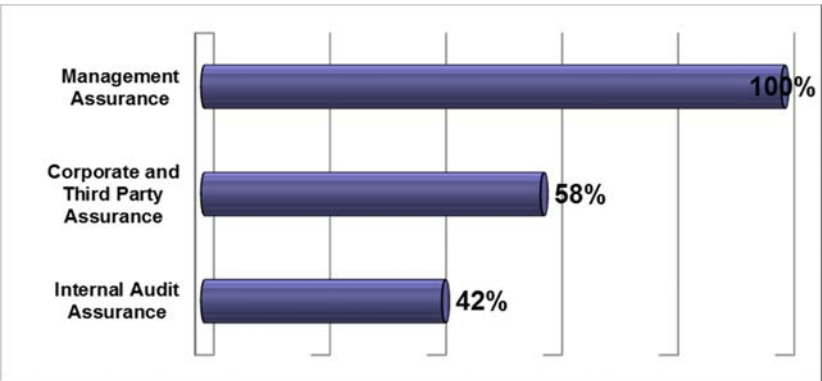


Each Business Manager has provided an assessment of the assurance for each key service and this has been moderated by the Management Team. Where available, the audit opinion has been factored in. Where appropriate, the assessment has also been validated by performance data.

**Figure 2- Your Assurance Map**



**Figure 3- Who Provides Assurance on your Critical Activities**



## Deputy Chief Executive

Figure 4 - Deputy Chief Executive

### Collaboration and Partnership

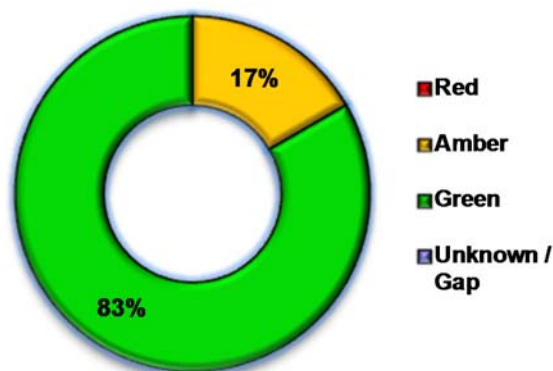
The Council has entered into a memorandum of understanding regarding greater collaboration arrangements between Rushcliffe Borough Council, Gedling Borough Council and Newark and Sherwood District Council. The collaboration agreement is still in its early stages and currently principally relates to building resilience across the three authorities with each authority retaining its separate identity rather than moving towards a formal merger of organisational structures at this stage.

In respect of partnerships between the Council and other stakeholders the key partnerships have been identified as:-

- The Health and Wellbeing Board which falls under the remit of the Director Communities;
- Newark & Sherwood and Bassetlaw Community Safety Partnership, the Safer Nottinghamshire Board and Newark and Sherwood Homes which fall under the remit of the Director Safety;
- Economic Prosperity Committee and the development of the Combined Authority in which the Chief Executive has taken a lead role in negotiations.

### Commissioning

Commissioning underpins how we approach key initiatives and service delivery. However in the context of transformation we have moved towards a more directed approach to project delivery.



### Corporate Planning

This is the area where management identified overall assurance status as Amber on the assurance map. The reason for this is that the Strategic Priorities are pending formal agreement.

## Growth

Figure 5- Growth

### Economic Development

The new corporate strategy and staff structure have now been implemented and good progress has been made on a range of key projects. Tourist Information will be in some part focussed on the new information hub at the Palace Theatre/NCWC and an options paper is to be considered on how we approach TIC and growing the Visitor Economy early in 2016.

### Building Control

Applications for Building Regulation approval continue to be buoyant. Staffing within the team is currently being supplemented with senior staff from the East Midlands Building Consultancy and as a result we are maintaining good service levels. A report was presented to Policy and Finance Committee in February 2016 recommending that the Council transfers its Building Control service to the East Midlands Building Consultancy joining South Kesteven and Rushcliffe who are the current partners.

### Planning Policy

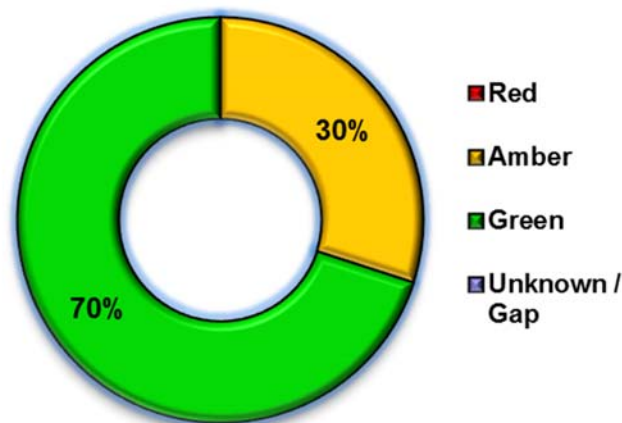
The Council is currently in the process of undertaking a comprehensive review of the Local Plan and CIL.

### Planning Applications

Performance on determining planning applications is proactively monitored and I am happy with the level of assurance. An audit review has been undertaken of performance on planning applications and dealing with complaints, and this has confirmed that performance is satisfactory.

### Land charges

The service is working well and generating income but it may transfer over to the Land Registry so there is some uncertainty and a possible loss of income which is why it currently has amber assurance.

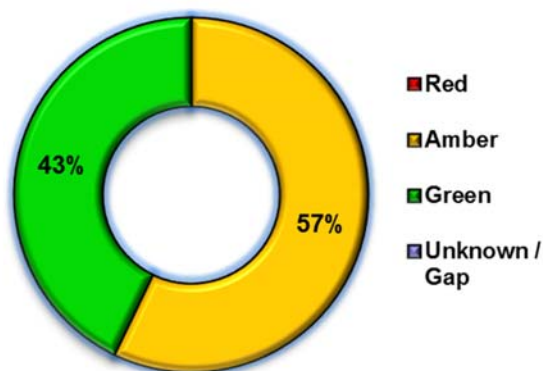


### Housing

The Council has a robust 30 year HRA Business plan in place, but recent Government Bills and the summer budget are expected to have a significant effect on the HRA finances hence an overall amber assurance rating. However, we are currently undertaking a review of the HRA BP taking into account the proposed Government changes to ensure that it remains robust. Once this work has been completed this area will move from amber to green.

The areas where management identified overall assurance status as Amber on the assurance map are:

- Economic Development
- Land Charges
- HRA Self Financing

**Figure 6- Community**

## Community

Refuse collection, recycling and the associated transport and fleet maintenance services that support them continue to be well managed and performing well. Key partnerships are in place with neighbouring authorities for the collection of garden waste and we are expanding our Garden Waste scheme from the 1<sup>st</sup> April 2016 to cover the remaining areas of the district which will both increase our recycling rate and provide additional income to the Council to offset the cost of the service, with the aim of this service being cost neutral within a 24 – 36 month timeframe.

**Street Cleansing:** due to changes in legislation the team can no longer deal with asbestos. Training has been provided for staff who come across asbestos as part of their daily duties but collection and disposal has now to be carried out by specialist contractors. The main challenge to the team however is due to the fact that overtime and use of agency staff has been significantly reduced thereby requiring cleansing staff to be utilised on waste collection rounds when staff numbers are low. This does impact on service quality.

Car parks continue to be managed and perform well. Car park income is above budget and the lorry park continues to be highly successful and profitable. Car parks could be subject to possible changes depending upon the outcome of devolution proposals with Southwell Town Council. The lorry park is now a major source of income that continues to grow.

Proposals will be considered in early 2016 to look at a business case to enlarge the current

lorry park to mitigate the loss of space taken up by the new office development, or to relocate the lorry park elsewhere.

Newark Market is now the responsibility of Newark Town Council who buy in management time from NSDC's Markets Business Manager. Proposals are also currently being considered to devolve Southwell Market to the Town Council along similar lines to Newark.

The current Parks and Amenities service is working well but is directly affected by a range of devolution proposals. The outcome of some of these are as yet unknown. It is likely that the current standards and performance achieved by the team will be maintained in the short term as devolution proposals include the team continuing to provide the service to local councils for a prescribed period, particularly for Newark Town Council. Proposals are currently being considered for the transfer of the Councils grounds maintenance service into a teckal company known as 'Streetwise' which has been set up by Rushcliffe B.C.

**Sports and Community Development** - this service /team has effectively been cut in two with the sports development team being transferred over to Active4Today, the new leisure company formed by the Council. One of the main challenges of this was ensuring the continuation of the community sports development programmes provided by the team that are a vital component of the councils health and wellbeing delivery programme providing important services to residents, and vital in supporting the work of clinical partners. Evidence indicates that this service area is being well maintained by Active4Today.

The community development side of this team is effectively left to be provided by the team manager who is now working four days a week for a neighbouring authority. This manager is a long serving employee with a wealth of experience and contacts who is very much trusted by communities throughout the district. His work requirements and targets have been re-assessed and suitably adjusted.

Areas where management identified overall assurance status as Amber on the assurance map are:

- Street Cleansing
- Parking
- Markets
- Parks and Amenities

## Safety

Figure 7- Safety

Overall I am comfortable with the level of assurance covering the areas of business within my directorate. Particular progress has been made over the last year in areas of environmental protection, CCTV, and Emergency Planning – all of which have been given as green in terms of assurance.

### Community Safety

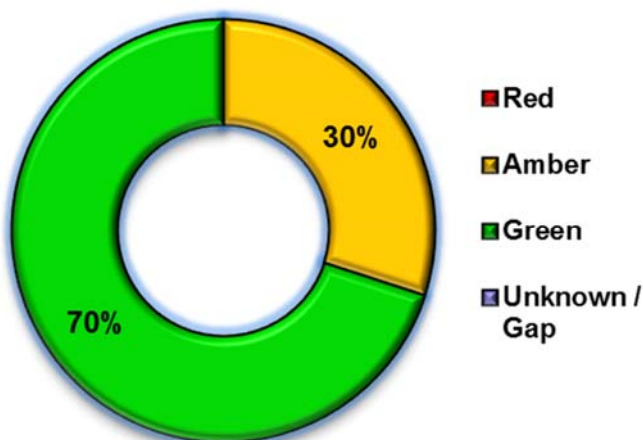
This is an area which is working well, with the team working well with external partner agencies including NSH and other Business Units to secure successful outcomes in a number of longstanding and difficult to resolve anti-social behaviour cases over the last year. There have been staffing resource issues over the last six months – although additional resources have now been put into place – which should ease the situation.

### Environmental Protection

This is an area that is working extremely well, with sound systems in place, and the programme of inspections for food premises etc. are well on track. This is an area that has moved from amber assurance last year to all green this year.

### Human Resources

Satisfaction with HR across the Council demonstrates its effectiveness. There are no performance related issues and the team is providing a sound service to the Authority, NASH, Active4Today, and Southwell Leisure Trust. Although the performance indicator for HR is red overall, these relate to corporate areas such as sickness and appraisals which are, to a large degree, outside the control of the business unit. Additional focus is being given by HR currently to support BMs in managing sickness levels and complete appraisals.



Areas where management identified overall assurance status as Amber on the assurance map are:

- Risk Management: the overall position on the Council's risk management is good, with some training being done through Zurich (the Council's insurers). There are some risk actions overdue for strategic and operational risks and these are being picked up via specially arranged meetings to bring them up to date.
- Health and Safety: some training has been undertaken, and processes are in place for H & S inc legionella and fire. Challenges in ensuring that business units take responsibility for assurance are being tackled by offering more hands on support to BMs.
- Business Continuity: whilst there is a robust plan in place it has not been tested for a substantial period of time due to staff changes. A desk top exercise to test the plan is to be scheduled to take place later in the calendar year.



## Customers

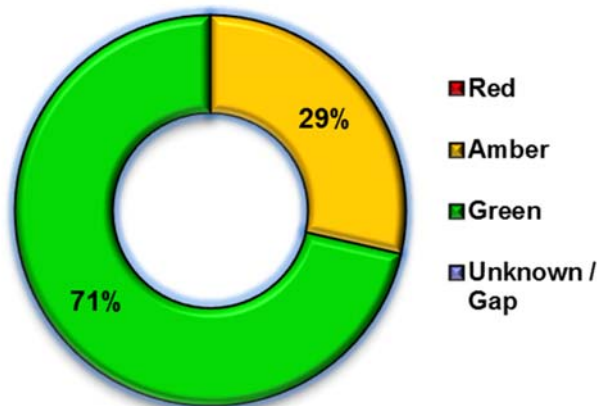
The Customers Directorate covers a broad mix of both frontline and back office services. Following the creation of the council-owned company, Active4Today, the directorate provides the client side role in ensuring strategic oversight over the company and the three council leisure centres it operates in Newark, Ollerton and Blidworth. The directorate also covers the Palace Theatre, National Civil War Centre and Museums Service, Customer Services and Housing Options, which together with the leisure centres, serve a wide range of customers with very differing needs. Marketing and Communications and ICT are key functions which enable the delivery of the frontline services and, particularly in the case of communications, are a key pillar of the income generating activities of the leisure and culture offer.

Assurance is achieved in the directorate through a mixture of process, policy and performance management. The council has its priorities set out under the headings of prosperity, people, place and public service. Business plans within the directorate are aligned with the corporate priorities and then fed into team objectives and individual objectives through the appraisal system. In this way, a golden thread is achieved in aligning the work of an individual employee with the delivery of the council's goals.

Performance management and risk is embedded through the use of Covalent, which is viewed by CMT on a regular basis and is subject to regular discussion between individual directors and business managers. Business continuity plans are seen as an essential component to business unit operations and challenge by audit on critical activities is welcomed. The customer complaints procedure is another useful tool in ensuring that services are delivering in line with their objectives, with clear processes in place for complaint recording and storage on the Customer Relationship Management system, and escalation to senior management where appropriate.

Business managers are encouraged and supported to have an increased degree of autonomy and responsibility to lead their business operations, provided there is sufficient evidence that the controls of process, policy and performance

**Figure 8- Customers**



management are in place.

The directorate faces new challenges over the coming year, with the opening of the physically and operationally integrated National Civil War Centre and Palace Theatre, as well as the delivery and opening of a replacement leisure centre in Newark. The NCWC will be expected to deliver against its budgeted income, as it now has the benefit of one year's actual operational data. The leisure centre is a major capital project, which is and has been subject to strict internal controls to ensure it is delivered on time and to budget. External project and cost management support is being used to provide greater assurance in this critical activity.

Welfare reform is one element in increasing demand in Housing Options and Customer Services and management action is being taken to monitor and manage this impact. The new office accommodation project provides scope to deliver a more fit-for-purpose customer access model, which would further help to address increased customer demand. Work on the new offices will commence in 2016/17 and will be a critical project in terms of delivering significant financial savings to assist the council's ongoing budget challenge.

Ongoing assurance is required in Information Governance to ensure data is managed appropriately, particularly in the context of increasing partnership working and legislative requirements. The financial challenges the council faces are set to continue meaning that at a time when resources are set to continue reducing, capacity will need to be found or released to successfully deliver the major capital

projects that are anticipated, as well as meeting increasing demand in some areas.

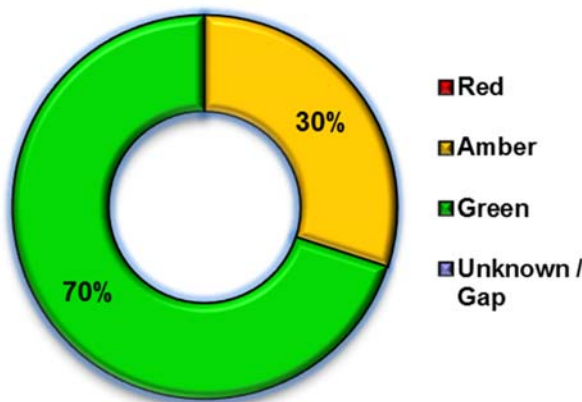
The issue of capacity will need to be closely monitored, but I remain comfortable with the controls we have in place to do this. As a result, I'm comfortable with the level of assurance within the directorate.

Management identified overall assurance status as Amber on the assurance map for

- Housing Options
- National Civil War Centre



Figure 9- Resources



The financial challenges facing the Council will continue into the future. However, there are robust processes in place to analyse the impact of reduced grant funding and to inform strategic projects that will produce savings. Ongoing environment scanning ensures that any new threats and opportunities are identified and acted upon. The key systems continue to be well managed; this is evidenced by the prompt and efficient closure of accounts and the efficient budget process. The services within the Resources directorate continue to implement efficiencies and in many cases, support other services to do so. There will need to be additional focus on a small number of areas in the next year.

The arrangements for corporate counter fraud have seen much improvement in recent years with an up to date fraud risk assessment now in place and regular reporting of counter-fraud work. All relevant employees have also received counter-fraud training, as have members of the Audit & Accounts Committee. However, there is now a nationwide concern regarding capacity for counter fraud work relating to Council Tax Support payments, due to local authority fraud investigators transferring to the Department for Work and Pensions with the advent of Universal Credit. Various options to continue counter fraud work are being considered.

The Performance Business Unit has been managed by the Policy & Commissioning Business Manager since early in the financial year. This is having a small impact on the management of assurance and performance reporting across the Council.

## Resources

Similarly the Asset Management Business Unit is without a permanent manager, and is still struggling to recruit permanent staff, leading to higher costs. However, management of the property portfolio by the team is satisfactory with occupation of industrial units above target. For strategic projects relating to assets, consultancy support is put in place. The arrangements relating to Business Units where managers have left is under review.

Benefits is a fast moving area with major national changes being implemented. It is necessary to ensure that the Council is prepared for these changes as well as to operate the day to day requirements in this complex area.

For Sundry Debtors, a review of system capability is being undertaken to ensure it remains fit for purpose for all types of income.

Although a lot of work has been done around energy saving and carbon management issues in recent years, premises have now reached a level where further work will not be cost effective. However, the new leisure centre, and new Council offices are being developed to be much more energy efficient.

Negotiations with Newark Cattle market are ongoing to resolve a dispute relating to payment of rent.

The amber level of assurance relates to these six areas.

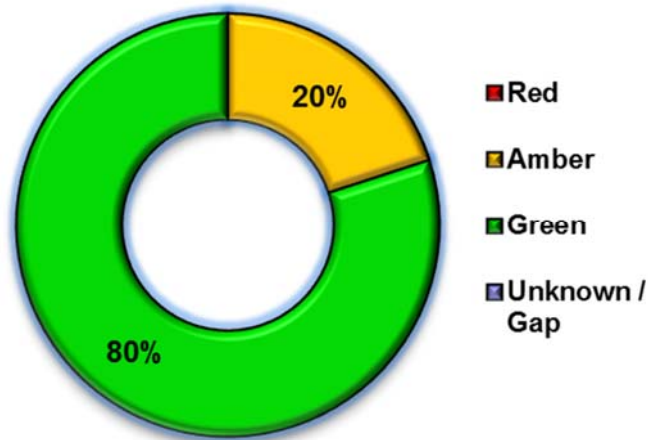
Overall, there is a strong focus on the key systems, and the recent audit of key financial controls demonstrated a substantial level of assurance. I am therefore comfortable with the level of assurance within the directorate.

**ICT**

There were not considered to be any assurance issues with most aspects of ICT at the time of the assessment. Areas assessed include governance, infrastructure, programmes and projects and applications. The ICT Strategy will be aligned with Broxtowe BC and Rushcliffe BC under the CIO. Contract Management and supplier engagement continue to improve with the process of regular engagement becoming more embedded.

The area provided amber assurance by management is Operations. There are processes in place but there are a number of Performance Indicators which are not being achieved and could affect the operations of other Business Units.

**Figure 10- ICT**



### Next steps.....

There are no actions where it is considered necessary to seek additional assurance at this stage. Business Managers and Directors monitor progress through the performance system on a regular basis.

Independent Assurance is sought through our Internal Audit Plan 2015/16 in the following areas:

- Partnerships – NSH
- Corporate Planning
- Customer Services
- Planning Applications
- HRA Self Financing Business Plan
- Strategic Risk Management
- Human Resources
- Creditors
- Debtors
- Capital Programme
- VAT
- Plant, Property and Equipment
- Financial Regulations
- Procurement
- Performance Management
- Council Tax
- Benefits
- Debtors
- ICT
- Moving Ahead

The internal audit plan for 2016/17 is in the process of being considered and will be reported to the Audit and Accounts Committee.

The Annual Governance Statement will be considered after the end of the financial year and reported to the Audit and Accounts Committee in September.

## Your Strategic Risks

The Council has re-assessed its strategic risks during 2015 and the current risks are shown on this page. The first column represents the assurance rating and the second column the risk and its current rating on the risk register.

Each risk is assigned to a Member of the Council's Corporate Management Team. Most risks are considered and reviewed on a quarterly basis. All risks are assessed according to their likelihood and impact, and have targets for mitigating the risk.

Risks are overseen by the Business Manager – Community Safety and are reported to the Audit and Accounts Committee annually.

**G****Financial Stability****G****Major Projects****G****Growth Delivery****A****Supply Chain Failures  
and contract  
management****G****Transformational  
Change****G****Sustainable  
Communities****G****Continuity of  
service****G****Corporate  
Governance****G****Data Management /  
Security**

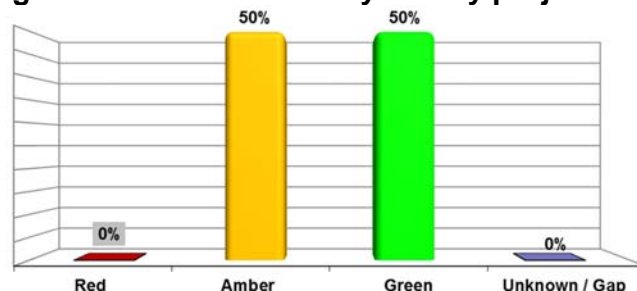
## Projects



The Council has a number of key projects at the moment. These are:

- Moving Ahead (green)
- New leisure centre (green)
- Newark Sports Hub (amber)
- National Civil War Centre integration with the Palace Theatre and TIC (green)
- Devolution (amber)
- Partnerships/Collaboration (amber)

**Figure 11 – Assurance on your key projects**



### Newark Sports Hub

Responsibility for the project co-ordination has recently been allocated to a member of the Policy and Commissioning Team. This should assist in clarifying roles and responsibilities.

### Devolution

A range of services and assets were devolved to Newark Town Council on 1 April 2015 including parks and open spaces, public toilets and Newark Market Place. There are currently service level agreements in place between Newark Town Council and Newark & Sherwood District Council relating to the provision of ground maintenance services and in respect of the operation and management of markets. There will clearly however be an impact if these service level agreements are not renewed on their expiry.

Work is currently ongoing in respect of a potential devolution package to Southwell Town Council and a potential devolution package to Balderton Parish Council.

There have also been a range of other devolution packages to Town and Parish Councils across the district to include cemeteries and car parks.

Work to devolve community centres and village halls is also ongoing.

### Partnerships/Collaboration

Collaboration agreement is still extant but very limited progress on the shared services agenda.

Each project is at a different stage, with the new Leisure Centre expected to open in 2016 and new offices in 2017.

Major projects each have a project Board set up to deliver them. Project Boards include all relevant officers. Where appropriate, external professional advice is procured to support and deliver the project.

Each project has a risk assessment carried out and managed by the Project Board. Key risks are considered by the Corporate Management Team and addressed throughout the project.

In general, risks relate to timescale, finance, procurement and legal aspects of projects.

## *Looking Ahead*



The Council is aware of the financial environment faced by the public sector in general and by local government in particular and this is reflected in the Council's strategic risks which are reviewed on a regular basis.

The key projects set out above will be delivered in the medium term and will assist the Council in providing modern services to the communities it supports, whilst also achieving significant savings.

The plan to implement 100% Business Rates Retention from 2020 presents both risks and opportunities for the Council, whilst the Government's devolution agenda could also bring significant changes to the way local government works. The Council's involvement in the North Midlands Combined Authority could have an impact on economic growth and hence funding in the future.

The Council will continue to consider the most appropriate methods of service delivery as any changes to funding, local government structure, and the global economy take shape.

**ANNUAL INTERNAL AUDIT PLAN AND STRATEGY**

**1.0 Purpose of Report**

- 1.1 The Internal Audit Plan (Appendix A) sets out the proposed work of Internal Audit for 2016/17.

**2.0 Introduction**

- 2.1 The Internal Audit plan and strategy has been developed to demonstrate how assurance can be given on:
- The critical systems of the Council
  - Due diligence activities
  - Strategic and emerging risks
  - Key transformation programmes and projects.
  - ICT Assurance.
- 2.2 Assurance Lincolnshire have developed a combined assurance model for the Council which is a record of assurances against your critical activities and risks. It provides an overview of assurance provided across the whole Council – not just those from Internal Audit – making it possible to identify where assurances are present, their source, and where there are potential assurance ‘gaps’.
- 2.3 The internal audit plan has been developed with reference to our draft combined assurance model as well as previous audit work, audit risk assessment, discussions with senior management, strategic and emerging risks.
- 2.4 Appendix A sets out in detail Assurance Lincolnshire’s approach and what we intend to review in 2016/17. Any slight changes to the plan during the year will be agreed with the Business Manager Financial Services and subsequently notified to the Audit and Accounts Committee.

**3.0 RECOMMENDATION**

**The Audit and Accounts Committee should approve the Internal Audit plan.**

**Background Papers**

Nil.

For further information please contact Lucy Pledge on 01522 553692.

Nicky Lovely  
Business Manager Financial Services



**Newark and Sherwood District  
Council  
Draft Internal Audit Plan 2016/17**



## What we do best ....

Innovative assurance services

Specialists at internal audit

Comprehensive risk management

Experts in countering fraud

## ..... And what sets us apart

Unrivalled best value to our customers

Existing strong regional public sector partnership

Auditors with the knowledge and expertise to get the job done

Already working extensively with the not-for-profit and third sector

Introduction	1
Internal Audit Strategy – how we choose what to look at	1
Draft Internal Plan 2016/17	3
Our Performance & Quality Assurance Framework	4
Fees	5

## Appendices:

Appendix A - Audit Lincolnshire – Planning Risk Assessment

Appendix B - Draft Internal Audit Plan 2016/17

Appendix C – Auditable Areas not included in 2016/17 Plan

Appendix D - Quality Assurance Framework



## Introduction

1. This report summarises the proposed work of Internal Audit for 2016/17. The aim is to give a high level overview of areas we are likely to cover during the year – giving you an opportunity to comment on the proposals.
2. The audit plan has been developed to enable us to respond to changes during the year. Whilst every effort will be made to deliver the plan, we recognise that we need to be flexible and prepared to revise audit activity – responding to changing circumstances or emerging risks. The plan is therefore a statement of intent – our liaison meetings with senior management will enable us to firm up audit activity during the year.
3. Internal Audit is a statutory service required under the Account and Audit Regulations 2011 (amended 2015). We provide independent assurance designed to add value and improve how the Council operates. We help the Council achieve its priorities and objectives by bringing a systematic, disciplined approach to evaluate and improve the management of risk, control and governance processes.
4. Our work is carried out in conformance with the UK Public Sector Internal Audit Standards. These require that the scope of Internal Audit covers the whole range of the Council activities – seeking to provide an annual internal audit opinion on the governance, risk and internal control environment of the Council which has been established to:
  - Achieve strategic objectives
  - Ensure effective and efficient operational systems and programmes
  - Safeguard assets and interests of all kinds (including risks that relate to work it undertakes through partnerships)
  - Ensure the reliability and integrity of financial and operational information
  - Ensure economic, efficient and effective use of council resources
  - Ensure compliance with established policies, procedures, laws, regulations and contracts.

## Our Internal Audit Strategy

5. Our Internal Audit strategy has been developed to take into account management's assessment of risk including those set out in strategic and operational risk registers) and the assurances present on the Council's critical systems and key projects (the Council's assurance map).
6. We also use our own risk assessment against each activity assessing their significance, sensitivity and materiality – ranking the activity as high, medium or low risk. This allows us to prioritise possible areas to be included in the plan on the basis of risk. A copy of our risk assessment methodology is attached in Appendix A.
7. Our aim is to align our work with other assurance functions – seeking to look at different ways of leveraging assurance to help us to maximise the best use of the Internal Audit resource and other assurance functions in the Council.
8. By adopting this approach it is possible to give the Council comfort that there is a comprehensive risk and assurance framework with no potential gaps. Internal Audit are then able to use our risk assessment and the assurance map to target resources to minimise duplication of effort through sharing and coordinating activities with management and other management oversight functions.
9. We have identified the level of assurances in place by using the "Three lines of assurance" model – See Figure 1 below.
10. Figure 2 below shows the overall assurance levels on your critical service areas / activities.
11. We intend to leverage assurance from these other sources to enable the Head of Internal Audit to provide their Annual Audit opinion on the Council's governance, risk and control framework for 2017.

Figure.1. The three lines of assurance model

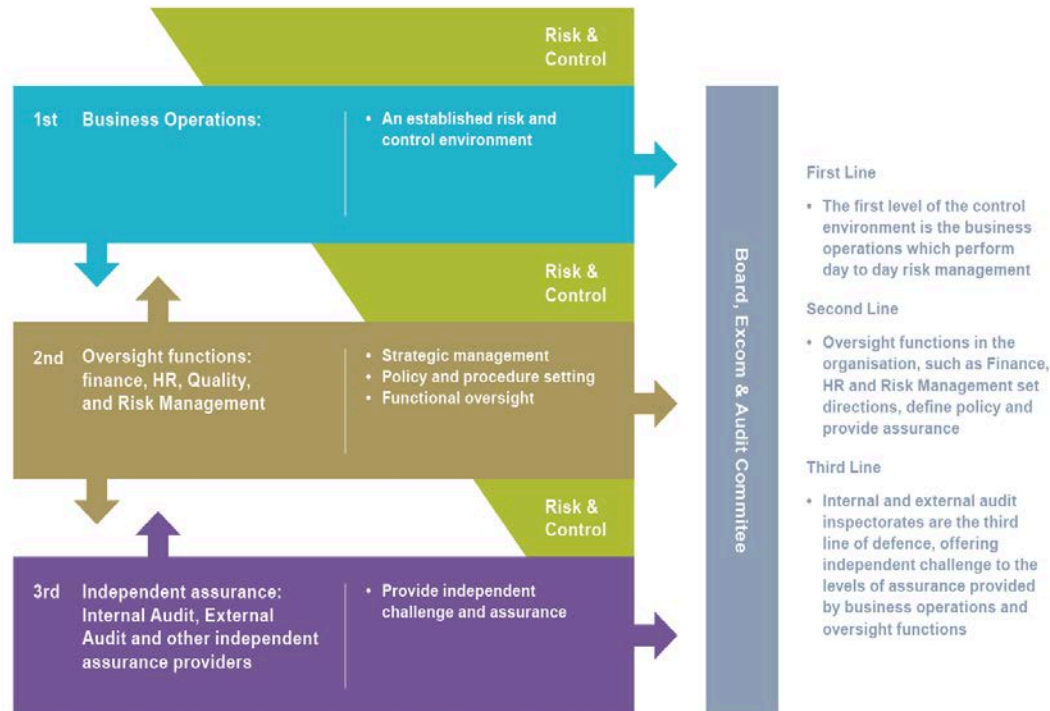
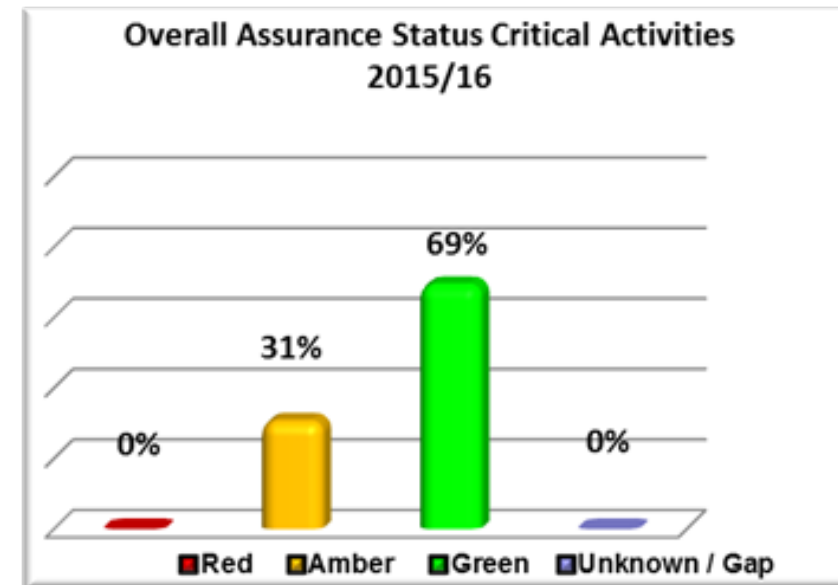


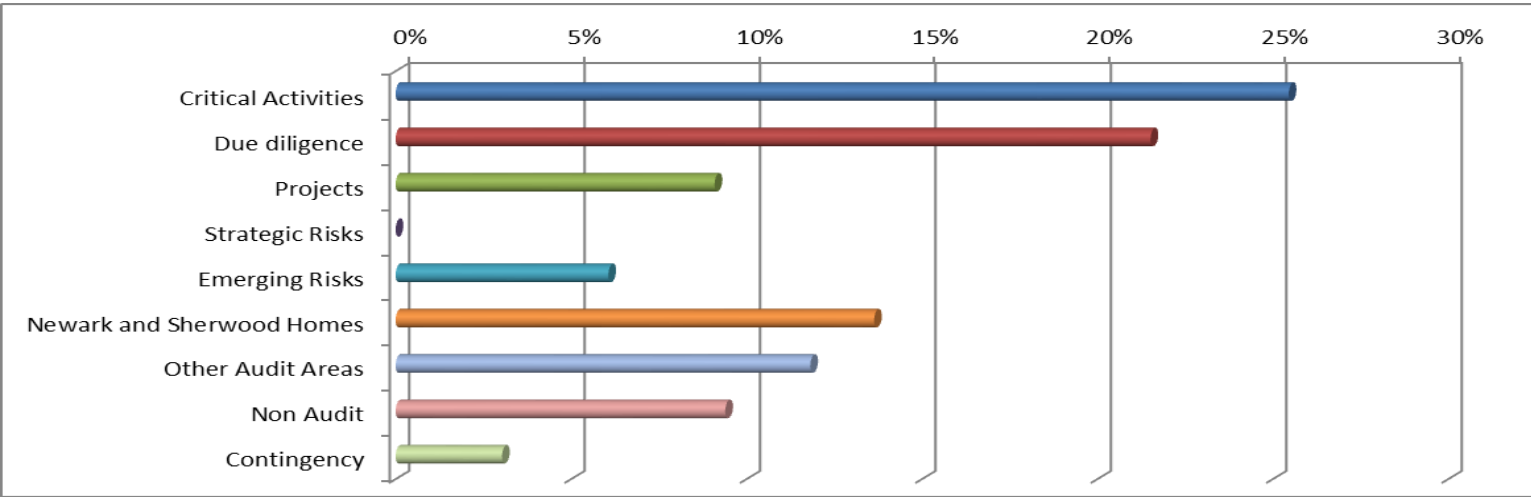
Figure 2 – Your Overall Assurance Status on your Critical Activities @ December 2015



12. We co-ordinate our work on key financial systems with the Councils External Auditors, KPMG. We work to a joint working protocol which sets out where the External Auditor seeks to place reliance on our work. This ensures that the Council gets the most out of its combined audit resource – keeping audit fees low.

13. Using our Internal Audit Strategy we have developed the 2016/17 Internal Audit Plan balancing affordability, quality and assurance requirements. This has led to a reduction in days of 17.5% from 400 days in 2015/16 to 330 days including Newark and Sherwood Homes and Southwell Leisure Centre. The type of areas included in the plan for 2016/17 is shown in Figure 3 with the proposed audits in Appendix B. A schedule of audits will be developed with management once the plan has been approved.

**Figure 3 – Analysis of Internal Audit Resource (showing % split)**



14. The Combined Assurance Status reports provides management and members with insight over the current levels of assurance over the Council's critical activities, key projects and risks however the Audit and Accounts Committee may wish to specifically request assurance information directly from management for those items not in the Internal Audit Plan. Analysing the assurance map identified a number of specific critical and medium risk activities – which we do not have the resources to review – these are shown in Appendix C.



15. Assurance Lincolnshire operates in conformance with standards of best practice applicable to Internal Audit – in particular the UK Public Sector Internal Audit Standards and the CIPFA Local Government Application Note. Our audit team offers a wide depth of knowledge and experience gained across different organizations. We promote excellence and quality through our audit process, application of our Quality Assurance Framework (Appendix D) and our training and development programme.
16. Our Quality Assurance Framework includes all aspects of the Internal Audit Activity – including governance, professional practice and communication.
17. Our Internal Audit Charter sets out the nature, role, responsibilities and authority of the Internal Audit service within the Council – this was approved by the Audit and Accounts Committee and is due to be reviewed in 2016 following the revision of the Standards.
18. Internal Audit remains sufficiently independent of the activities that it audits to enable auditors to perform their duties in such a way that allows them to make impartial and effective professional judgements and recommendations.
19. We use a number of ways to monitor our performance, respond to feedback and seek opportunities to improve. Evidence of the quality of our audits is gained through feedback from auditees and the results of supervision and quality assurance undertaken as part of our audit process.
20. Our performance measures are set out below in Figure 4 for information:

**Figure 4: Our performance measures**

Performance Indicator		Target
Percentage of plan completed		100% (revised plan)
Percentage of key financial systems completed		100%
Percentage of recommendations agreed*		100%
Percentage of recommendations implemented*		100%
Timescales	<ul style="list-style-type: none"> <li>Draft report issued within 10 working days of completing audit</li> <li>Final report issued within 5 working days of closure meeting/receipt of management responses</li> <li>Period taken to complete audit – 80% completed within 2 months from fieldwork commencing to the issue of the draft report.</li> </ul>	
Client feedback on Audit (average)		Good to excellent

\* Achievement of the performance measures on recommendations agreed and implemented are not within our control. These are reported so the Audit Committee can see what actions management have taken. The details of any recommendations not agreed will be included in the executive summary and report to Committee.



21. Our internal audit fee is determined through the pricing schedule within the Service Level Agreement. Before commencement of any additional work requested an estimate will be provided of the costs.

Area	2015/16	2016/17
Internal Audit	£93,020	£93,060



### Value / Volume

This assessment is based on either the cost to the council, the volume of transactions that the activity is handling or a combination of the two

- 0 – Not material
- 1 – Minor importance (up to £100k<sup>1</sup> budget and approx. weekly transactions)
- 2 – Important (up to £1m<sup>2</sup> budget and up to daily transactions)
- 3 – Material (over £1m budget and multiple transactions daily)

### Audit rating

- 0 – recent review no significant findings (full / substantial)
- 1 – Recent review with findings (limited)
- 2 – Not recently reviewed (3 years)
- 3 – Recent review – number of significant findings (No assurance)

### Sensitivity / Profile (Risk)

This assessment is about the impact if things went wrong, how much interest would there be and how much would this impact on reputation

- 0 – low (internal system)
- 1 – Medium profile
- 2 – High profile

### Significance

This assessment reflects how important the activity is to the authority and its residents

- 0 – not significant
- 1 – Minor significance
- 2 – Significant
- 3 – Very significant

### Changes to people / systems

- 0 – no changes
- 1 – Minor changes
- 2 – Significant changes
- 3 – New system or team

### Other assurance

Other assurances we have identified during the mapping process and how much reliance we can place on these.

- 0 – high level of assurance – e.g. Snr mgmt. oversight / management reporting / activities / external review / scrutiny
- 1 – Moderate level of assurance – management assurance
- 2 – Low level of assurance – new area – assurance unknown – emerging risk

Risk score		Risk score		Risk score	
1	Low	7	Med	12	High
2		8		13	
3		9		14	
4		10		15	
5		11			
6					

<sup>1</sup> £500k for County

<sup>2</sup> £5m for County



Audit Area	Assurance Sought	Days	Internal Audit Risk Assessment	Assurance Map RAG Rating	Strategic Risk Register	Corporate Priority	Management Request
<b>Critical Service Areas</b> Those areas identified by senior management as having the most impact on successful delivery of priorities or whose failure could result in significant damage to reputation, financial loss, impact on people (risks). The outcome of the assurance mapping exercise – together with our assessment of risk – will enable us to identify potential areas where an independent audit would add value.							
<b>Director Communities</b>							
Transport/Vehicle Fleet maintenance	Cost of maintaining and using Council vehicles is accurately and efficiently recorded and monitored.	10	Medium	Green		✓	✓
<b>Director Customers</b>							
ICT – Applications	Review of one or more key applications.	10	Medium	Green	✓	✓	
ICT - Database Management	Review of management of databases including listing, access etc	8	Medium	Amber		✓	
Palace Theatre / National Civil War Centre	Follow-up visit following the integration ensuring that the recommendations made previously have been implemented, and the revised processes and security comply with relevant policies.	8	Medium	Green/Amber	✓	✓	
Partnership - Active4Today	Effective partnership arrangements are in place ensuring delivery of the objectives set for the Company.	10	Low	Amber	✓	✓	✓
<b>Director Resources</b>							
Security Audit	The building, it's physical and information assets are secure.	8	Medium	Green	✓	✓	

Audit Area	Assurance Sought	Days	Internal Audit Risk Assessment	Assurance Map RAG Rating	Strategic Risk Register	Corporate Priority	Management Request
<b>Director Safety</b>							
Anti Social Behaviour and Domestic Violence	Compliance with The Anti-Social Behaviour, Crime & Policing Act 2014 and other Council policies.	10	Medium	Green	✓	✓	
Emergency Planning	Arrangements are in place which enable the Council to effectively manage an emergency planning situation.	10	Medium	Green	✓	✓	
Ethics	There is a frame work and processes in place which ensures that the Council, Members and staff behave in an ethical manner.	10	Medium	Green	✓	✓	
<b>Sub Total</b>		<b>84</b>					

Audit Area	Assurance Sought	Days	Internal Audit Risk Assessment	Assurance Map RAG Rating	Strategic Risk Register	Corporate Priority	Management Request
<b>Due Diligence</b> Those systems that support the running of the organisation and ensure compliance with key corporate policies and legal requirements – the 'business as usual' systems. How often Internal Audit reviews these activities depends on previous assurance opinions, when the area was last examined and if there has been any significant changes to the system or senior management. For financial systems we also consider the requirements of External Audit to ensure that the organisation makes the best use of its combined audit resources.  Note: Financial Due Diligence audits are normally conducted on a 3 year cycle, while Other Due Diligence are conducted on a five year cycle.							
<b>Director Resources</b>							
Counter Fraud	Follow-up of previous reports and assurance that there are adequate arrangements in place post the DWP transfer.	5	Medium	Amber	✓	✓	
Key Control Testing	Delivery of key control testing to enable the Head of Internal Audit to form an opinion on the Council's financial control environment.	30	N/A	N/A		✓	
NNDR	The NNDR due is collected.	8	Medium	Green	✓	✓	
<b>Director Safety</b>							
Business Continuity	Arrangements are in place which enable the Council to effectively manage a business continuity incident. This will include arrangements for the move and new offices.	10	Medium	Amber	✓	✓	
Human Resources	There is an effective Human Resources service which provides support to the Business and ensures that all relevant policies are in place, monitored and complied with.	10	Medium	Green	✓	✓	
Risk Management	There are arrangements in place which ensure that the risks are identified, monitored and mitigated.	8	Medium	Amber	✓	✓	.
<b>Sub Total</b>		<b>71</b>					

Audit Area	Assurance Sought	Days	Internal Audit Risk Assessment	Assurance Map RAG Rating	Strategic Risk Register	Corporate Priority	Management Request
<b>Projects</b> Those supporting delivery of a corporate objective / priority.							
<b>Deputy Chief Executive</b>							
Newark Sports Hub	The project is being effectively managed.	8	Medium	Amber	✓	✓	
<b>Director Customers</b>							
Moving ahead - Gateway review	The project is being effectively managed - Further gateway reviews to ensure processes and systems in place for project overall.	10	Medium	Green	✓	✓	
<b>Director Resources</b>							
Moving ahead - New build capital project	Capital expenditure on the new build offices is effectively managed.	12	Medium	Green	✓	✓	
<b>Sub Total</b>		<b>30</b>					
<b>Strategic and Emerging Risks</b> To enable Internal Audit to respond to changes during the year, we will meet regularly with Senior Management to agree which areas to focus our audit assurance work.  The following areas have been identified through our risk assessment and on the assurance map as possible areas to focus audit activity.							
Housing and Planning Act	The requirements of the Act are identified, implemented and the effects of the implementation reported (including the effect on the HRA)	9	Medium	Amber	✓	✓	
Affordable Housing Growth	The requirements and impact of the Act are identified and relevant action taken.	9	Medium	Amber	✓	✓	
Revised Governance Framework – CIPFA SOLACE	Requirements of the revised framework have been identified and implemented/plans in place to implement.	2	Medium	Green		✓	
<b>Sub Total</b>		<b>20</b>					

Other Relevant Areas	Assurance Sought	Days	Internal Audit Risk Assessment	Assurance Map RAG Rating	Strategic Risk Register	Corporate Priority	Management Request
<b>Other relevant areas</b> Combined Assurance Status Report - Our aim is to give Senior Management and the Audit Committee an insight on assurances across all critical activities and key risks, making recommendations where we believe assurance needs to be stronger.							
Combined Assurance	Updating the assurance map and completing the Combined Assurance report.	15			✓		✓
Contingency/Consultancy		10					
Follow-ups	Follow-up of recommendations made	7					✓
Newark and Sherwood Homes	Completion of the Newark and Sherwood Homes Plan	45				✓	✓
Southwell Leisure Centre	Financial Processes are fit for purpose and comply with policies.	5					✓
<b>Director Resources</b>							
Gilstrap	Review of the Gilstrap accounts for the Charities Commission.	1					✓
Mansfield Crematorium	Completion of the audit of the Mansfield Crematorium Accounts	5					✓
<b>Director Safety</b>							
Newark Cattlemarket	Completion of the rent calculation for 2015/16	6				✓	✓
Sub Total		94					

Non-Audit	Days
Advice and liaison	15
Annual Report	3
Audit Committee	10
Review IA Strategy and Planning	3
<b>TOTAL</b>	<b>31</b>

Grand Total	Days
<b>Internal Audit</b>	<b>330</b>

## Appendix C – Auditable Areas not included in 2016/17 Plan

Auditable Areas	Assurance Sought	Internal Audit Risk Assessment	Assurance Map RAG Rating	Strategic Risk Register	Corporate Priority	Management Request
Car Parks	Income collection processes are adequate and the potential reduction of income due to the loss of some spaces at the lorry park and Livestock Market car parks is managed.	Medium	Amber			
Economic Development	There is an overall economic development plan/strategy in place and activities undertaken contribute towards achieving this.	Medium	Amber	✓	✓	
Health and Safety	Compliance with policies and legislation.	Medium	Amber			
CCTV	Follow-up of the recommendations made in the 2015/16 audit review.	High	Green			
Disabled Facilities Grants	Payments are made in accordance with policies and action taken to recover funds where the agreement is broken.	Medium	Green			
Procurement Card	Expenditure records are maintained and spend monitored.	Medium	Green		✓	✓
<b>Projects</b>						
Devolution	The devolution process is managed including decision making, implications, legal and monitoring.	Medium	Amber	✓	✓	
Moving Ahead - Decommissioning	There are processes in place for the decommissioning of Kelham Hall including arrangements for disposal of furniture, equipment and documents.	Medium	Green	✓	✓	
<b>Emerging Risk</b>						
Collaboration Agreement	There are plans in place which will ensure that the objectives set out within the agreement are achieved.	Medium	Amber	✓	✓	✓

## Appendix C – Auditable Areas not included in 2016/17 Plan

System	Opinion	Last audited	Assurance Map Rating	Risk Score	System Changes	Current Cyclical Pattern		
						Year 1 2015/16	Year 2 2016/17	Year 3 2017/18
<b>Financial Due Diligence</b>								
Income Collection including Cash Receipting*	Substantial	2015/16	Green	Medium	No		✓	
Bank*	Substantial	2013/14	Green	Green	No		✓	
Budgetary Control/Management	High	2015/16	Green	Medium	No	✓		
General Ledger/Financial Reporting	Effective	2014/15	Green	Low	No			✓
Budget prep and financial strategy	High / Substantial	2015/16 2013/14	Green	Medium	No		✓	
Creditors*	High	2015/16	Green	Medium	No	✓		
Debtors*	Indicative - Limited	2015/16	Amber	Medium	No	✓		
Payroll*	Substantial	2013/14	Green	Medium	No		✓	
Treasury Management*	Some Improvement Needed	2013/14	Green	Medium	No		✓	
Property, Plant and Equipment*	Limited	2013/14	Green	Medium	No	✓		
Council Tax*	Indicative – High	2015/16	Green	Medium	No	✓		
NNDR*	Substantial	2013/14	Green	Medium	No		✓	
Benefits*	Substantial	2013/14	Green	Medium	No	✓		
<b>Other Due Diligence</b>								
Procurement	Ongoing	2015/16	Green	Medium	Legislative	✓		
VAT/Tax	Ongoing	2015/16			No	✓		
Insurance	Effective	2014/15	Amber	Medium	No			✓
Grants Received	New		Green	Medium	No		✓	
Counter Fraud	Effective	2014/15	Amber	Medium	No	✓	✓	✓
Risk management	Substantial	2013/14	Amber	Medium	No		✓	
Project/Programme Management	Ongoing	2015/16	Green <sup>95</sup>	Medium	No		✓	
Performance management	Ongoing	2015/16	Amber	Medium	No	✓		

System	Opinion	Last audited	Assurance Map Rating	Risk Score	System Changes	Current Cyclical Pattern		
						Year 1 2015/16	Year 2 2016/17	Year 3 2017/18
Contract management	Ongoing	2015/16			No	✓	✓	✓
Financial regulations & management	Ongoing	2015/16	Green	Medium	Regulations updated	✓		
Equality & Diversity	Substantial	2015/16	Amber	Low	No	✓		
Health & Safety	Some Improvement Needed	2014/15	Green	Low	No			✓
Code of Corp Governance	Substantial	2013/14	Green	Low	No		✓	
Information Governance	Some Improvement Necessary	2014/15	Green	Medium	No			✓
Partnerships	Advisory report	2015/16	Green	Medium	No	✓		
Corporate planning	Indicative - High		Green	Medium	New priorities	✓		
Business Continuity/EP	BC – Advisory EP - Substantial	2013/14 2012/13	Green	Low	New staff		✓	
Human Resources	Recruitment - Limited	2011/12	Amber	Medium	No	✓		



**HIA**

**HIA**

**Audit Managers**

Quality outcomes / process designed to deliver a consistently high quality audit service to our clients - fit for purpose / meet client expectations / conform to PSIAS

Quality improvement plan - HIA reporting to Audit Committee on the outcome of Quality Assurance – with improvement action plan and any significant non-conformance included in the Annual Report / Annual Governance Statement

### **Ongoing monitoring – quality built into the audit process**

Quality checks and oversight are undertaken throughout the audit engagement ensuring that processes and practice are consistently applied and working well.

### **Annual self- assessment**

- Head of Internal Audit - develop & maintain Quality Assurance Improvement Programme (QAIP) & improvement action plan
- Focus on evaluating conformance with Internal Audit Charter, definition of Internal Audit, Code of Ethics & the Standards
- Arrange an External Assessment – co-ordinated with Audit Committee (planned for 2015)

### **Periodic quality assurance assessments**

- Obtain periodic assurance that engagement planning, fieldwork conduct and reporting /communicating results adheres to audit practice standards
- Provide HIA with quarterly highlight reports on outcome of reviews

- Conduct all audit engagements in accordance with audit practice standards / PSIAS
- Behave at all times in accordance with the Code of Ethics / Code of Conduct
- Promote the standards and their use throughout the Internal Audit activity
- Commitment to delivering quality services
- Obtain on-going assurance that that engagement planning, fieldwork conduct and reporting /communicating results adheres to audit practice standards
- Undertake engagement supervision and review

**EXTERNAL AUDITORS' CERTIFICATION OF CLAIMS AND RETURNS 2014/15, AND PROGRESS REPORT 2015/16**

**1.0      Purpose of Report**

- 1.1      To present the external auditor's report on the certification of grant claims and returns for 2014/15 for Newark & Sherwood District Council.
- 1.2      To present the External Audit progress report and technical update.

**2.0      Introduction**

- 2.1      Each year an audit of the Council's grant claims and returns is carried out by the Council's external auditors, KPMG.
- 2.2      The report for 2014/15 covers one grant claim totalling £26.3m and one return.

**3.0      Certification of Claims & Returns**

- 3.1      A qualified opinion was given for the audit of the Housing Benefit Subsidy grant. The reasons for the qualification were small value errors identified in a sample of benefits payments. No adjustments were necessary to the amount of grant as a result of the audit work.
- 3.2      No issues were found with the Capital Receipts Pooling return.

**4.0      Fees**

- 4.1      The total fee for the grants and returns certification work was £12,830. This includes an increase of £2,410 on the fee payable for 2013/14 in relation to the Capital Receipts Return due to an extended testing programme. There is a further fee of £866 in relation to extra Housing Benefit Subsidy work required by the DWP.

**5.0      Progress Report**

- 5.1      The external auditors progress report and technical update is also presented detailing work done to date and technical items that could impact on the Council.

**6.0      RECOMMENDATION that**

**Members consider the external auditors report on the certification of grant claims and returns for 2014/15, and the progress report and technical update.**

## Background Papers

Nil

For further information please contact Nicky Lovely, Business Manager Financial Services on extension 5317.

Nicky Lovely  
Business Manager Financial Services



*cutting through complexity*

# KPMG Annual Report on grants and returns work 2014/15

Newark and Sherwood District Council

February 2016

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■ Summary of certification work outcomes	3
■ Fees	6

This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. We draw your attention to the Statement of Responsibilities of auditors and audited bodies, which is available on Public Sector Audit Appointment's website ([www.psaa.co.uk](http://www.psaa.co.uk)).

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

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact John Cornett, the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers, by email to [andrew.sayers@kpmg.co.uk](mailto:andrew.sayers@kpmg.co.uk) After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing [generalenquiries@psaa.co.uk](mailto:generalenquiries@psaa.co.uk), by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.

Introduction and background	<p><b>This report summarises the results of work we have carried out on the Council's 2014/15 grant claims and returns.</b></p> <p><b>This includes the work we have completed under the Public Sector Audit Appointment certification arrangements, as well as the work we have completed on other grants/returns under separate engagement terms. The work completed in 2014/15 is:</b></p> <ul style="list-style-type: none"> <li>■ Under the Public Sector Audit Appointment arrangements we certified one claim – the Council's 2014/15 Housing Benefit Subsidy claim. This had a value of £26.3 million.</li> <li>■ Under a separate assurance engagement we also certified the Housing Pooling return.</li> </ul>	-
Certification results	<p><b>Our work on the Council's Housing Benefit Subsidy claim was subject to a qualification letter.</b></p> <ul style="list-style-type: none"> <li>■ As a result of issues identified in the previous year and, as a result of our initial work, it was necessary to perform 40+ testing in relation to self employed income for both rent allowances and rent rebates.</li> <li>■ This is slightly less than the amount of testing that we undertook in the previous year. However, one of the issues raised in the qualification letter around voluntary national insurance contributions has resulted in the Department for Work and Pensions (DWP) requesting further work in this area.</li> </ul> <p><b>Our work on the Council's Housing Pooling Return resulted in the following report:</b></p> <ul style="list-style-type: none"> <li>■ An unqualified assurance report was issued in respect of this return and no amendments were made to the claim.</li> </ul>	Pages 3 – 4
Audit adjustments	<p><b>No adjustments were necessary to the Council's grants and returns as a result of our certification work this year.</b></p> <ul style="list-style-type: none"> <li>■ Our work on the Housing Benefit Subsidy claim has not resulted in any amendments to the claim and the findings were similar to the previous year; and</li> <li>■ Our work on the Housing Pooling return has not resulted in any amendments to the claim and we have no issues to report.</li> </ul>	Pages 3 – 4
Fees	<p><b>The indicative fee for our work on the Council's 2014/15 Housing Benefit Subsidy was set by Public Sector Audit Appointments at £9,830. The actual fee for this work was in line with this fee. However, further work has been requested by the DWP. This work will be result in an extra fee which we will agree with the s151 Officer and which will be subject to approval by PSAA.</b></p> <p><b>Our fee for the other 'assurance' engagement was subject to agreement directly with the Council and was £3,000.</b></p>	Page 5



Overall, we carried out work on two grants and returns:

- one was unqualified; and
- one required a qualification to our audit certificate.

Detailed comments are provided overleaf.

Detailed below is a summary of the reporting outcomes from our work on the Council's 2014/15 grants and returns, showing where either audit amendments were made as a result of our work or where we had to qualify our audit certificate or assurance report.

A qualification means that issues were identified concerning the Council's compliance with a scheme's requirements that could not be resolved through adjustment. In these circumstances, it is likely that the relevant grant paying body will require further information from the Council to satisfy itself that the full amounts of grant claimed are appropriate.

	Comments overleaf	Qualified	Significant adjustment	Minor adjustment	Unqualified
<b>Public Sector Audit Appointments arrangements</b>					
■ Housing Benefit Subsidy	1				
<b>Other assurance engagements</b>					
■ Housing Pooling Return	2				

## Summary of certification work outcomes

This table summarises the key issues behind each of the adjustments or qualifications that were identified on the previous page.

Ref	Summary observations	Amendment
1	<b>Housing Benefit Subsidy</b> <ul style="list-style-type: none"> <li>■ Due to issues identified in the previous year and, as a result of our initial work it was necessary to perform 40+ testing on self employed income for both rent allowances and rent rebates. The findings from this work were: <ul style="list-style-type: none"> <li>○ Voluntary National Insurance contributions were inconsistently applied in the calculation of claimants' self-employed earnings. This has been reported to the DWP who have requested a review of all self-employed cases to determine the number of cases affected. Our work in verifying this review is ongoing.</li> <li>○ Testing of the initial random sample of 20 rent rebates cases identified no errors. However, self-employed earnings issues were identified and reported in our 2013-14 qualification letter so we were required to test an additional 40 cases with self-employed earnings. This testing identified 10 cases where benefits have been underpaid or had a nil impact on the subsidy as result of the Authority incorrectly calculating the claimant's self-employed earnings details and 1 case (value £5.70) where benefits were overpaid as a result of the Authority incorrectly calculating the claimant's self-employed earnings details.</li> <li>○ Testing of the initial sample of 20 rent allowance cases identified no errors. However, as for rent rebates, an additional 40 cases with self employed earnings were tested. No further errors were identified.</li> </ul> </li> </ul>	£0
2	<b>Housing Pooling Return</b> <ul style="list-style-type: none"> <li>■ Our work in relation to the certification of this return identified no issues or amendments to the return.</li> </ul>	£0



Our fees for the Housing Benefit Subsidy claim are set by Public Sector Audit Appointments.

Our fees for other assurance engagements on grants/returns are agreed directly with the Council.

The overall fees we charged for carrying out all our work on grants/returns in 2014/15 was £12,830.

### Breakdown of fees for grants and returns work

Breakdown of fee by grant/return		
	2014/15 (£)	2013/14 (£)
Housing Benefit Subsidy claim	9,830	10,613
Housing Pooling Return	3,000	590
<b>Total fee</b>	<b>12,830</b>	<b>11,203</b>

### Public Sector Audit Appointments certification arrangements

Public Sector Audit Appointments set an indicative fee for our work on the Council's Housing Benefit Subsidy claim in 2014/15 of £9,830. Our actual fee to date is in line with the indicative fee, and this compares to the 2013/14 fee for this claim of £10,613. However, further work has been requested by the DWP and this is underway. This work will result in an extra fee which will be subject to agreement with the s151 Officer and approval by the PSAA.

### Grants subject to other assurance engagements

The fees for our assurance work on other grants/returns are agreed directly with the Council. Our fees for 2014/15 are higher than in 2013/14. The reason for the increase was that an extended, mandatory testing programme was introduced in 2014/15 as a requirement for this assurance work being undertaken.



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# External audit progress report and technical update



Newark and Sherwood District Council

April 2016



# External audit progress report and technical update – April 2016

This report provides the Audit and Accounts Committee with an overview on progress in delivering our responsibilities as your external auditors.

The report also highlights the main technical issues which are currently having an impact in local government.

If you require any additional information regarding the issues included within this report, please contact a member of the audit team.

We have flagged the articles that we believe will have an impact at the Authority and given our perspective on the issue.

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# Progress report

# External audit progress report – April 2016

<p><b>This document provides the Audit and Accounts Committee with a high level overview on our external audit.</b></p> <p><b>At the end of each stage of the audit we issue certain deliverables, including reports and opinions. A summary of progress against these deliverables is provided in Appendix 1 of this report.</b></p>	<p>Since the last meeting of the Audit and Accounts Committee we have updated our risk assessments and undertaken our interim audit. We will continue to liaise with management on the significant financial and operational issues at the Authority and relevant current and emerging issues in respect of the accounts and value for money conclusion.</p> <p><b>Accounts Audit</b></p> <p>We undertook our interim audit work during March 2016. The planned audit work has included:</p> <ul style="list-style-type: none"><li>• Updating our understanding and performing walk through and controls testing on key financial systems;</li><li>• Testing of controls for significant accounts;</li><li>• Determining our approach for data and analytics testing;</li><li>• Discussing the accounting requirements for 2015/16, including relevant changes to the CIPFA guidance; and</li><li>• Discussing with management the general proposals for the closure of accounts process and our working paper requirements.</li></ul> <p><b>Value for Money Conclusion</b></p> <p>We have carried out an initial risk assessment against the new criterion specified by the National Audit Office for 2015/16 onwards. The Government's Autumn Statement and Spending Review indicated its intention to change funding sources over the next few years, with reduced reliance on Revenue Support Grant and increasing dependence on business rates income. That, together with likely reductions in New Homes Bonus (NHB) funding from 2017/18 means that local government bodies face a challenging future. The Authority has anticipated the reductions in Government funding in budget forecasts, as well as inflationary pressures, but it will need to ensure that it continues to deliver efficiencies. There are risks around the sustainability of the financial position which relies on the successful delivery of a number of strategic initiatives. In addition, the progress of devolution will present opportunities for local government bodies but it will be important to ensure that it does not pull focus from the business of individual authorities and that any uncertainties are managed so that local economies are not destabilised.</p> <p>Our risk assessment is ongoing and the focus of our work will be around your Medium Term Financial Planning arrangements. We will update our risk assessment during the year and report our conclusions in the ISA260 report to the Audit and Accounts Committee in September 2016.</p>
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# External audit progress report - April 2016

**We have held two workshops aimed at improving the accounts production and audit process.**

## **Local Government Technical Update – February 2016**

We once again ran a series of local government accounts workshops for key members of our clients' finance teams. The workshops were focussed at Chief Accountants and similar staff who will be involved in and responsible for the 2015/16 close down and statement of accounts. The workshops were led by our regional local government audit teams supported by our national local government technical lead Greg McIntosh. Representatives from your finance team attended one of the events. The agenda included:

- Review of 2014/15;
- Key Issues and developments for 2015/16 and Longer term developments; and
- Tax and Pensions specialists.

## **Early Accounts Closure Workshop – March 2016**

We held a workshop for our local Government clients to help them as part of their planning for the bringing forward of the accounts closure deadline for the 2017/18 Accounts. We will ensure that members of your finance team are provided with copies of the course materials and outputs. The workshop agenda covered:

- Background to the changes and the new statutory requirements;
- Presentation by practitioners from a County Council and District Council who had already successfully brought forward their closure dates;
- An interactive session to identify the barriers to early closure and the possible solutions;
- Further insights on the arrangements for early closure in 2014/15 at Oldham and Westminster Councils; and
- The audit requirements.

# External audit progress report - April 2016


<b>Audit fee update and other work</b>	<p>At this stage there are no changes planned to the scale audit fee of £48,329 communicated to the Authority in April 2015 and in our January 2016 Audit Plan.</p> <p>No other audit related or non-audit work is in progress or planned for 2015/16.</p>		
<b>Actions</b>	<p>We ask the Audit and Accounts Committee to:</p> <ul style="list-style-type: none"><li>▪ <b>NOTE</b> this progress report</li></ul>		
<b>Contacts</b>	<p>Jon Gorrie, Director <a href="mailto:jonathan.gorrie@kpmg.co.uk">jonathan.gorrie@kpmg.co.uk</a></p>	<p>Helen Brookes, Manager <a href="mailto:helen.brookes@kpmg.co.uk">helen.brookes@kpmg.co.uk</a></p>	<p>Rachel Elsegood, Assistant Manager <a href="mailto:Rachel.elsegood@kpmg.co.uk">Rachel.elsegood@kpmg.co.uk</a></p>






# Technical update

# Technical update

Area	Level of Impact	Comments	KPMG perspective
National Audit Office Value for Money Conclusion guidance	 <b>High</b>	<p>The National Audit Office (NAO) issued new Value for Money guidance for auditors in November 2015. The new NAO guidance states that auditors are required to reach their statutory conclusion on arrangements to secure VFM based on the following overall evaluation criterion:</p> <p><i>In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.</i></p> <p>There are three sub-criteria that are intended to guide auditors in reaching their overall judgements:</p> <ul style="list-style-type: none"> <li>▪ informed decision making;</li> <li>▪ sustainable resource deployment; and</li> <li>▪ working with partners and other third parties.</li> </ul> <p>The guidance sets out:</p> <ul style="list-style-type: none"> <li>■ The general framework for the auditor's assessment, within the Act and the Code of Audit Practice</li> <li>■ The expected areas of focus in determining whether the audited bodies' arrangements are adequate</li> <li>■ The expected risk based audit approach and the reporting arrangements</li> <li>■ Sector specific guidance for NHS and Foundation Trusts, CCGs, local government, police, fire and rescue and other bodies. The guidance also provides illustrative examples of the types of developments that auditors would be likely to consider to be 'significant risks' and sets out the actions they would be expected to take.</li> </ul> <p><a href="https://www.nao.org.uk/code-audit-practice/guidance-and-information-for-auditors/">https://www.nao.org.uk/code-audit-practice/guidance-and-information-for-auditors/</a></p>	<p><i>We will discuss the guidance with officers and report our findings to the Audit and Accounts Committee in September 2016.</i></p>

# Technical update

Area	Level of impact	Comments	KPMG perspective
New local audit framework	 Medium	<p>The Local Audit and Accountability Act 2014 included transitional arrangements covering the audit contracts originally let by the Audit Commission in 2012 and 2014. These contracts covered the audit of accounts up to 2016/17, and gave the Department for Communities and Local Government (DCLG) the power to extend these contracts to 2019/20.</p> <p>DCLG have now announced that the audit contracts for large local government bodies (including district, unitary and county councils, police and fire bodies, transport bodies, combined authorities and national parks) will be extended to include the audit of the 2017/18 financial statements. From 2018/19, local government bodies will need to appoint their own auditors; it is not yet clear whether there will be a sector-led body that is able to undertake this role on behalf of bodies.</p> <p>CIPFA have now issued guidance that was commissioned by DCLG on the creation of Auditor Panels. The guidance is available at <a href="http://www.cipfa.org/policy-and-guidance/publications/g/guide-to-auditor-panels-pdf">www.cipfa.org/policy-and-guidance/publications/g/guide-to-auditor-panels-pdf</a>. The guidance provides options on establishing an Auditor Panel, and the roles and responsibilities the panels will have once established.</p> <p>NHS and smaller local government bodies (town and parish councils, and internal drainage boards), will not have their contracts extended, and will have to appoint their own auditors for 2017/18, one year earlier than for larger local government bodies.</p>	<p><i>Members may wish to review the guidance and begin initial discussions with colleagues about the approach the Authority may wish to adopt.</i></p>

# Technical update

Area	Level of Impact	Comments	KPMG perspective
Accounts and Audit Regulations 2015 – Narrative statements	● Low	<p>Authorities will need to be aware that the <i>Accounts and Audit Regulations 2015</i> require local authorities to produce and publish a narrative statement. Section 8 of the Regulations, which apply first from the 2015/16 financial year, states:</p> <p><i>Narrative statements</i></p> <ol style="list-style-type: none"> <li>1) <i>A Category 1 authority must prepare a narrative statement in accordance with paragraph (2) in respect of each financial year.</i></li> <li>2) <i>A narrative statement prepared under paragraph (1) must include comment by the authority on its financial performance and economy, efficiency and effectiveness in its use of resources over the financial year.</i></li> </ol> <p>Authorities will need to publish the narrative statement along with the financial statements. The narrative statement does not form part of the financial statements and is therefore not subject to audit. As part of their audit work however, auditors will need to review the statement for consistency with their knowledge.</p> <p>The narrative statement replaces the explanatory foreword and will need to be prepared in accordance with CIPFA/LASAAC's <i>Code of Practice on Local Authority Accounting</i> (the accounting code). The 2016/17 accounting code will contain high level principles for authorities to follow when preparing their narrative statements. The principles set out in the accounting code will also be relevant to 2015/16 and we understand that CIPFA/LASAAC is likely to publish an update to the 2015/16 accounting code to clarify this.</p>	<i>The Committee may wish to seek assurances that the Authority has arrangements in place to meet the new requirements</i>

# Technical update

Area	Level of Impact	Comments	KPMG perspective
Accounts and Audit Regulations 2015 – Exercise of public rights	● Low	<p>Authorities will be aware that the Accounts and Audit Regulations 2015 (the Regulations) set out new arrangements for the exercise of public rights from 2015/16 onwards.</p> <p>Paragraph 9(1) of the Regulations requires the responsible financial officer to commence the period for the exercise of public rights and to notify the local auditor of the date on which that period was commenced.</p> <p>Paragraph 9(2) is clear that the final approval of the statement of accounts by the authority prior to publication cannot take place <i>until after the conclusion of the period for the exercise of public rights</i>.</p> <p>As the thirty working day period for the exercise of public rights must include the first ten working days of July, this means that authorities will not be able to approve their audited accounts or publish them before 15 July 2016.</p>	<i>The Committee may wish to seek assurances that the necessary arrangements are in place for their Authority.</i>


# Technical update

Area	Level of Impact	Comments	KPMG perspective
Local Audit and Accountability Act 2014 – provisions affecting auditors' work from 1 April 2015	● Low	<p>With effect from 1 April 2015, certain provisions of the <i>Local Audit and Accountability Act 2014</i> (LAAA 2014) came into force and are applicable to auditors' work for the year 2015/16. Whilst the <i>Audit Commission Act 1998</i> is transitionally saved for auditors engaged in planning work for 2015/16, or possibly considering public interest reports (PIRs) to be made during 2015/16, they need to be aware of the provisions of LAAA 2014 that are already in force.</p> <p>Provisions affecting auditors' work with effect from 1 April 2015 are:</p> <p><b>1) New duty to publish PIRs on audited bodies' websites</b></p> <p>Under the new audit regime, there is an emphasis on the publication of relevant information on the relevant authority's website. The following provisions are relevant to auditors carrying out work on 2015/16 if they decide to issue a public interest report during the audit.</p> <p>Under Schedule 7 LAAA 2014, the following matters must be published on the relevant authority's website (if it has one):</p> <ul style="list-style-type: none"> <li>■ PIRs (relating to the relevant authority or a connected entity);</li> <li>■ notice of a meeting to consider a PIR/written recommendation; and</li> <li>■ notice summarising those decisions approved by the auditor as a result of consideration of the PIR/recommendation.</li> </ul> <p>Where the relevant authority does not have a website, it is instead generally required to make the relevant publication "in such manner as it thinks is likely to bring the notice or report to the attention of persons who live in its area". This could be, for example, in a local newspaper (as was required in certain cases under the previous legislation).</p>	<i>The Committee need to be aware of the provisions that are in place from 1 April 2015</i>

# Technical update

Area	Level of Impact	Comments	KPMG perspective
Local Audit and Accountability Act 2014 – provisions affecting auditors' work from 1 April 2015 (continued)	● Low	<p><b>2) Prohibition on disclosure</b></p> <p>The prohibition against disclosure that was previously to be found in section 49 of the <i>Audit Commission Act 1998</i> has been repealed and replaced by provisions in Schedule 11 of LAAA 2014. This change has not been transitionally introduced and auditors and local authority bodies need to be aware that this applies to all audits, irrespective of the year. Thus, any reference to the prohibition against disclosure needs to be to Schedule 11 and not section 49. There are no material differences between the two sets of provisions.</p> <p><b>3) Connected entities</b></p> <p>LAAA 2014 introduces a new concept into the audit regime, "connected entities". Connected entities are bodies that are separate to the relevant authority, but are associated with the authority in such a manner that requires the authority to record financial information relating to the entity in its accounts.</p> <p>The full definition of "connect entities" is set out in paragraph 8 of Schedule 4 LAAA 2014.</p> <p>For the purposes of this Act, an entity ("E") is connected with a relevant authority at any time if E is an entity other than the relevant authority and the relevant authority considers that, in accordance with proper practices in force at that time:</p> <ul style="list-style-type: none"> <li>■ The financial transactions, reserves, assets and liabilities of E are to be consolidated into the relevant authority's statement of accounts for the financial year in which that time falls;</li> <li>■ The relevant authority's share of the financial transactions, reserves, assets and liabilities of E is to be consolidated into the relevant authority's statement of accounts for that financial year; or</li> <li>■ The relevant authority's share of the net assets or net liabilities of E, and of the profit or loss of E, are to be brought into the relevant authority's statement of accounts for that financial year.</li> </ul>	<i>The Committee need to be aware of the provisions that are in place from 1 April 2015</i>

# Technical update


Area	Level of Impact	Comments	KPMG perspective
Local Audit and Accountability Act 2014 – provisions affecting auditors' work from 1 April 2015 (continued)	 <b>Low</b>	<p><b>3) Connected entities (continued)</b></p> <p>Authorities have a number of duties in relation to their connected entities under LAAA 2014 beyond those which are expanded on below:</p> <ul style="list-style-type: none"> <li>■ Auditors have a right to access documents (at all reasonable times) relating to connected entities, as well as those relating to the “parent” relevant authority. The auditor can inspect, copy or take away documents. The auditor can also require people who are in possession or are accountable for the document (or have been in the past) to provide the auditor with any information or explanation that may be needed, and can require a meeting with such persons. Where a document is stored electronically, the auditor can require assistance from the relevant person at the connected entity or relevant authority in accessing the document. The connected entity must provide the auditor with such facilities and information as are reasonably required to carry out the audit functions.</li> <li>■ The right to information and explanation, or to require a meeting, extends in relation to connected entities to: <ul style="list-style-type: none"> <li>– Any persons elected or appointed to an entity;</li> <li>– Any employee of the entity; and</li> <li>– An auditor of the accounts of the entity.</li> </ul> </li> </ul> <p>Many of the provisions on PIRs and written recommendations in Schedule 7 apply to connected entities. Accordingly, auditors must consider whether a PIR should be made on any matter coming to their attention during the audit and relating to the authority and/or a connected entity. Similarly, an auditor may make a written recommendation to a relevant authority relating to a connected entity.</p>	<p><i>The Committee need to be aware of the provisions that are in place from 1 April 2015.</i></p>



# Technical update

Area	Level of Impact	Comments	KPMG perspective
Local Audit and Accountability Act 2014 – provisions affecting auditors' work from 1 April 2015 (continued)	● Low	<p><b>4) Power to call for information: exception for legally professionally privileged information</b></p> <p>Section 22(12) LAAA 2014 clarifies that the auditor's right to information and documents cannot be used to compel disclosure of legally privileged information. If a person would be entitled to refuse to produce documents in legal proceedings in reliance on the doctrine of legal professional privilege, they are equally entitled to refuse to provide the relevant information or documents to the auditor. This is a notable new provision and auditors will need to bear this in mind in requesting sight of an audited body's own legal advice. Any provision of such will be voluntary and cannot be compelled.</p>	<i>The Committee need to be aware of the provisions that are in place from 1 April 2015.</i>

# Technical update

Area	Level of Impact	Comments	KPMG perspective
Consultation on 2016/17 audit work programme and scales of fees	 <b>Low</b>	<p>Public Sector Audit Appointments Ltd (PSAA) has published its consultation on the 2016/17 proposed work programme and scales of fees.</p> <p>The consultation sets out the work that auditors will undertake at principal audited bodies for 2016/17, with the associated scales of fees. The consultation documents, and list of individual proposed scale fees, are <a href="http://www.psaa.co.uk/audit-and-certification-fees/consultation-on-201617-proposed-fee-scales/">available on the PSAA website at www.psaa.co.uk/audit-and-certification-fees/consultation-on-201617-proposed-fee-scales/</a></p> <p>There are no planned changes to the overall work programme for 2016/17. It is proposed that scale fees are set at the same level as the scale fees applicable for 2015/16, set by the Audit Commission before it closed in March 2015. The Commission reduced scale fees from 2015/16 by 25 per cent, in addition to the reduction of up to 40 per cent made from 2012/13.</p> <p>Following completion of the Audit Commission's 2014/15 accounts, PSAA has received a payment in respect of the Audit Commission's retained earnings.</p> <p>PSAA will redistribute this and any other surpluses from audit fees to audited bodies, on a timetable to be established shortly.</p> <p>The work that auditors will carry out on the 2016/17 accounts will be completed based on the requirements set out in the Local Audit and Accountability Act 2014 and under the Code of Audit Practice published by the National Audit Office.</p> <p>The consultation closed on Friday 15 January 2016. PSAA published the final work programme and scales of fees for 2016/17 in March 2016.</p>	<p><i>The Committee should be aware of the consultation proposals.</i></p>


# Technical update

Area	Level of Impact	Comments	KPMG perspective
NAO report – Local Government New Burdens	● Low	<p>This report from the NAO considers how well central government has applied the New Burdens Doctrine. This sets out how the government would ensure that new requirements that increased local authorities' spending did not lead to excessive council tax increases. The focus of this report is more on central government but includes findings that may also be of interest to local government bodies.</p> <p>The report is available from the NAO website at <a href="http://www.nao.org.uk/report/local-government-new-burdens/">www.nao.org.uk/report/local-government-new-burdens/</a></p>	<i>The Committee may wish to review the report to understand what impact this could have at the local government level</i>

# Technical update

Area	Level of Impact	Comments	KPMG perspective
NAO report – Devolving responsibilities to cities in England: Wave 1 City Deals	● Low	<p>Wave 1 City Deals encouraged cities to develop capacity to manage devolved funding and increased responsibility. The report finds it is too early to tell whether the deals will have any overall impact on growth, and that the government and the cities could have worked together in a more structured way to agree a consistent approach to evaluating the deals' impact. There have been early impacts from some of the individual programmes agreed in the deals. It has, however, taken longer for cities and departments to implement some of the programmes that required more innovative funding or assurance mechanisms.</p> <p>The government has set out its ambition to continue devolving responsibility for local growth to cities and other local places. The report highlights that both the government and local places can learn from the experience of Wave 1 City Deals to manage devolution to local places effectively.</p> <p><a href="http://www.nao.org.uk/report/devolving-responsibilities-to-cities-in-england-wave-1-city-deals/">The report is available on the NAO website <u>www.nao.org.uk/report/devolving-responsibilities-to-cities-in-england-wave-1-city-deals/</u></a></p>	<i>The Committee may wish to note the report and consider the implications.</i>

# Technical update

Area	Level of Impact	Comments
Greater Manchester Combined Authority	 <b>For Information</b>	<p>Greater Manchester Combined Authority (GM) has pioneered the concept of local devolution within England. “Devo Manc” encompasses a broad range of proposals to address the challenges and opportunities GM is facing:</p> <p><b>Health and Social Care</b></p> <p>Greater Manchester is facing an estimated financial deficit of c. £2 billion by 2020/21. A Memorandum of Understanding was signed in February 2015 between all partners in GM, committing the region to produce a comprehensive Strategic and Sustainable Plan for health and social care.</p> <p>As part of the Plan, GM is seeking to use its share of the £8 billion promised to the NHS in the CSR to support new recurrent costs and protect social care budgets, closing over a quarter of the funding gap. A further investment by the partners of £500 million, phased over three years, will release future recurrent savings with a likely payback of £3 for every £1 invested.</p> <p><b>GM proposals</b></p> <p>In addition, GM has made a number of proposals to reform the way public services work together and deliver services within the region:</p> <ul style="list-style-type: none"> <li>■ Investment in transport infrastructure</li> <li>■ New funding mechanisms to support site remediation and infrastructure provision</li> <li>■ Making better use of Social Housing Assets to support growth</li> <li>■ Locally led low carbon</li> <li>■ A scaled-up GM Reform Investment Fund</li> <li>■ Devolution of decision making for apprenticeships and training, and reform to careers advice and guidance</li> <li>■ Fundamental review of the way services to children are delivered</li> <li>■ Research and innovation funding</li> <li>■ Investment in integrated business support to drive growth and productivity</li> <li>■ Reform of the New Homes Bonus</li> <li>■ Further employment and skills reform</li> <li>■ GM approach to data sharing across public agencies</li> <li>■ Fiscal devolution, including reform to Business Rates, Council Tax, Stamp Duty Land Tax and a Hotel Bed Tax</li> </ul> <p>All of these proposals involve joint working, not just with other GM agencies, but also central government departments. This allows the existing financial resources provided to the region to be redeployed more efficiently to maximise the benefits to GM.</p>

# Technical update

Area	Level of Impact	Comments
Public Sector Audit Appointments Ltd (PSAA) – VFM profiles update	<p>●</p> <p><b>For Information</b></p>	<p>Public Sector Audit Appointments Ltd (PSAA) maintain the Value for Money profiles tool (VFM profiles) initially developed by the Audit Commission. The profiles were updated on 1 October 2015.</p> <p>The VFM profiles planned budget section now contains the 2015/16 data sourced from the Department for Communities and Local Government – General Fund Revenue Account Budget (RA). The values are adjusted with gross domestic product (GDP) deflators from the HM Treasury's publication in June 2015. The profiles can be accessed through the PSAA's homepage at <a href="http://www.psaa.co.uk/">http://www.psaa.co.uk/</a></p> <p>Other sections of the VFM profiles have also been updated with the latest data values for the following data sources:</p> <ul style="list-style-type: none"> <li>■ Inequality gap (2012/13)</li> <li>■ Fuel poverty (2013)</li> <li>■ Climate change (2013)</li> <li>■ Alcohol related admissions (2013/14)</li> <li>■ Mid-year population estimates (2014)</li> <li>■ Chlamydia testing (2014)</li> <li>■ Participation in education or work-based learning (2014)</li> <li>■ Housing benefit speed of processing (2014/15)</li> <li>■ CT and NNDR collection rates (2014/15)</li> <li>■ NHS health checks (2014/15)</li> <li>■ Planning applications (Quarter 4 2014/15)</li> <li>■ Delayed transfers of care (Quarter 1 2015)</li> <li>■ Under 5 provision (2015)</li> </ul>



# Appendix 1

## Audit deliverables

# Audit deliverables

Deliverable	Purpose	Timing	Status
<b>Planning</b>			
Fee letter	Communicate indicative fee for the audit year	April 2015	Done
External audit plan	Outline our audit strategy and planned approach Identify areas of audit focus and planned procedures	January 2016	Done
<b>Interim</b>			
Interim report	Details and resolution of control and process issues. Identify improvements required prior to the issue of the draft financial statements and the year-end audit. Initial VFM assessment on the Council's arrangements for securing value for money in the use of its resources.	If Required	TBC
<b>Substantive procedures</b>			
Report to those charged with governance (ISA 260 report)	Details the resolution of key audit issues. Communication of adjusted and unadjusted audit differences. Performance improvement recommendations identified during our audit. Commentary on the Council's value for money arrangements.	September 2016	TBC
<b>Completion</b>			
Auditor's report	Providing an opinion on your accounts (including the Annual Governance Statement). Concluding on the arrangements in place for securing economy, efficiency and effectiveness in your use of resources (the VFM conclusion).	September 2016	TBC
WGA	Concluding on the Whole of Government Accounts consolidation pack in accordance with guidance issued by the National Audit Office.	September 2016	TBC
Annual Audit Letter	Summarise the outcomes and the key issues arising from our audit work for the year.	September 2016	TBC
<b>Certification of claims and returns</b>			
Certification of claims and returns report	Summarise the outcomes of certification work on your claims and returns for Government departments.	February 2017	TBC





# Thank you

**CHANGES TO ARRANGEMENTS FOR APPOINTMENT OF EXTERNAL AUDITORS**

**1.0 Purpose of Report**

- 1.1 To summarises the changes to the arrangements for appointing External Auditors following the closure of the Audit Commission, and the end of the transitional arrangements at the conclusion of the 2017/18 audits.
- 1.2 The Council will need to consider the options available and put in place new arrangements in time to make a first appointment by 31 December 2017.

**2.0 Background**

- 2.1 The Local Audit and Accountability Act 2014 brought to a close the Audit Commission and established transitional arrangements for the appointment of external auditors and the setting of audit fees for all local government and NHS bodies in England. On 5 October 2015 the Secretary of State Communities and Local Government (CLG) determined that the transitional arrangements for local government bodies would be extended by one year to also include the audit of the accounts for 2017/18.
- 2.2 The Council's current external auditor is KPMG, this appointment having been made under at a contract let by the Audit Commission. Following closure of the Audit Commission the contract is currently managed by Public Sector Audit Appointments Limited (PSAA), the transitional body set up by the LGA with delegated authority from the Secretary of State at CLG. Over recent years we have benefited from a reduction in fees in the order of 50% compared with historic levels. This has been the result of a combination of factors including new contracts negotiated nationally with the firms of accountants and savings from the closure of the Audit Commission. The Council's current external audit fees are £48,329 the 2015/16 accounts.
- 2.3 When the current transitional arrangements come to an end on 31 March 2018, the Council will be able to move to local appointment of the auditor. There are a number of ways this can be done, each with varying risks and opportunities. Current fees are based on discounted rates offered by the firms in return for substantial market share. When the contracts were last negotiated nationally by the Audit Commission they covered NHS and local government bodies and offered maximum economies of scale.
- 2.4 The scope of the audit will still be specified nationally, the National Audit Office (NAO) is responsible for writing the Code of Audit Practice which all firms appointed to carry out the Council's audit must follow. Not all accounting firms will be eligible to compete for the work, they will need to demonstrate that they have the required skills and experience and be registered with a Registered Supervising Body approved by the Financial Reporting Council. The registration process has not yet commenced and so the number of firms is not known but it is reasonable to expect that the list of eligible firms may include the top 10 or 12 firms in the country, including our current auditor. It is unlikely that small local independent firms will meet the eligibility criteria.

### **3.0 Options for Local Appointment of External Auditors**

3.1 There are three broad options open to the Council under the Local Audit and Accountability Act 2014 (the Act):

#### **3.2 Option 1: To make a stand-alone appointment**

In order to make a stand-alone appointment the Council will need to set up an Auditor Panel. The members of the panel must be wholly, or a majority independent members as defined by the Act. Independent members for this purpose are independent appointees, this excludes current and former elected members (or officers) and their close families and friends. This means that elected members will not have a majority input to assessing bids and choosing which firm of accountants to award a contract for the Council's external audit. A new independent auditor panel established by the Council will be responsible for selecting the auditor, *(assuming there is no existing independent committee such as the Audit Committee that might already be suitably constituted)*.

##### *Advantages/benefit*

Setting up an auditor panel allows the Council to take maximum advantage of the new local appointment regime and have local input to the decision.

##### *Disadvantages/risks*

Recruitment and servicing of the Auditor Panel, running the bidding exercise and negotiating the contract is estimated by the LGA to cost in the order of £15,000 plus ongoing expenses and allowances

The Council will not be able to take advantage of reduced fees that may be available through joint or national procurement contracts.

The assessment of bids and decision on awarding contracts will be taken by independent appointees and not solely by elected members.

#### **3.3 Option 2: Set up a Joint Auditor Panel/local joint procurement arrangements**

The Act enables the Council to join with other authorities to establish a joint auditor panel. Again this will need to be constituted of wholly or a majority of independent appointees (members). Further legal advice will be required on the exact constitution of such a panel having regard to the obligations of each Council under the Act and the Council need to liaise with other local authorities to assess the appetite for such an arrangement.

##### *Advantages/benefits*

The costs of setting up the panel, running the bidding exercise and negotiating the contract will be shared across a number of authorities.

There is greater opportunity for negotiating some economies of scale by being able to offer a larger combined contract value to the firms.

##### *Disadvantages/risks*

The decision making body will be further removed from local input, with potentially no input from elected members where a wholly independent auditor panel is used or possible only one elected member representing each Council, depending on the constitution agreed with the other bodies involved.

The choice of auditor could be complicated where individual Councils have independence issues. An independence issue occurs where the auditor has recently or is currently carrying out work such as consultancy or advisory work for the Council. Where this occurs some auditors may be prevented from being appointed by the terms of their professional standards. There is a risk that if the joint auditor panel choose a firm that is conflicted for this Council then the Council may still need to make a separate appointment with all the attendant costs and loss of economies possible through joint procurement.

### **3.4 Option 3: Opt-in to a sector led body**

In response to the consultation on the new arrangement the LGA successfully lobbied for Councils to be able to 'opt-in' to a Sector Led Body (SLB) appointed by the Secretary of State under the Act. An SLB would have the ability to negotiate contracts with the firms nationally, maximising the opportunities for the most economic and efficient approach to procurement of external audit on behalf of the whole sector.

#### *Advantages/benefits*

The costs of setting up the appointment arrangements and negotiating fees would be shared across all opt-in authorities

By offering large contract values the firms would be able to offer better rates and lower fees than are likely to result from local negotiation

Any conflicts at individual authorities would be managed by the SLB who would have a number of contracted firms to call upon.

The appointment process would not be ceded to locally appointed independent members. Instead a separate body set up to act in the collective interests of the 'opt-in' authorities. The LGA are considering setting up such a body utilising the knowledge and experience acquired through the setting up of the transitional arrangements.

#### *Disadvantages/risks*

Individual elected members will have less opportunity for direct involvement in the appointment process other than through the LGA and/or stakeholder representative groups.

In order for the SLB to be viable and to be placed in the strongest possible negotiating position the SLB will need Councils to indicate their intention to opt-in before final contract prices are known.

## **4.0 The Way Forward**

- 4.1 The Council have until December 2017 to make an appointment. In practical terms this means one of the options outlined in this report will need to be in place by spring 2017 in order that the contract negotiation process can be carried out during 2017.

- 4.2 The LGA are working on developing a Sector Led Body. In a recent survey, 58% of respondents expressed an interest in this option. Greatest economies of scale will come from the maximum number of councils acting collectively and opting-in to a SLB. In order to the strengthen the LGA's negotiating position and enable it to more accurately evaluate the offering the Council is asked to consider whether it is interested in the option of opting in to a SLB. A formal decision to opt-in will be required at a later stage.

## **5.0 Legal implications**

- 5.1 Section 7 of the Local Audit and Accountability Act 2014 (the Act) requires a relevant authority to appoint a local auditor to audit its accounts for a financial year not later than 31 December in the preceding year. Section 8 governs the procedure for appointment including that the authority must consult and take account of the advice of its auditor panel on the selection and appointment of a local auditor. Section 8 provides that where a relevant authority is a local authority operating executive arrangements, the function of appointing a local auditor to audit its accounts is not the responsibility of an executive of the authority under those arrangements;
- 5.2 Section 12 makes provision for the failure to appoint a local auditor: the authority must immediately inform the Secretary of State, who may direct the authority to appoint the auditor named in the direction or appoint a local auditor on behalf of the authority.
- 5.3 Section 17 gives the Secretary of State the power to make regulations in relation to an 'appointing person' specified by the Secretary of State. This power has been exercised in the Local Audit (Appointing Person) Regulations 2015 (SI 192) and this gives the Secretary of State the ability to enable a Sector Led Body to become the appointing person.

## **6.0 Financial Implications**

- 6.1 Current external audit fees levels are likely to increase when the current contracts end in 2018.
- 6.2 The cost of establishing a local or joint Auditor Panel outlined in options 1 and 2 above will need to be estimated and included in the Council's budget for 2016/17 and 2017/18. This will include the cost of recruiting independent appointees (members), servicing the Panel, running a bidding and tender evaluation process, letting a contract and paying members fees and allowances.
- 6.3 Opting-in to a national SLB provides maximum opportunity to limit the extent of any increases by entering in to a large scale collective procurement arrangement and would remove the costs of establishing an auditor panel.

## **7.0 Conclusion and Next Steps**

- 7.1 The Council will need to take action to implement new arrangements for the appointment of external auditors from April 2018. In order that more detailed proposals can be developed the Committee is asked to give early consideration to the preferred approach.
- 7.2 The Council has been asked by the LGA for an indication of the preferred approach in order that it can invest resources in providing appropriate support to Councils. The LGA is strongly supportive of the SLB approach as it believes this offers best value to Councils by reducing set-up costs and having the potential to negotiate lowest fees.

## **8.0      RECOMMENDATION that**

8.1      Members are requested to consider their preferred approach of either:

- a) Supporting the Local Government Association (LGA) in setting up a national Sector Led Body by indicating intention to “opt-in”
- b) Establishing a stand-alone Auditor Panel to make the appointment on behalf of the Council.
- c) Commencing work on exploring the establishment of local joint procurement arrangements with neighbouring authorities

### **Background Papers**

Nil

For further information please contact Nicky Lovely, Business Manager Financial Services on extension 5317.

Nicky Lovely  
Business Manager Financial Services

**COUNTER-FRAUD ACTIVITIES FROM 30<sup>th</sup> SEPTEMBER 2015 TO 31<sup>ST</sup> MARCH 2016**

**1.0 Purpose of Report**

- 1.1 To inform Members of counter-fraud activity undertaken since the last update reported on 4<sup>TH</sup> November 2015.

**2.0 Background Information**

- 2.1 An element of the role of the Audit & Accounts Committee is to provide assurance to the Council that its anti-fraud arrangements are operating effectively. In order to do this counter-fraud activity reports are brought to the Committee twice a year. These reports detail the number of cases detected, amounts lost, the outcome of cases and amounts recovered, together with any other counter fraud work that has been undertaken.

**3.0 Counter Fraud Detection**

- 3.1 The responsibility for conducting housing benefit fraud and error investigations and prosecutions has been subsumed by the Department for Works and Pensions Fraud and Error Service. The Housing Benefit fraud team was transferred to the Fraud and Error Service on 1<sup>st</sup> December 2015.

This means that from 1<sup>st</sup> December 2015 any housing benefit cases identified as potentially fraudulent are to be referred to the Fraud and Error Service for investigation.

Referral procedures have been put into place and since 1<sup>st</sup> December 2015 8 cases have been referred to the Fraud and Error Service

- 3.2 Benefits counter-fraud activity from the beginning of April 2015 to 1<sup>st</sup> December 2015 was reported to the Committee at its November meeting.
- 3.3 The actual court costs charged to the Council since April 2015 are £8,025. These costs relate to cases of non-payment of Council Tax, as well as to fraud cases. The Revenues and Benefits Business Unit recovers costs from claimants wherever possible.

**4.0 Other Counter-Fraud Work**

- 4.1 An attempt at so-called “executive fraud” was made against the Council in March and was intercepted by staff within Financial Services, before any money was lost. The scam works as follows:
- A member of the team receives an email which appears to have originated from a manager within their own organisation.
  - The email asks the recipient to make an urgent payment to a specified beneficiary, bypassing normal procedures if necessary.

- In reality, the fraudster has spoofed the email address of the manager. If the request is not independently verified, then the organisation risks paying funds directly in to the criminal's bank account.

4.2 In this case, Financial Services were asked by a staff member within a different business unit to set up a new account for a known supplier as the bank details had changed. However, controls are in place that requires changes of bank details to be independently checked with suppliers before any payments are made. Close inspection of the email request to the person in the Business Unit also revealed that it had not come from the email address of the manager, although their name appeared on it.

## **5.0 The National Fraud Initiative (NFI)**

5.1 The National Fraud Initiative (NFI) is a data-matching exercise where electronic data is collected from numerous agencies including police authorities, local probation boards, fire and rescue authorities as well as local councils and a number of private sector bodies. The data collection is carried out by the Cabinet Office and is reviewed for any matches that might reveal fraudulent activity. e.g. a record of a person's death exists, but that person is still claiming state pension. The potential matches are sent to individual bodies for investigation to check if there is another, innocent explanation. Most data sets are currently submitted every two years, apart from single person discount data (see below) which is submitted every year.

5.2 Data was submitted for the 2014/15 exercise in February 2015 and possible matches are currently being investigated. The final report will be available shortly.

5.3 The NFI Council Tax Single Person Discount exercise is now conducted every year. This will match Council Tax data against the Electoral Register. Two single person data matching exercises have taken place in the last 15 months.

5.4 The first set of data was submitted on 26<sup>th</sup> February 2015. 936 matches were investigated, of these 48 single person discounts were cancelled totalling £15,461.80

5.5 The second set of data was submitted on 1<sup>st</sup> February 2016, 1,275 matches have been investigated, of these 31 single person discounts have been cancelled so far totalling £23,452.

## **6.0 Equalities Implications**

6.1 There are no equality implications, as all cases of fraud and error are investigated, regardless of the characteristics of the persons involved.

## **7.0 Impact on Budget/Policy Framework**

7.1 Overpayments can be a serious drain on the Council's resources, whether due to fraud or error. Work undertaken to prevent and detect fraud and error and to reclaim overpayments can support the Councils' budget at a time of funding cuts.

## **8.0 Financial Comments**



- 8.1 It is important that the Council establishes and maintains robust referral mechanisms with the Fraud and Error Service to ensure that potentially fraudulent housing benefit claims continue to be investigated and that sanction activity continues to take place to act as a deterrent.
- 8.2 Publicity is important as a deterrent, and controls in place must be maintained to detect and prevent potential frauds.
- 8.3 The NFI data matching exercise requires resources to investigate the potential matches, and it is a government requirement that Councils take part.
- 8.4 Work is ongoing to determine what processes the Council needs to put in place to prevent and detect fraud and what the options are for delivering further counter-fraud work.

## **9.0 RECOMMENDATION**

**That Members note the content of the report.**

### **Reason for Recommendations**

**To promote a strong counter-fraud culture, it is important that Members are aware of the Council's response to fraud and the results of any actions taken.**

### **Background Papers**

None

For further information please contact Nicky Lovely on Ext 5317

Nicky Lovely  
Business Manager Financial Services

**AUDIT & ACCOUNTS COMMITTEE**  
**27 APRIL 2016**

**AGENDA ITEM NO.**

**WORK PLAN**

Meeting at which action to be undertaken	Subject and Brief Description	Who will present the report	Intended Outcome
<b>10<sup>th</sup> February 2016</b>	Draft Treasury Strategy	Tara Beesley	Gain assurance that risks in relation to the Council's treasury management activities are to be managed in accordance with need and the Council's risk appetite
	Internal Audit Progress Report	Lucy Pledge/John Sketchley (Audit Lincs)	Understand the level of assurance for audited activities and ensure management progress recommended actions to mitigate identified risks
	External Audit VFM Approach	Jonathan Gorrie/Helen Brookes (KPMG)	Gain assurance that claims and returns are managed appropriately
	Risk Management report	Richard Bates	Gain assurance that appropriate risk management arrangements are in place
	Review of significant internal control issues highlighted in the Annual Governance Statement	Nicky Lovely	Gain assurance that the Council is making progress on any governance issues that were raised in the AGS
	Results of the Review of the Assessment of Effectiveness of the Internal Audit Function	Nicky Lovely	Gain assurance that the Internal Audit function is operating effectively and that an action plan is in place to address any required improvements
	Audit Committee Work Programme	Nicky Lovely	
<b>27<sup>th</sup> April 2016</b>	Update to Committee Terms of Reference	Nicky Lovely	To ensure that Committee members are aware of the Committee's remit
	Statement of Accounting Policies	Nicola Pickavance	Gain assurance that the Council has appropriate accounting policies in place that reflect the way items are treated in the annual Statement of Accounts
	IAS19 Pension Assumptions	Nicola Pickavance	Gain assurance that the pension

			assumptions used by the actuary to produce the figures in the Statement of Accounts are appropriate for the Council's circumstances
	The Strategic Risk Management Process	Ged Greaves/Richard Bates	To gain assurance that the Council's arrangements for risk management are appropriate
	Internal Audit Progress Report 2015/16	Lucy Pledge/John Sketchley (Assurance Lincolnshire)	Understand the level of assurance for audited activities and ensure management progress recommended actions to mitigate identified risks
	Outstanding Internal Audit Recommendations	Lucy Pledge/John Sketchley (Assurance Lincolnshire)	To allow the Committee to monitor management actions in response to Internal Audit reports
	Combined Assurance Report	Nicky Lovely	Understand the level of assurance for critical systems, due diligence activities, key risks and projects
	Draft Annual Internal Audit Plan 2016/17	Nicky Lovely	Ensure that an appropriate plan is in place which will provide assurance on the Council's activities
	External Audit Certification of Grant Claims and Returns	Jonathan Gorrie/Helen Brookes (KPMG)	Gain assurance that claims and returns have been managed appropriately
	External Auditor Appointments beyond 2017	Nicky Lovely	Ensure that arrangements are in place for appointment of an External Auditor when the current contract comes to an end
	Counter-Fraud Activity Report	Nicky Lovely	Gain assurance that counter-fraud activity is appropriately targeted and effective
	Audit Committee Work Programme	Nicky Lovely	
<b>13<sup>th</sup> July 2016</b>	Treasury Management Outturn Report	Tara Beesley	Gain assurance that treasury management activities were in line with the Treasury Management Strategy for the past financial year
	Internal Audit Progress Report	Lucy Pledge/John Sketchley (Assurance Lincolnshire)	Understand the level of assurance for audited activities and ensure management progress recommended actions to mitigate identified risks

	Annual Internal Audit Report	Lucy Pledge/John Sketchley (Assurance Lincolnshire)	Gain assurance that the Council's Annual Governance Statement accurately represents governance arrangements, that future risks are identified and that governance arrangements support the achievement of the Council's objectives
	Code of Corporate Governance	Kirsty Cole	Gain assurance that the Council's corporate governance arrangements are appropriate and operating effectively
	Responses to questions raised at previous meeting:	Nicky Lovely	
	Audit Committee Work Programme	Nicky Lovely	
<b>TBA</b>	Training session on Statement of Accounts	Nicola Pickavance	Ensure that the Committee has the appropriate skills to be able to review the Council's Statement of Accounts and consider the integrity of financial reporting
<b>7<sup>th</sup> September 2016</b>	External Audit Annual Governance Report	Jonathan Gorrie/Helen Brookes (KPMG)	To gain assurance that the Council's Statement of Accounts are a true and fair representation of the Council's financial performance for the previous financial year and financial standing as at the Balance Sheet date, and that the Council has effective arrangements for achieving Value for Money
	Statement of Accounts & Annual Governance Statement	Nicky Lovely / Nicola Pickavance	Gain assurance on the integrity of financial reporting By considering the assurance gained through its activities throughout the previous year, to give assurance that the Council's Annual Governance Statement accurately represents governance arrangements, that future risks are identified, and that arrangements in place support the achievement of the Council's objectives
	Internal Audit Progress Report	Lucy Pledge/John Sketchley	Understand the level of assurance for

		(Assurance Lincolnshire)	audited activities and ensure management progress recommended actions to mitigate identified risks
	Results of the External Assessment of Audit Lincs	Lucy Pledge/John Sketchley (Assurance Lincolnshire)	Gain assurance that the Internal Audit function is operating effectively and that an action plan is in place to address any required improvements
	Fraud Risk Assessment	Nicky Lovely	Gain assurance that the Council understands its fraud risks and that actions are in place to address them.
	Proposals for Future Training for the Committee	Nicky Lovely	
	Responses to questions raised at previous meeting:	Nicky Lovely	
	Audit Committee Work Programme	Nicky Lovely	
<b>30<sup>th</sup> November 2016</b>	Treasury Performance half-yearly report	Tara Beesley	Gain assurance that treasury management activities are in line with the current Treasury Management Strategy
	Internal Audit Progress Report	Lucy Pledge/John Sketchley (Assurance Lincolnshire)	Understand the level of assurance for audited activities and ensure management progress recommended actions to mitigate identified risks
	Annual Audit Letter	Jonathan Gorrie/Helen Brookes (KPMG)	Gain assurance on the Council's Statement of Accounts and arrangements for achieving Value for Money
	Counter-Fraud Activity Report	Nicky Lovely	Gain assurance that counter-fraud activity is appropriately targeted and effective
	Responses to questions raised at previous meeting	Nicky Lovely	
	Audit Committee Work Programme	Nicky Lovely	
<b>TBA</b>	Treasury Management Training Session	Arlingclose Ltd	Ensure that the Committee has the appropriate skills to be able to review the Council's Treasury Management Strategy and performance reports

<b>8th February 2017</b>	Draft Treasury Strategy	Tara Beesley	Gain assurance that risks in relation to the Council's treasury management activities are to be managed in accordance with need and the Council's risk appetite
	Internal Audit Progress Report	Lucy Pledge/John Sketchley (Assurance Lincolnshire)	Understand the level of assurance for audited activities and ensure management progress recommended actions to mitigate identified risks
	External Audit VFM Approach	Jonathan Gorrie/Helen Brookes (KPMG)	Gain assurance that claims and returns are managed appropriately
	Risk Management report	Richard Bates	Gain assurance that appropriate risk management arrangements are in place
	Strategic Risk Register	Richard Bates	Gain assurance that the Council considers its strategic risks and that these are being managed effectively
	Review of significant internal control issues highlighted in the Annual Governance Statement	Nicky Lovely	Gain assurance that the Council is making progress on any governance issues that were raised in the AGS
	Responses to questions raised at previous meeting	Nicky Lovely	
	Audit Committee Work Programme	Nicky Lovely	
<b>26<sup>th</sup> April 2017</b>	Statement of Accounting Policies	Nicola Pickavance	Gain assurance that the Council has appropriate accounting policies in place that reflect the way items are treated in the annual Statement of Accounts
	IAS19 Pension Assumptions	Nicola Pickavance	Gain assurance that the pension assumptions used by the actuary to produce the figures in the Statement of Accounts are appropriate for the Council's circumstances
	Internal Audit Progress Report 2015/16	Lucy Pledge/John Sketchley (Assurance Lincolnshire)	Understand the level of assurance for audited activities and ensure management progress recommended actions to mitigate identified risks
	Combined Assurance Report	Nicky Lovely	Understand the level of assurance for critical systems, due diligence activities, key risks

			and projects
	Draft Annual Internal Audit Plan 2016/17	Nicky Lovely	Ensure that an appropriate plan is in place which will provide assurance on the Council's activities
	External Audit Certification of Grant Claims and Returns	Jonathan Gorrie/Helen Brookes (KPMG)	Gain assurance that claims and returns have been managed appropriately
	Initiating the Annual Review of the Effectiveness of the Internal Audit Function	Nicky Lovely	To consider whether the Internal Audit function is operating effectively and produce an action plan to address any required improvements
	Counter-Fraud Activity Report	Nicky Lovely	Gain assurance that counter-fraud activity is appropriately targeted and effective
	Responses to questions raised at previous meeting	Nicky Lovely	
	Audit Committee Work Programme	Nicky Lovely	
<b>TBA May/June 2017</b>	Annual Review of the Effectiveness of the Internal Audit Function	Nicky Lovely	To consider whether the Internal Audit function is operating effectively and produce an action plan to address any required improvements
<b>Report to July meeting</b>	Results of the Review of the Assessment of Effectiveness of the Internal Audit Function	Nicky Lovely	Gain assurance that the Internal Audit function is operating effectively and that an action plan is in place to address any required improvements