

Date: 5 December 2017

Dear Councillor,

Audit-Sub Committee

A Meeting of the **Audit-Sub Committee** will be held in the **Council Chamber**, on **Wednesday, 13 December 2017 at 16:00**. You are requested to attend.

Yours faithfully,



Chief Executive

To:- **Conservative Group**
Councillor Grant (Chairman), Councillor Atkin (Vice-Chairman) and Councillor Mrs Wyatt

Labour Group
Councillors Dunn and Shepherd

AGENDA

Open to Public and Press

- 1 Apologies.
- 2 To receive the Open Minutes of the following Meeting:-

Audit Sub-Committee 20th September 2017 Open Minutes **4 - 7**
- 3 To note any declarations of interest arising from any items on the Agenda
- 4 To receive any questions by members of the public pursuant to Council Procedure Rule No.10.
- 5 To receive any questions by Members of the Council pursuant to Council procedure Rule No. 11.
- 6 LOCAL GOVERNMENT AUDIT COMMITTEE BRIEFING **8 - 16**
- 7 LOCAL CODE OF CORPORATE GOVERNANCE REVIEW 2017-18 **17 - 33**
- 8 INTERNAL AUDIT PROGRESS REPORT **34 - 50**

Exclusion of the Public and Press:

- 9 The Chairman may therefore move:-
That in accordance with Section 100 (A)(4) of the Local Government Act 1972 (as amended) the press and public be excluded from the remainder of the Meeting as it is likely, in view of the nature of the business to be transacted or the nature of the proceedings, that there would be disclosed exempt information as defined in the paragraph of Part I of the Schedule 12A of the Act indicated in the header to each report on the Agenda.
- 10 To receive the Exempt Minutes of the following Meeting:-
Audit Sub-Committee 20th September 2017 Exempt Minutes
- 11 To receive any Exempt questions by Members of the Council pursuant to

Council procedure Rule No. 11.

AUDIT SUB-COMMITTEE

20th September 2017

PRESENT:-

Conservative Group

Councillor Atkin (Vice-Chairman) and Councillor Mrs Wyatt

Labour Group

Councillors Dunn and Shepherd

AS/15 **APOLOGIES**

Apologies for absence from the Meeting were received on behalf of Councillor Grant (Conservative Group)

AS/16 **MINUTES**

The Open Minutes of the Meeting held on 14th June 2017 were taken as read, approved as a true record and signed by the Chairman.

AS/17 **DECLARATIONS OF INTEREST**

The Sub-Committee was informed that no declarations of interest had been received.

AS/18 **TO RECEIVE ANY QUESTIONS FROM MEMBERS OF THE PUBLIC PURSUANT TO COUNCIL PROCEDURE RULE NO.10**

The Sub-Committee was informed that no questions from members of the public had been received.

AS/19 **TO RECEIVE ANY QUESTIONS FROM MEMBERS OF THE COUNCIL PURSUANT TO COUNCIL PROCEDURE RULE NO.11**

The Sub-Committee was informed that no questions from Members of the Council had been received.

MATTERS DELEGATED TO SUB-COMMITTEE

AS/20 **LOCAL GOVERNMENT AUDIT COMMITTEE BRIEFING**

The external auditor presented the report to the Sub-Committee.

Councillor Shepherd referred to the Key Questions for the Audit Committee in the report, specifically whether women were able to progress to senior management within the organisation. The Chief Executive stated that the

Authority has a good record in this respect with women represented across all grades, but was certainly a matter that could be reviewed in greater detail.

Councillor Dunn sought assurances regarding significant commercial activities, as also referenced in the Key Questions, in particular the proposed Regeneration Route in Woodville. The Chief Executive confirmed that, following recent discussion with County Council officials, a planning application relating to this project was expected shortly. Councillor Shepherd also raised the Infinity Village project under this heading, noting that this matter was also progressing.

RESOLVED:-

Members considered the key questions posed by the Council's External Auditors contained in their recent sector update.

AS/21 **INTERNAL AUDIT ANNUAL REPORT 2016/17**

The internal auditor presented the report to the Sub-Committee, outlining the update activities since the June 2017 report was submitted.

Councillor Dunn queried the assurance and risk ratings quoted in the report, which he felt did not always correspond. The auditor clarified the methodology used to arrive at the stated outcomes, aimed at providing consistency across all findings.

RESOLVED:-

Members considered and noted the Annual Internal Audit Opinion for 2016/17.

AS/22 **INTERNAL AUDIT PROGRESS REPORT**

The internal auditor presented the report to the Sub-Committee, stating that all identified risks had been addressed or were to be addressed via future actions, with the number of outstanding recommendations still falling.

Councillor Dunn drew attention to the contracts issue and the suggestion that procedures had not been fully adhered to. The Chief Executive confirmed that the Authority had taken external legal advice on the matter in order to take a view on whether to pursue an overarching framework or continue with the existing contracts, the latter being the option taken.

Councillor Shepherd queried whether, as the department in question did not appear to have been acting in accordance with procedures, it had been subject to an audit in this respect, adding that it was unfortunate that the issues had been detected via whistleblower reports rather than audit activity. The Chief Executive outlined the actions taken to date, in particular the staffing

revisions that have occurred as a direct result. The internal auditors also clarified the audit process in this respect, the reporting of previous findings and subsequent lapses, particularly in the retention of evidence of action taken. It was confirmed that following thorough investigation of the incidents reported, 18 were found to have no substance, six with partial substance and five of substance. Councillor Shepherd stated that he took some comfort from the fact that the issues had now been thoroughly investigated and that the various processes and protocols were subject to ongoing monitoring.

Councillor Dunn queried whether, in relation to asbestos handling, any workers had been put at risk. The auditor stated that he was unable to comment in detail on that matter, the focus of their audit placed on the existence of procedures and adherence to them, although they had taken professional advice on the matter. The findings of the audit were that whilst procedures were in place and that staff were conversant with them, they had not been kept up to date. This had since been rectified, with processes put in place to ensure they were maintained and adhered to.

The Vice-Chairman queried how improvements would be monitored. The Chief Executive stated that the Action Plans approved by the Policy Committees and the quarterly Performance Reports submitted to these committees would show progress in all areas. It was appreciated that not all improvements would be immediate, given the large number of staffing changes in the department concerned, requiring some time to settle. Good satisfaction levels were being recorded, the stock was well maintained and evidently, the complaint process, including whistleblowing, was working effectively. The internal auditor added that an updated audit plan would be submitted to a future meeting, including the follow-up actions proposed to ensure that agreed actions are delivered.

RESOLVED:-

Members considered the report of the Audit Manager and agreed that any issues identified are referred to the Finance and Management Committee or subject to a follow-up report as appropriate.

AS/23 **AUDIT RESULTS REPORT ISA 260 REPORT FOR THE YEAR ENDING 31st MARCH 2017**

The external auditors presented the report to the Sub-Committee. With regard to the Value for Money element, they had identified two significant risks, namely regarding future financial resilience, based around the uncertainties of Business Rates Retention, New Homes Bonus and new build limits, as well as the whistleblowing incidents that had highlighted control weaknesses in the procurement of services. As a result of the whistleblowing and the outcome of the subsequent internal audit findings detailed in the previous report, the external auditors intended to issue a qualified 'except for' Value for Money conclusion, due to the above issues.

The auditors confirmed that they would be issuing an unqualified opinion on the Council's Accounts and Financial Statements for 2016/17. They highlighted some minor matters that had been addressed satisfactorily during the Audit. Comment was made on the information relating to gender pay, age and location, as raised by Members earlier in the meeting, which could be further enhanced for presentation at a future meeting.

RESOLVED:-

Members considered and noted the report of the External Auditor.

AS/24 **LOCAL GOVERNMENT ACT 1972 (AS AMENDED BY THE LOCAL GOVERNMENT [ACCESS TO INFORMATION] ACT 1985)**

RESOLVED:-

That in accordance with Section 100 (A)(4) of the Local Government Act 1972 (as amended) the press and public be excluded from the remainder of the Meeting as it is likely, in view of the nature of the business to be transacted or the nature of the proceedings, that there would be disclosed exempt information as defined in the paragraph of Part I of the Schedule 12A of the Act indicated in the header to each report on the Agenda.

MINUTES

The Exempt Minutes of the Meeting held on 14th June 2017 were received.

EXEMPT QUESTIONS BY MEMBERS OF THE COUNCIL PURSUANT TO COUNCIL PROCEDURE RULE NO.11

The Sub-Committee was informed that no questions from Members of the Council had been received.

The Meeting terminated at 5.10pm.

COUNCILLOR N ATKIN

VICE-CHAIRMAN

REPORT TO:	AUDIT SUB COMMITTEE	AGENDA ITEM: 6
DATE OF MEETING:	13th DECEMBER 2017	CATEGORY: RECOMMENDED
REPORT FROM:	EXTERNAL AUDIT	OPEN
MEMBERS' CONTACT POINT:	KEVIN STACKHOUSE (01283 595811) kevin.stackhouse@south-derbys.gov.uk	DOC: u/ks/audit/EY/quarterly update cover
SUBJECT:	LOCAL GOVERNMENT AUDIT COMMITTEE BRIEFING	
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE: AS 01

1.0 Recommendation

1.1 That the Committee consider the key questions posed by the Council's External Auditors contained in their latest sector update.

2.0 Purpose of Report

2.1 To provide the latest briefing from the Council's External Auditors. This is aimed at briefing the Committee on the latest developments and audit matters affecting the Local Government Sector, which may have an impact on the Council.

3.0 Detail

3.1 The Briefing is attached separately to the report. The key questions are detailed on Page 5 of the Briefing and include matters relating to the potential impact of Brexit, the forthcoming Local Government Financial Settlement, the potential increase in Planning Fees and earlier closure of the Final Accounts for 2017/18.

4.0 Financial Implications

4.1 None

5.0 Corporate Implications

5.1 None

6.0 Community Implications

6.1 None

A pair of hands is shown holding a large quantity of Euro coins, including 1 Euro and 2 Euro denominations, on a rustic wooden surface. The coins are piled together, and the hands are positioned to hold them securely. The background is a blurred wooden texture.

Local Government Audit Committee Briefing



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for the Audit
Committee **5**

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This sector briefing is one of the ways that we support you and your organisation in an environment that is constantly changing and evolving.

It covers issues which may have an impact on your organisation, the Local Government sector, and the audits that we undertake.

The briefings are produced by our public sector audit specialists within EY's national Government and Public Sector (GPS) team, using our public sector knowledge, and EY's wider expertise across UK and international business.

The briefings bring together not only technical issues relevant to the Local Government sector but wider matters of potential interest to you and your organisation.

Links to where you can find out more on any of the articles featured can be found at the end of the briefing.

We hope that you find the briefing informative and should this raise any issues that you would like to discuss further, please contact your local audit team.





Government and economic news

EY Item Club forecast

The latest EY Item Club forecast highlights how this year's general election result has increased political uncertainty and hindered the Article 50 EU exit negotiations, but that it could lead to a more business-friendly Brexit (with agreement on transition arrangements and to a comprehensive free trade agreement).

In terms of the economy itself, the surge in inflation has slowed consumption which, combined with investment and exports failing to offset this effect, meant GDP growth fell back to 0.2% quarter-on-quarter in the first three months of 2017. The outlook for the rest of the year remains poor, and the April forecast of 1.8% for GDP growth in 2017 has been revised down to 1.5%. Conversely, the growth forecast for next year of 1.2% has been revised up to 1.3%.

Consumer spending grew by just 0.4% quarter-on-quarter in Q1 of 2017, down from 0.7% in Q4 of 2016 and 0.8% in each of the previous quarters. This is a reflection that household savings are already very stretched, wage growth remains low, whilst inflation is picking up faster than expected. When wages fail to keep pace with price rises, inflation reduces the strength of consumption and pushes down demand. With the economy slowing it seems unlikely that falling unemployment could now trigger a significant increase in wage inflation. In terms of Consumer Prices Index (CPI) inflation, it is expected to move above 3% by July and reach 3.2 to 3.3% in the autumn, maintaining the pressure on households.

Returning to Brexit, a transition agreement with talks on a free trade agreement under way, should stimulate investment, especially in sectors like the motor industry where it has been held back by Brexit uncertainty. As a result the EY Item Club medium-term forecasts have been revised upwards. April's GDP growth forecast of 1.5% for 2019 is raised to 1.8%, whilst expected growth rates of 1.8% for 2020 and 2021 have moved up to 2.0% and 2.2% respectively.

2018-19 local government settlement: consultation

During September and October 2017 DCLG embarked on a consultation process for the 2018-19 finance settlement, which will be the third year of the multi-year settlement that was accepted by 97% of local authorities. The main themes of the consultation were:

- ▶ **Business rate retention** – the 100% retention of business rate income scheme was piloted by five regions in 2017/18. Central government is committed to giving local government greater control over the money they raise and so they have invited interested local authorities to apply to participate in a new wave of pilot schemes for 2018/19. The Spring Budget 2017 announced that authorities in London were working with Government to explore piloting the scheme for 2018/19. However, independent research commissioned by the County



Council Network has identified that 100% business rate retention could actually increase the funding gap for county authorities by £700mn by 2029. The analysis indicated that there would be a divergence between future business rate growth and demographic cost pressures.

- ▶ **New homes bonus** – since its inception the New Home Bonus has allocated £6bn to local authorities to encourage the building of over 1.2mn new homes. As part of the 2017/18 financial settlement Government reduced the number of years for legacy payments from six to four starting in 2018/19, and also set a national baseline for housing growth to incentivise local authorities to build more new homes. The national baseline (below which no bonus will be paid) was set at 0.4% for 2017/18, which is significantly below average past growth rates. The 2018/19 baseline is yet to be confirmed; however, will be calculated based on additional housing stock as reported through council tax base figures.
- ▶ **Council tax referendum principles** – government is considering whether to retain the core principle that increasing council tax demands by greater than 2% would require a local referendum. In addition, Government is considering whether this 2% core principle should also apply to Mayoral Combined Authorities.
- ▶ Continuation of the Adult Social Care Precept principle of a 2% increase, with the additional flexibility in 2018/19 to increase this precept by an additional 1% to 3%, provided that the total increase between 2017/18 and 2019/20 does not exceed 6%.

Planning fees

A government white paper published in February 2017 set out plans to allow local authorities to increase planning permission fees by up to 20% from July 2017; however, this increase has not

been implemented and it is unclear whether it will in the future. This has put £1bn of potential future funding up to 2022 at risk according to the Local Government Association (LGA).

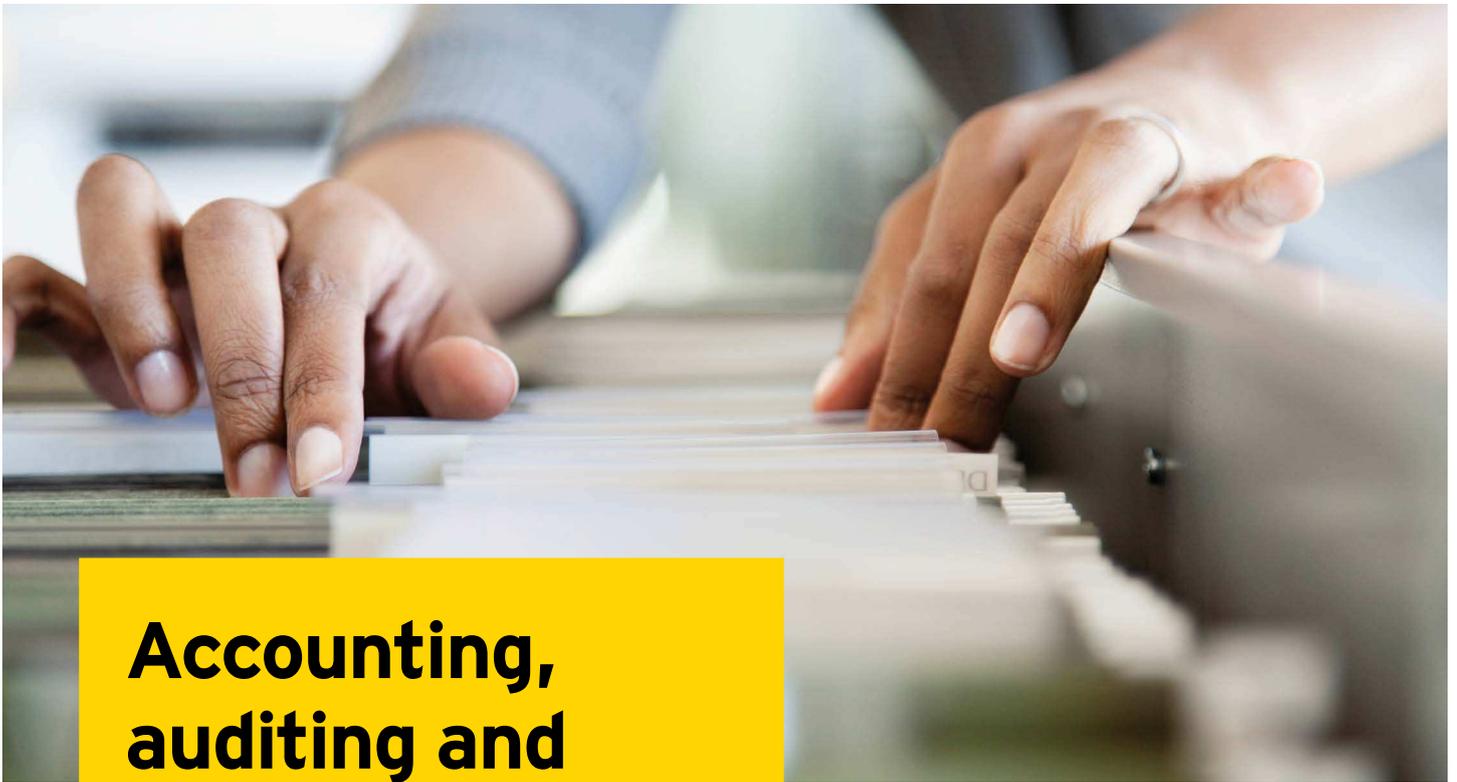
The LGA has estimated that the average council receives 486,500 planning applications per year with council tax funds being used to fund approximately one third of applications. Planning permission fees are set nationally so that applicants have certainty of cost throughout the country. Often individual householder applications will result in an overall loss for councils due to the small size of the application and corresponding fee, the cost of which is picked up by the taxpayer.

Adult social care

The DCLG 2017/18 Budget indicated that total local authority expenditure on adult social care is expected to rise by 8.6% in 2017/18 from £14.4bn to £15.6bn. Government has assisted local authorities to finance this increased expenditure through both the £2bn of extra funding for adult social care announced back in Spring 2017, of which £1bn will be available for 2017/18, and the adult social care precept first introduced in 2015/16 at a rate of up to 2%.

Given the increasing aging population throughout the UK there are still concerns that even this increased funding is not sufficiently sustainable to meet the future demand for adult social care services. A study published in the Lancet has found that the demand for high dependency adult care places is expected to increase by 86% by 2035, therefore the long term sustainable funding of adult social is critical. A green paper from Government is expected to be published shortly that will discuss the options for shaping the future of social care, including how it will be funded.





Accounting, auditing and governance

Commercialisation: local authority owned companies

Over 60% of local authorities currently own at least one trading company and this figure is expected to increase significantly by 2020 as councils seek efficiencies and innovations to generate extra income to bridge future funding gaps. Therefore, irrespective of type or purpose of newly established trading companies, governance and the interface between the local authority and their owned companies is critical to the commercial success of the trading enterprise.

Mike Birch, the CEO of a £300mn turnover wholly owned local authority company, said at CIPFA's annual conference that "the presence of too many members on executive boards could hamper the agility that a small and focused board needed to efficiently deliver services in a commercial environment ... You cannot run a business by committee; it has to have a degree of focus and agility."

Having too many members on the Board of a council owned company may not be in the best interests of either the company or the council. Therefore when establishing (or reviewing) the governance arrangements of council owned companies it is important that the appropriate framework is put in place to operate effectively for both entities. There are many complex issues that require careful consideration, for example, minimisation of conflicts of interest for key individuals of both entities and the balance of sufficient oversight by the council whilst not hindering the operations of the trading company.

EY think piece: 2017/18 early accounts closure

The Accounts and Audit Regulations 2015 introduced a significant change in statutory deadlines from the 2017/18 financial year. The new timetable for preparation and approval of accounts will be brought forward with draft accounts needing to be prepared by 31 May and the publication of audited accounts by 31 July. These reporting deadline changes will provide a challenge for both preparers and auditors of local authority financial statements.

The EY Think Piece on 'Accelerating your financial close arrangements' has identified several areas of consideration that may assist in the achievement of the challenging accelerated deadlines. These include:

- ▶ **Revisit the current closure timetable.** The robustness of project timetables and the management of bottlenecks in the closure process will be critical to achieve the new deadline.
- ▶ **Format of your accounts.** Are there superfluous notes in the financial statements that could be streamlined or removed on the basis of materiality? Discuss with auditors what would be considered material.
- ▶ **Review year-end journal process.** Do year end journals actually have to be done at year end? Could journals be made throughout the year, and then adjusted at year end for material changes.
- ▶ **Manage Members' Expectations.** A 31 July audit deadline will mean rescheduling your Audit Committee (or equivalent body who perform the duties of 'those charged with governance') before the deadline.



Key questions for the Audit Committee

How is the impact of Brexit being factored into the authorities MTFP projections?

Has your local authority considered the impact of the proposed financial settlement for 2018/19?

How has the uncertainty around future charges for planning applications affected your council?

How does your council ensure that it has a sustainable financial plan for the increasing demand for adult social care?

What assurance do you have that your council's owned trading companies have effective governance arrangements in place?

What actions has your local authority taken to ensure that it is best placed to achieve the financial accounts early closure timetable of 31 July 2018?

Find out more

EY Item Club forecast

<http://www.ey.com/uk/en/issues/business-environment/financial-markets-and-economy/item---forecast-headlines-and-projections>

2018-19 local government financial settlement: consultation

<https://www.gov.uk/government/consultations/local-government-finance-settlement-2018-to-2019-technical-consultation>

Planning fees

<http://www.publicfinance.co.uk/news/2017/08/governments-failed-planning-fees-promise-leaves-councils-ps1bn-bill>

Adult social care

<http://www.cipfa.org/cipfa-thinks/cipfa-thinks-articles/the-road-ahead-for-managing-social-care>

Commercialisation: local authority owned companies

<http://www.publicfinance.co.uk/news/2017/07/local-authority-run-companies-should-avoid-too-many-council-board-members>

EY Think Piece: 2017/18 early accounts closure

[http://www.ey.com/Publication/vwLUAssets/EY_-_Accelerating_your_financial_close_arrangements/\\$FILE/EY-accelerating-your-financial-close-arrangements.pdf](http://www.ey.com/Publication/vwLUAssets/EY_-_Accelerating_your_financial_close_arrangements/$FILE/EY-accelerating-your-financial-close-arrangements.pdf)

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ED None

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REPORT TO:	AUDIT SUB-COMMITTEE	AGENDA ITEM: 7
DATE OF MEETING:	13th DECEMBER 2017	CATEGORY: DELEGATED
REPORT FROM:	LEGAL and DEMOCRATIC SERVICES and MONITORING OFFICER	OPEN
MEMBERS' CONTACT POINT:	ARDIP KAUR (01283 595715) Ardip.kaur@south-derbys.gov.uk	DOC: u/ks/governance/local code/Dec 17/update report Dec 17
SUBJECT:	LOCAL CODE OF CORPORATE GOVERNANCE REVIEW 2017/18	
WARD (S) AFFECTED:	ALL	TERMS OF REFERENCE: AS 04

1.0 Recommendation

- 1.1 That the review against the Council's Local Code of Corporate Governance for 2017/18 as detailed in **Appendix 1** is approved.
- 1.2 That progress on the work plan to strengthen the Council's governance arrangements in 2017/18 as detailed in **Appendix 2** is approved.

2.0 Purpose of the Report

- 2.1 To assess the Council's governance arrangements against the national framework which the Council has adopted.
- 2.2 The report also details progress on actions arising out of the Council's Annual Governance Statement (AGS) for 2016/17. This is in accordance with the Corporate Plan action to review the Council's Local Code of Corporate Governance on a half-yearly basis.

3.0 Detail

Background

- 3.1 In April 2016, the Chartered Institute of Public Finance (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) published an updated national framework for ensuring proper and robust governance in local authorities. This was adopted by the Council in December 2016 following a review by this Committee.
- 3.2 The main aim of corporate governance relates to having a system by which a local authority directs and controls its functions and relates to its local community.

- 3.3 Good corporate governance is considered to be essential in demonstrating that there is credibility and confidence in public services. Sound arrangements should be founded on openness, integrity and accountability, together with the overarching concept of leadership.

The Framework

- 3.4 The framework is based on a set of core principles. The national framework is intended to assist authorities individually in reviewing and accounting for their own approach.
- 3.5 The overall aim is to ensure that resources are directed in accordance with agreed priorities, that there is sound and inclusive decision making, together with clear accountability for the use of resources to achieve intended outcomes for local communities.
- 3.6 Within the national framework, focus has been placed upon demonstrating economic, social and environment sustainability over a longer-term, together with the principles of social value.

The Core Principles

- 3.7 These are:

- Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.
- Ensuring openness and comprehensive stakeholder engagement.
- Defining outcomes in terms of sustainable economic, social and environmental benefits.
- Determining the interventions necessary to optimise the achievement of the intended outcomes.
- Developing the entity's capacity, including the capability of its leadership and the individuals within it.
- Managing risks and performance through robust internal control and strong public financial management.
- Implementing good practice in transparency, reporting and audit to deliver effective accountability.

- 3.8 Within each principle there are a series of sub-principles. The Framework advocates a self-assessment against each of the sub-principles.

- 3.9 An initial self-assessment against the new Framework was undertaken and approved by the Committee in December 2016. This was updated in May 2017 to inform the Council's AGS. The latest update is detailed in **Appendix 1**. Proposed changes and additional comments have been highlighted.

3.10 The associated template sets out each core principle and details the degree to which, on the evidence base, the Council meets each of the sub-principles. As previously, a score from 1 to 5 has been allocated, where a score of 5 demonstrates strong compliance.

The Council's Assessment

3.11 The Council has been able to demonstrate that it generally has a sound and robust system of corporate governance in place when compared to the Framework. The latest assessment shows that this continues to be the case in many instances with a score of 5 remaining prevalent in many areas. The ratings, with a comparison to previous periods, are summarised in the following table.

	Dec 2016	June 2017	Dec 2017
Total number of sub-principles assessed	21	21	21
Total number scoring 5	16	18	17
Total number scoring 4	5	3	4

3.12 Overall, it is considered that there are no material weaknesses in the Council's governance arrangements when assessed against the national Framework.

3.13 The areas scoring 4 are where it is considered additional work is or can be undertaken to provide additional evidence and to further strengthen the Council's arrangements. These are detailed in the following table.

Sub-Principle	Action	Time
Behaving with integrity	Following an Internal Audit review earlier in 2017, which included a review of disclosures in the Register of Interest for Council Officers, proposed revisions to the Conflicts of Interest Policy and Code of Conduct are being progressed. The proposed revisions focus on greater clarity regarding relationships with Council contractors.	January 2018
Developing the entity's capacity	It is considered that the Council is extremely well placed in this regard. However, the guidelines recommend that organisations should be subject to an external peer review from time-to-time.	2018 – date to be confirmed
Developing the capability of the entity's leadership and other individuals	It is planned to test the Council's performance in the management and development of its workforce against a new national standard.	2018 – date to be confirmed

Managing data	Although it is considered that the Council is well placed in managing data, the Council does not currently have a dedicated Information Governance Officer. The Council has been subject to an independent analysis of its arrangements ahead of changes to data protection regulations in May 2018. Following this analysis, actions arising from a risk assessment are currently being addressed.	March 2018
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Progress on actions in the Annual Governance Statement 2016/17

3.14 The approved work plan is detailed in **Appendix 2** and besides an overall review of the Local Code as detailed in this report, features 2 key themes regarding Information Governance and Procurement. As regards these two themes, progress is currently being made against the objectives as planned, as detailed in Appendix 2.

4.0 Financial Implications

4.1 None

5.0 Corporate Implications

5.1 The Local Code applies to all of the Council's services and activities.

6.0 Community Implications

6.1 A key outcome in the Council's Corporate Plan is "proper corporate governance". Adopting a local code is a definitive way of demonstrating that the Council is aspiring to this principle.

7.0 Background Papers

7.1 Delivering Good Governance in Local Government; Framework and Guidance Notes 2016 Edition. (*Published by CIPFA and SOLACE*).

APPENDIX 1: SOUTH DERBYSHIRE DISTRICT COUNCIL LOCAL CODE OF CORPORATE GOVERNANCE: SELF ASSESSMENT

Core Principle A: Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law

Framework Description: “Local Government organisations are accountable not only for how much they spend but also for how they use the resources under their stewardship. This includes accountability for outputs, both positive and negative and for the outcomes they have achieved. In addition, they have an overarching responsibility to serve the public interest in adhering to the requirements of legislation and government policies. It is essential that, as a whole, they can demonstrate the appropriateness of all their actions across all activities and have mechanisms in place to encourage and enforce adherence to ethical values and to respect the rule of law.”

Sub Principle	Evidence Base to Demonstrate Compliance	Self-Assessment Score (out of 5)	Actions to Strengthen Compliance
Behaving with integrity	<ul style="list-style-type: none"> • There are established Member and Officer Codes of Conduct which are detailed in the Council’s Constitution. • Members and Officers sign-up to the Codes when appointed. • Standards and behavior expected are part of the induction processes. • Standards and behavior are part of the PDR process for Officers and are included in the job competency framework. • There is an established process for Members to declare any interests at Committee meetings and these are recorded in official Minutes. • There is an established procedure governing conduct at Committee meetings, including the use of social media. • The Council has an established Standards Committee with independent persons appointed. • There are anti-fraud and corruption policies in place which are regularly reviewed and audited. • There are registers of interests for Members and Officers which are maintained and regularly reviewed. The Codes of Conduct refer Officers and Members to declare any interests. • There is a procedure for declaring gifts and hospitality and these declarations are registered with and held centrally by the Monitoring Officer. • The Council has an established Whistleblowing Policy which protects individuals and is communicated to all stakeholders, including contractors. • An established Complaints Procedure which includes provision for raising issues regarding standards and the behavior of Officers. • This Procedure makes provision to identify improvements and changes to procedures if required; these are reported to the Council. 	<p>5</p> <p>Revised down to 4</p>	<p><i>Following an Internal Audit review, proposed revisions to the Conflicts of Interest Policy are being progressed. It is expected that this will be completed for approval by the Council in January 2018. Rating revised down pending review.</i></p>

APPENDIX 1: SOUTH DERBYSHIRE DISTRICT COUNCIL LOCAL CODE OF CORPORATE GOVERNANCE: SELF ASSESSMENT

<p>Demonstrating a strong commitment to ethical values</p>	<ul style="list-style-type: none"> • The Council's Ethical Framework is set out in its Constitution. Specific references are detailed below. <ul style="list-style-type: none"> ➤ The Code of Conduct for both Members and Officers sets out the standards of conduct that Members are required to adhere to. ➤ The Protocol for Member and Officer relations defines respective roles and stresses the principles of mutual courtesy and respect. ➤ The Planning Code of Good Practice is designed to assist and protect Members involved in the planning process. ➤ The ICT Protocol is designed to assist and protect Members when using computer equipment and social media. ➤ The Licensing Protocol sets out procedures so that Members act in a fair and proper manner and are seen to do so. ➤ The Code of Conduct for Representation on Outside Bodies provides support and guidance to Members when representing the Council on funded bodies and partnerships. ➤ Ethical values are an element of the Council's Procurement framework and feature in the tendering/contract process. 	<p>5</p>	
<p>Respecting the rule of law</p>	<ul style="list-style-type: none"> • The role of the Monitoring Officer and associated Protocol is designed to ensure that the Council operates within the law. • The Council complies with the national Statement on the "<i>Role of the Chief Financial Officer</i>" to ensure that the Council uses and accounts for its resources in accordance with legislation. • All Council Committees operate under a Terms of Reference. • An established Scheme of Delegation from Full Council to Committees and to Senior Officers is in place. • All Committees are supported by Committee Clerks. • The Monitoring Officer attends all meetings of Full Council. • New policies and operational developments/changes are only considered at Committee following consultation and analysis by the Chief Finance Officer, Head of Legal and Democratic Services and Head of HR. 	<p>5</p>	

APPENDIX 1: SOUTH DERBYSHIRE DISTRICT COUNCIL LOCAL CODE OF CORPORATE GOVERNANCE: SELF ASSESSMENT

Core Principle B: Ensuring openness and comprehensive stakeholder engagement

Framework Description: “Local Government is run for the public good; organisations therefore should ensure openness in their activities. Clear, trusted channels of communication and consultation should be used to engage effectively with all groups of stakeholders, such as individual citizens and service users, as well as institutional stakeholders. “

Sub Principle	Evidence Base to Demonstrate Compliance	Self-Assessment Score (out of 5)	Actions to Strengthen Compliance
Openness	<ul style="list-style-type: none"> • An established Freedom of Information Publication Scheme is in place which informs how and where information is available. • The Corporate Plan and Annual Report set out what the Council wants to achieve and how it has performed. • The Council adheres to the Government’s Transparency Code of Practice and publishes information accordingly. • Records of decisions at Committee meetings are published. • Committee reports are published in a standard form. • Committee reports include financial, legal and HR implications where required, together with an assessment of the Corporate and Community implications of proposals. • The Council adheres to a Committee timetable which is reported and approved ahead of every Civic Year; dates of meetings are publicised in advance. • A Committee work programme is updated and reviewed at each Committee which publishes forthcoming business and reports. • Committee agendas are published 5 working days prior to a meeting in accordance with the Access to Information Regulations. • All meetings are open to the press, media and public and each Agenda allows questions to be raised by the Public. 	5	
Engaging comprehensively with institutional stakeholders	<ul style="list-style-type: none"> • The Council has an established Communications Strategy with an annual action plan subject to quarterly review. • The Council engages the support of other agencies and the voluntary sector to undertake consultations as appropriate. • Where the Council works in Partnership, protocols and procedures allow for views to be shared and challenge to take place. 	5	
Engaging with individual citizens and service users effectively	<ul style="list-style-type: none"> • An SLA is in place with the local CVS to undertake consultation on potential changes affecting specific groups. • The Council regularly consults with council house tenants and users of sport and leisure facilities through established groups. • Results of public consultation are reported to Council and included as part of any new proposals or changes to service provision. 	5	

APPENDIX 1: SOUTH DERBYSHIRE DISTRICT COUNCIL LOCAL CODE OF CORPORATE GOVERNANCE: SELF ASSESSMENT

Core Principle C: Defining outcomes in terms of sustainable economic, social and environmental benefits

Framework Description: “The long-term nature and impact of many of local government’s responsibilities mean that it should be sustainable. Decisions should further the organisation’s purpose, contribute to intended benefits and outcomes and remain within the limits of authority and resources. Input from all groups of stakeholders, including citizens, service users and institutional stakeholders is vital to the success of this process and in balancing competing demands when determining priorities for the finite resources available. “

Sub Principle	Evidence Base to Demonstrate Compliance	Self-Assessment Score (out of 5)	Actions to Strengthen Compliance
Defining outcomes	<ul style="list-style-type: none"> • The Council has an established vision of “<i>Making South Derbyshire a better place to live, work and visit</i>”. This is supported by 3 priorities of People, Place and Progress. • This vision and the priorities are central to the Corporate Plan which is set for a 5-year period. • The achievement of the priorities is measured in terms of a set of performance indicators for defined outcomes. • The Corporate Plan is published and advertised extensively both internally and externally. • It is approved and adopted by Full Council. • Operational targets are cascaded down into Service Plans. • The Council’s Performance Management Framework monitors and reviews performance against the priorities; this includes comparisons and trends which are reported quarterly. • Identified risks to the achievement of defined outcomes are integral to this process. Risk registers are reviewed on a quarterly basis. • The Corporate Plan also aligns to the Sustainable Community Strategy for the District. 	5	
Sustainable economic, social and environmental benefits	<ul style="list-style-type: none"> • The allocation of resources is subject to a Service and Financial Planning process which evaluates proposals in accordance with the Corporate Plan and takes into account risk and sustainability. • The Council’s Capital Programme focuses resources on long-term benefits with investment in new housing, new leisure facilities, sustainable infrastructure and the purchase of land to secure investment and future service provision. • Key plans and strategies such as the Corporate Plan, Housing Business Plan and Medium-Term Financial Plan, focus on a period that overlaps each 4-year democratic term. • Current financial constraints are factored into strategic plans for Housing, Economic and Environmental Services. • A corporate Equalities Working Group ensures that there is fair access to all services and this is demonstrated in an Annual Report. 	5	

APPENDIX 1: SOUTH DERBYSHIRE DISTRICT COUNCIL LOCAL CODE OF CORPORATE GOVERNANCE: SELF ASSESSMENT

	<ul style="list-style-type: none"> The Communications Strategy sets out guidelines on how and when stakeholders are engaged. 		
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Core Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes

Framework Description: “Local government achieves its intended outcomes by providing a mixture of legal, regulatory and practical interventions (courses of action). Determining the right mix of these courses of action is a critically important strategic choice that local government has to make to ensure intended outcomes are achieved. They need robust decision-making mechanisms to ensure that their defined outcomes can be achieved in a way that provides the best trade-off between the various types of resource inputs while still enabling effective and efficient operations. Decisions made need to be reviewed frequently to ensure that achievement of outcomes is optimised.”

Sub Principle	Evidence Base to Demonstrate Compliance	Self-Assessment Score (out of 5)	Actions to Strengthen Compliance
Determining interventions	<ul style="list-style-type: none"> The Service and Financial Planning framework is effectively an options appraisal which includes an analysis of risk and opportunities together with short and long term resourcing implications. All major procurements are subject to a prior options appraisal which is recorded and signed off corporately; this includes soft market testing where appropriate. Proposals are discussed at senior officer level, with senior Members and are then subject to the Committee process. Working groups are set up if necessary to review options, for example on the HRA Business Plan and future management of the Forestry Centre; this includes representative groups (tenants) and service users (sport facilities). Established consultation is undertaken with service users in housing, sport and health, etc. Consultation outcomes have helped to shape the design of facilities, for example, local skate parks. 	5	
Planning interventions	<ul style="list-style-type: none"> Established quarterly performance and budget monitoring reports with key indicators which report performance results and highlight corrective action where necessary. Annual budgets are based on current and future service provision and in accordance with the Medium-Term Financial Plan (MTFP). The key aim of the Financial Strategy is sustainability and the MTFP factors in potential funding constraints in which services plan accordingly. 	5	

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Optimising achievement of intended outcomes	<ul style="list-style-type: none"> The MTFP integrates and balances service priorities, affordability and external pressures. This is analysed in the comprehensive service and budget reports during the Annual Budget Round and ½ yearly reviews. Service planning and the procurement framework consider “social value” and this is a part of the evaluation in procurement exercises to encourage local employment and apprenticeship schemes, etc. Work is commissioned in partnership with the local voluntary sector (for example CVS) to optimise the social and environmental well-being of local residents and to help all groups access services. 	5	
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Core Principle E: Developing the entity’s capacity, including the capability of its leadership and the individuals within it

Framework Description: *“Local government needs appropriate structures and leadership, as well as people with the right skills, appropriate qualifications and mind-set, to operate efficiently and effectively and achieve intended outcomes within the specified periods. A local government organisation must ensure that it has both the capacity to fulfill its own mandate and to make certain that there are policies in place to guarantee that its management has the operational capacity for the organisation as a whole. Because both individuals and the environment in which an organisation operates will change over time, there will be a continuous need to develop capacity as well as the skills and experience of individual staff members. Leadership in local government is strengthened by the participation of people with many different types of backgrounds, reflecting the structure and diversity of communities.”*

Sub Principle	Evidence Base to Demonstrate Compliance	Self-Assessment Score (out of 5)	Actions to Strengthen Compliance
Developing the entity’s capacity	<ul style="list-style-type: none"> The Council regularly uses comparative data through benchmarking and soft market testing to determine how resources are used and allocated and to inform future service provision, for example ICT (September 2016) and the HRA New Build programme. The Council uses representative groups, for example council house tenants and leisure centre users, to help formulate service provision. The Council actively works in partnership where this is deemed to be beneficial to achieving its desired outcomes with added value, for example the management of leisure facilities and investment in corporate services. The Council has several partnership/collaborative working arrangements. An established Workforce Strategy is in place which includes an annual work plan setting out training and development activities. <p style="text-align: right; color: blue;">Page 26 of 50</p>	4	<p>It is considered that the Council is extremely well placed in this regard.</p> <p>The guidelines recommend that organisations should be subject to an external peer review from time-to-time. This will be considered in 2018.</p> <p><i>Still relevant – no change proposed.</i></p>

APPENDIX 1: SOUTH DERBYSHIRE DISTRICT COUNCIL LOCAL CODE OF CORPORATE GOVERNANCE: SELF ASSESSMENT

	<ul style="list-style-type: none"> An established training programme is in place to develop senior and aspiring managers, which is delivered by external facilitators; this is aligned to corporate priorities and factors in external factors such as limiting resources. 		
<p>Developing the capability of the entity's leadership and other individuals</p>	<ul style="list-style-type: none"> Regular meetings take place between senior managers and leading Members to ensure regular and effective communication. Article 12 of the Constitution sets out the principles of Decision Making with Section 21 detailing the Scheme of Delegation; these are designed to ensure that the responsibility for decision making is clear and rests at the right place in the Council. The Council also operates within a set of Financial Regulations and Procedural Rules. A weekly meeting takes place between the Leader and Chief Executive to ensure a continuing and effective relationship. Members undertake statutory training on Licensing, Planning and Finance in order to keep updated on developments and legislative changes in key areas of service delivery. Members have access to training and seminars through the District Council's Network and the East Midlands Regional Council. Development plans for Officers are linked to a competency framework and where appropriate to the leadership programme. The Council employs external support for key specialist tasks and to relieve pressure on capacity, for example, to implement job evaluation, ICT Strategy and assessment of housing options. The Council works with other authorities to deliver services to benefit from economies of scale, for example, the provision of internal audit, building control and fraud prevention. All employees, including the CEO and Directors are subject to annual appraisals. Certain training courses are mandatory for specific groups of employees or for all Officers, regarding health and safety, equality and absence management, etc. HR policies are designed to assist and guide Officers and further their well-being to ensure that they act in the correct manner, are safe and have access to appropriate benefits. These policies are regularly reviewed in consultation with employee representatives. 	<p>4</p>	<p>The Council currently achieves the necessary qualifications for the nationally recognised Investors in People Standard.</p> <p>It is planned to test the Council's performance in the management and development of its workforce against a new national standard during 2018.</p> <p><i>Still relevant – no change proposed</i></p>

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Core Principle F: Managing risks and performance through robust internal control and strong public financial management

Framework Description: *“Local government needs to ensure that the organisation and governance structures that it oversees have been implemented and can sustain an effective performance management system that facilitates effective and efficient delivery of planned services. Risk management and internal control are important and integral parts of a performance management system and are crucial to the achievement of outcomes. Risk should be considered and addressed as part of all decision making activities.*

A strong system of financial management is essential for the implementation of policies and the achievement of intended outcomes, as it will enforce financial discipline, strategic allocation of resources, efficient service delivery and accountability.

It is also essential that a culture and structure for scrutiny are in place as a key part of accountable decision making, policy making and review. A positive working culture that accepts, promotes and encourages constructive challenge is critical to successful scrutiny and successful service delivery. Importantly, this culture does not happen automatically, it requires repeated public commitment from those in authority.”

Sub Principle	Evidence Base to Demonstrate Compliance	Self-Assessment Score (out of 5)	Actions to Strengthen Compliance
Managing risk	<ul style="list-style-type: none"> • The Council has an established risk management framework in place. This is reviewed regularly and was updated in 2016 against the new Corporate Plan. The framework is also subject to Audit from time-to-time. • Responsibility for managing risks is assigned to service managers in Service Plans. Strategic risks are owned by the Corporate Management Team. These risks are regularly reviewed and reported quarterly. • 	5	
Managing performance	<ul style="list-style-type: none"> • The Council has an established performance framework with comprehensive performance reports considered by policy committees on a quarterly basis. • All key activities in the Corporate Plan are subject to performance measures which assesses progress against intended outcomes. • Consultation takes place between Members and Officers in the planning process to establish what and the format that information is required for decision making. • The Council has an established Overview and Scrutiny function in place, including a separate Committee whose Chair does not sit on any other policy committees. • This Committee operates under a terms of reference set out in the Constitution and sets its own work programme. It focuses on a 	5	

APPENDIX 1: SOUTH DERBYSHIRE DISTRICT COUNCIL LOCAL CODE OF CORPORATE GOVERNANCE: SELF ASSESSMENT

	<p>balance of internal and external issues and reports to Council, in an annual report, its outcomes for the year and where it has added value.</p> <ul style="list-style-type: none"> The Council's outcomes in terms of finance are reported from base budget stage through to the publication of the annual financial statements. 		
<p>Robust internal control</p>	<ul style="list-style-type: none"> The Council has an established Audit Committee. The Committee has its own specific terms of reference around ensuring good governance, internal control and risk management. The effectiveness of the Committee is regularly reviewed and Members receive training and briefings. The Committee oversees an annual Internal Audit Plan which covers all fundamental systems on a yearly basis and all Council services/activities over a 5 year rolling period based on risk. Internal Audit reports quarterly on its audits, the outcomes and ranks the control status from limited to comprehensive assurance. Any potential implications for the Council's Governance Statement are highlighted at that stage. An established counter fraud and anti-corruption framework is in place and the Council works in partnership with other councils to prevent and detect fraud; this includes sharing systems and data. The Council reports its Governance Framework and its effectiveness are assessed through an Annual Governance Statement which is reported in the Financial Statements. The provision of Internal Audit is through an established partnership arrangement with other authorities; this ensures that the Council benefits from economies of scale and additional expertise in its audit coverage. Internal Audit meets the requirements of the nationally recognised Public Sector Internal Auditing Standards. 	<p>5</p>	
<p>Managing data</p>	<ul style="list-style-type: none"> The Council has an established Data Quality framework in place which is subject to annual review and audit. Methodology statements are established for each key performance indicator in the Corporate Plan; these ensure that there are proper procedures to ensure that the data collected and reported is correct, reliable and accurately measures progress on intended outcomes. The Council's Director of Finance and Corporate Services is the designated Data Protection Officer. The Council has established policies regarding the security of data, and data protection, etc. Arrangements for managing and storing data are subject to audit. Information asset owners assigned to data folders and systems. 	<p>4</p>	<p>Although it is considered that the Council is well placed in managing data, the Council does not currently have a dedicated Information Governance Officer.</p> <p><i>Still relevant – no change proposed</i></p> <p>Update: The Council has been subject to an independent analysis of its arrangements ahead of changes to data protection regulations in May 2018. Following this analysis, actions</p>

APPENDIX 1: SOUTH DERBYSHIRE DISTRICT COUNCIL LOCAL CODE OF CORPORATE GOVERNANCE: SELF ASSESSMENT

	<ul style="list-style-type: none"> • The Council only shares data with other agencies after a proper data sharing protocol has been established. These currently exist with the DWP, the Police and Fire authorities • From time-to-time, other agreements are established with for example, credit rating agencies for specifically defined purposes. • Where high volumes of data are processed, the Council undertakes independent quality checking, for example in the processing of housing benefits. 		<p>arising from a risk assessment are currently being addressed.</p> <p>This is in accordance with an action approved in the Council's Annual Governance Work Plan for 2017/18.</p>
<p>Strong public financial management</p>	<ul style="list-style-type: none"> • The Council's Medium-Term Financial Plan (MTFP) aims to maintain resources over the longer-term to deliver services and factors in potential changes in service provision. • The MTFP is underpinned by a Financial Strategy which sets out procedures for the proper stewardship of public money, together with safeguarding the sustainability of the Council's financial position. • The Strategy sets out the overriding financial target that defines a minimum level of General Reserves over a rolling 5-year period (10 years for the HRA). • Quarterly budget and financial monitoring reports to the Council assess progress against annual budgets and also keep under review any current issues and their potential impact on the longer-term financial position. 	<p>5</p>	

APPENDIX 1: SOUTH DERBYSHIRE DISTRICT COUNCIL LOCAL CODE OF CORPORATE GOVERNANCE: SELF ASSESSMENT

Core Principle G: Implementing good practices in transparency, reporting and audit to deliver effective accountability

Framework Description: “Accountability is about ensuring that those making decisions and delivering services are answerable for them. Effective accountability is concerned not only with reporting on actions completed, but also ensuring that stakeholders are able to understand and respond as the organisation plans and carries out its activities in a transparent manner. Both external and internal audit contribute to effective accountability.”

Sub Principle	Evidence Base to Demonstrate Compliance	Self-Assessment Score (out of 5)	Actions to Strengthen Compliance
Implementing good practice in transparency	<ul style="list-style-type: none"> • The Council publishes its successes and answers any issues through a series of media releases; these are designed to explain matters in a more easily understandable, but factual way, and summarises decisions made following consideration of technical Committee reports. • The Council publishes an Annual Report which helps to explain what the Council does, its achievements, etc. in a more easily understandable style. • The Council’s website is also a means of publishing information in an informative way. A new website was implemented in October 2017 to improve the access to and transparency of information. • Social media is also being used as a tool for engaging with residents and other stakeholders. 	5	
Implementing good practice in reporting	<ul style="list-style-type: none"> • In accordance with statutory requirements, the Council publishes Audited Accounts and Financial Statements, together with an Annual Governance Statement. These are considered and approved by the Council and then published in accordance with a statutory timescale. 	5	
Assurance and effective accountability	<ul style="list-style-type: none"> • All key indicators and projects in the Corporate Plan have a named responsible officer. • These responsible officers are accountable to the relevant Policy Committee. • Any recommendations made by External Audit in their annual report, are assigned a responsible Council Officer and actions are monitored by the appropriate Committee. • Recommendations made by Internal Audit are designed to strengthen the Council’s internal control environment. • Recommendations made by Internal Audit are also assigned a responsible Council Officer to implement agreed actions. • Internal Audit provides quarterly updates on outstanding recommendations and there have been instances where the Audit Committee has requested specific reports from responsible officers where agreed actions are still to be implemented. 	5	

APPENDIX 2: ANNUAL GOVERNANCE STATEMENT 2017/18 – PROGRESS ON WORK PLAN

Work Area	Timescale	Responsible Officer(s)	Governance / Corporate Plan Priority	Action and Outcome
Continue to review the Local Code of Corporate Governance and to monitor the Governance Work Plan for the year	½ yearly review	Legal and Democratic Services Manager	This is the overall framework that monitors the priority outcomes for the Corporate Plan	<p>Reviews to be held in December 2017 and June 2018.</p> <p><u>Progress</u> December 2017 review as detailed in the report.</p>
Information Governance	March 2018	Director of Finance and Corporate Services	To ensure that the Council complies with data protection principles and safeguards the data that it manages	<p>Policies and monitoring arrangements to be reviewed during the year to ensure consistency of approach and compliance ahead of changes to Data Protection Regulations in May 2018.</p> <p><u>Progress</u> An independent analysis of the Council’s arrangements was completed in October 2017. Following this analysis, actions arising from a risk assessment are currently being addressed.</p>
Procurement Regulations	December 2017	Director of Finance and Corporate Services	Proper procurement practice	<p>To ensure all staff involved in procurement at whatever level are updated on the Council’s procurement procedures and wider procurement practice.</p> <p><u>Progress</u> Senior Managers were briefed at a performance board meeting on 31st October. The Council has agreed to enter into a Shared Service Arrangement with other public bodies in Derbyshire. As part of this arrangement, training and briefing sessions will be held across the Council.</p>

REPORT TO:	AUDIT SUB COMMITTEE	AGENDA ITEM: 8
DATE OF MEETING:	13th DECEMBER 2017	CATEGORY: RECOMMENDED
REPORT FROM:	AUDIT MANAGER	OPEN
MEMBERS' CONTACT POINT:	ADRIAN MANIFOLD (01332 643281) adrian.manifold@centralmidlandsaudit.co.uk	DOC: u/ks/audit/internal audit/quarterly reports/quarterly report cover
SUBJECT:	INTERNAL AUDIT PROGRESS REPORT	REF:
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE: AS 02

1.0 Recommendations

- 1.1 That the report of the Audit Manager is considered and any issues identified are referred to the Finance and Management Committee or subject to a follow-up report as appropriate.

2.0 Purpose of Report

- 2.1 To provide an update on progress against the approved Internal Audit Plan. This details the performance and activity of Internal Audit for 2016/17 as at 30th November 2017.

3.0 Detail

- 3.1 The detailed report is attached.

4.0 Financial Implications

- 4.1 None.

5.0 Corporate Implications

- 5.1 None directly.

6.0 Community Implications

- 6.1 None directly.

7.0 Background Papers

- 7.1 None



South Derbyshire District Council – Audit Progress Report

Audit Sub-Committee: 13th December 2017



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Our Vision

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

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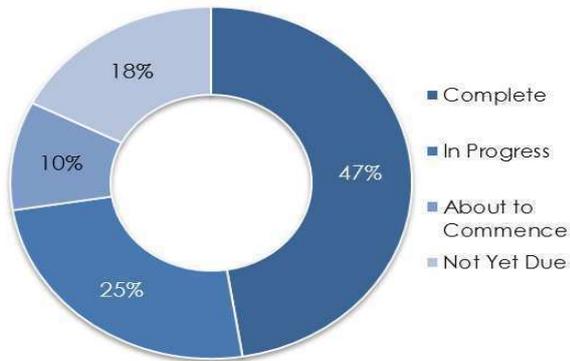
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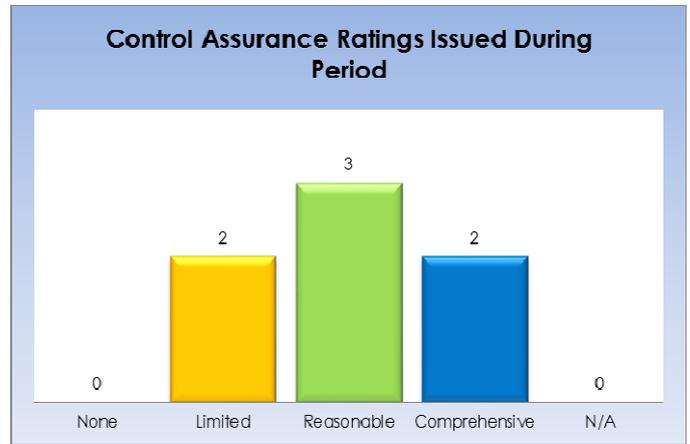
South Derbyshire District Council – Audit Progress Report

AUDIT DASHBOARD

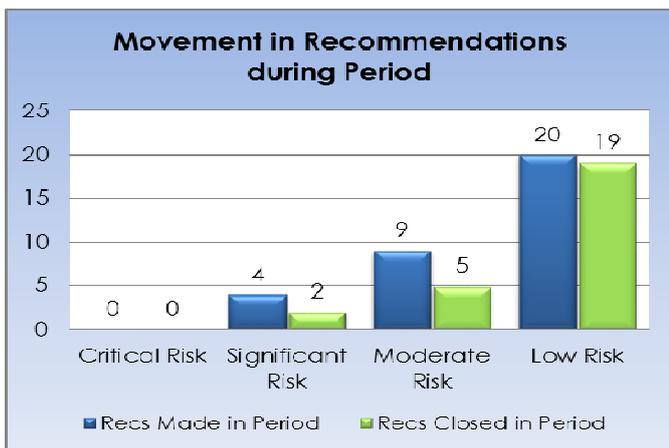
Plan Progress



Jobs Completed in Period

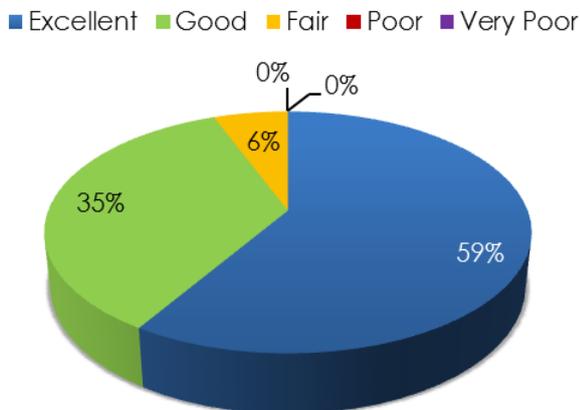


Recommendation Tracking



Customer Satisfaction

Dec 16 to Nov 17



Continuous Improvement

1. Successfully trialled new "Agile" audit approach which has generally improved customer buy-in and engagement and has significantly improved assignment turnaround times.
2. Improvements are being made to Committee reports to reduce the quantity of information presented to better focus on the priority risks and issues.
3. We have been accepted as a member of the prestigious Partnership Collaboration Group "Audit Together". This is a collaboration of 9 public sector internal audit partnerships in the UK which covers 11 County, 11 Unitary, 5 London Boroughs, 31 Districts/Borough Councils, 7 Police & 4 Fire Authorities.

South Derbyshire District Council – Audit Progress Report

AUDIT PLAN

Progress on Audit Assignments

The following table provide Audit Sub-Committee with information on how audit assignments were progressing as at 30th November 2017.

2017-18 Jobs	Status	% Complete	Assurance Rating
Business Continuity & Emergency Planning	Final Report	100%	Comprehensive
Cashiering (Agile Audit)	Final Report	100%	Reasonable
Dry Waste Recycling Contract	Final Report	100%	Reasonable
Officers Expenses & Allowances	Final Report	100%	Reasonable
Backup Server Healthcheck	Final Report	100%	Limited
Waste Less, Save More	Final Report	100%	Comprehensive
People Management	In Progress	75%	
Backup Policy	In Progress	50%	
Sharpes Pottery	In Progress	35%	
Express Electoral System Security Assessment	In Progress	50%	
Organisational Culture & Ethics	In Progress	35%	
Rent Accounting	In Progress	30%	
Tenants Arrears	In Progress	20%	
New Build / Affordable Housing	Allocated	10%	
Licensing	Allocated	5%	
Health & Safety	Allocated	0%	
Followup of Whistleblowing Recommendations	Allocated	0%	
Main Accounting System 2017-18	Not Due Yet	0%	
Risk Management	Not Due Yet	0%	
Council Tax 2017-18	Not Due Yet	0%	
NDR 2017-18	Not Due Yet	0%	
Housing Benefit & Council Tax Support 2017-18	Not Due Yet	0%	
Payroll 2017-8	Not Due Yet	0%	
Capital Programme	Covered Elsewhere		
Procurement (Contracts Register)	Covered Elsewhere		
Data Protection & Freedom of Information	Deferred		
Records Management	Deferred		
PCI Compliance	Deferred		
Grant Certification	No Longer Needed		

2016-17 Jobs	Status	% Complete	Assurance Rating
Taxation	Final Report	100%	Comprehensive
Banking Services	Final Report	100%	Reasonable
Housing Benefit & Council Tax Support 2016-17	Final Report	100%	Reasonable
Creditors 2016-17	Final Report	100%	Reasonable
Data Quality & Performance Management	Final Report	100%	Reasonable
Fixed Assets 2015-17	Final Report	100%	Reasonable

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Leisure Centres	Final Report	100%	Reasonable
Parks & Open Spaces	Final Report	100%	Reasonable
Change & Configuration Management	Final Report	100%	Reasonable
Client Monitoring - Corporate Services Contract	Final Report	100%	Reasonable
Whistleblowing Investigation 2	Final Report	100%	Reasonable
Housing Contracts Review	Final Report	100%	Limited
Main Accounting System 2016-17	Draft Report	95%	
Debtors 2016-17	Fieldwork Complete	90%	
Payroll 2016-17	In Progress	75%	
Safeguarding	In Progress	75%	

Audit Plan Changes

Following consultation with the Director of Finance & Corporate Services the Data Protection & Freedom of Information, Records Management and PCI Compliance planned audits have been deferred until 2018-19. The Council is currently in the process of sourcing a wider Information Governance Service from Derby City Council. A risk assessment has already been undertaken by Derby City ahead of the implementation of the new GDPR next May. It is perceived that any audits involving this new service will be more beneficial once the new service has had time to become embedded within the authority.

Also, the planned grant certification work is no longer required as the Council has not been awarded any new HCA Grant since last year.

South Derbyshire District Council – Audit Progress Report

AUDIT COVERAGE

Completed Audit Assignments

Between 1st September 2017 and 30th November 2017, the following audit assignments have been finalised since the last Progress Report was presented to this Sub-Committee.

Audit Assignments Completed in Period	Assurance Rating	Recommendations Made				% Recs Closed
		Critical Risk	Significant Risk	Moderate Risk	Low Risk	
Officers Expenses & Allowances	Reasonable	0	0	2	1	0%
Business Continuity & Emergency Planning	Comprehensive	0	0	0	2	50%
Cashiering (Agile Audit)	Reasonable	0	0	1	4	80%
Dry Waste Recycling Contract	Reasonable	0	1	1	3	100%
Backup Server Healthcheck	Limited	0	2	1	5	13%
Housing Contracts Review	Limited	0	1	4	3	13%
Waste Less, Save More	Comprehensive	0	0	0	2	100%

The following paragraphs summarise the internal audit work completed in the period.

Officers Expenses & Allowances

Overall Assurance Rating: Reasonable

This audit focused on the claiming and payment of officers' expenses: to ensure that claims adhered to rules, policies and procedures, that adequate checking of claims took place, and that payments were accurate and that Income Tax and VAT were adequately accounted for.

From the 21 key controls evaluated in this audit review, 14 were considered to provide adequate control and 7 contained weaknesses. This report contained 7 recommendations, all of which were considered to present a low risk. Another 2 minor risk issues were also highlighted for management's consideration. The following issues were considered to be the key control weaknesses:

1. The guidance on how to complete an expenses claim was not being followed as scrupulously as required by the Policy by both staff and managers. (Moderate Risk)
2. The review of essential user allowances process, which was due to be carried out annually, had not been carried out. (Moderate Risk)
3. A reconciliation timetable was not operating in relation to payroll transactions impacting on the General Ledger. (Low Risk)

All three of the control issues raised in this report were accepted, one was to be implemented by 23rd February 2018 and the remaining two were to be addressed by 30th September 2018.

Business Continuity & Emergency Planning

Overall Assurance Rating: Comprehensive

This audit focused on the Council's fulfilment of its responsibilities under the Civil Contingencies Act 2004 in respect of Business Continuity and Emergency Planning.

From the 24 key controls evaluated in this audit review, 22 were considered to provide adequate control and 2 contained weaknesses. This report contained 2 recommendations, both of which were considered to present a low risk. The following issues were considered to be the key control weaknesses:

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1. The links from the Council website to documents held on external sites was not correct or had not been tested. (Low Risk)
2. Published policies had not been updated on the Derbyshire Prepared website, indicating that the entries on the website had not been kept under continuous review. (Low Risk)

Both Issues in this report were accepted and management agreed to take action to resolve both issues. Two aspects of issues raised will be address by 1st November 2017, but one aspect of the 2nd recommendation cannot be addressed until the Excess Deaths Plan is updated in 2018-19.

Cashiering (Agile Audit)

Overall Assurance Rating: Reasonable

This audit focused on ensuring that adequate security measures are in place for the collection of income and that income transactions are processed accurately and promptly.

From the 14 key controls evaluated in this audit review, 9 were considered to provide adequate control and 5 contained weaknesses. This report contained 5 recommendations, 4 of which were considered to present a low risk and the other presenting a moderate risk. The following issues were considered to be the key control weaknesses:

1. A record was being maintained of who accessed the main safe and when but this was incomplete and not being updated to reflect all access made to the safe during the working day. (Low Risk)
2. Cash stored in the payment kiosk machines overnight was not covered by the Council's insurance policy. (Low Risk)
3. If a panic alarm is activated, the alarm company currently has to call through the customer service phone line to determine if there is a genuine need for assistance. This could delay the response for police attendance. (Moderate Risk)
4. Checks on the quality of CCTV records were not being documented so there was no evidence to demonstrate that this check was being undertaken. (Low Risk)
5. Cheques received through the post and handed in at Customer Services were not logged on receipt. (Low Risk)

All 5 issues raised within this report were accepted. Action was to be taken to address three of the issues raised by 30th September 2017 with action taken to address the remaining two issues by 31st October 2017.

Dry Waste Recycling Contract

Overall Assurance Rating: Reasonable

This audit focused on the process around the award of the kerbside dry recycling, collection and reprocessing contract to the winning contractor and the management of the contract since award in 2013.

From the 24 key controls evaluated in this audit review, 13 were considered to provide adequate control and 11 contained weaknesses. This report contained 5 recommendations, 3 of which were considered to present a low risk, 1 a moderate risk and 1 a significant risk. The following issues were considered to be the key control weaknesses:

1. There was limited information available to support the tender evaluation process which could lead the contract award open to challenge. (Significant Risk)
2. There was no evidence that the Council had checked that the contractor had sufficient insurance in place, prior to the contract commencing. This could leave the Council liable for any claims that the contractor is unable to meet. (Low Risk)
3. The contract did not include an anti-corruption clause as required by the Council's Contract Procedure Rules. (Low Risk)

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4. The Dry Waste Recycling contract had not been signed by either party at the time of the audit. (Moderate Risk)
5. There were discrepancies in the information used to calculate performance and a key performance indicator was not being calculated in accordance with the contract. (Low Risk)

All 5 of the issues raised within this report were accepted and action had already been taken to address them by the end of the audit.

Backup Server Healthcheck

Overall Assurance Rating: Limited

This audit focused on the network and physical security of the Council's Backup Exec servers and configurations. This was a reduced audit scope, as a more detailed review of the backup policies and procedures has been scheduled for September 2017.

From the 16 key controls evaluated in this audit review, 7 were considered to provide adequate control and 9 contained weaknesses. This report contained 8 recommendations, 5 of which were considered to present a low risk, 1 a moderate risk and 2 a significant risk. The following issues were considered to be the key control weaknesses:

1. Both versions of Backup Exec used in the network were now unsupported by the supplier, as the End of Support Life (EOSL) had passed. (Low Risk)
2. Both Backup Exec servers (as well as all other servers in the SODOR domain) were vulnerable to unauthorised access, as the SODOR\domain admins group contained a number of stale accounts (no recent login within a year), as well as some users in non IT roles. (Low Risk)
3. The Council was backing up the backup exec databases to the same drive where the backup exec databases reside. A secondary backup to write the SQL backups to other storage devices or infrastructure could not be located. (Low Risk)
4. A local administrator account on one of the Council's Backup Exec Server had a weak corresponding password which was representative of the word password with only minor character substitutes. Furthermore, this password had not been changed in 656 days. (Moderate Risk)
5. There were single points of failure in relation to SYSADMIN access of SQL Server instances in the SDDC domain, within the on-site team. (Low Risk)
6. Access to the server and communications room was vulnerable to unauthorised access as the code to one of the 2 doors was replicated on digital locks around the building, was set to an easily guessable value, and was also known to the cleaners (who had no duties for cleaning the server room). The room was also not covered by CCTV, and the code to either lock was not subject to change at pre-determined intervals. (Significant Risk)
7. The service description documents which detail the core IT services supporting server infrastructure, dependencies, support requirements and backup procedures, had not been revised in 2 years. In a number of cases these were referencing servers which either no longer existed, as they had been decommissioned, or had been replaced by new devices. (Low Risk)
8. Copies of revenues and benefits databases were accessible to every user in the network, exposing both residents' personal and financial data (BACS). (Significant Risk)

All 8 of the issues raised were accepted and positive actions were agreed to address one of the issues immediately, 3 of the recommendations by the end of January 2018, one of the recommendations by the end of February 2018, and the final 3 of the recommendations by the end of April 2018.

Housing Contract Review

Overall Assurance Rating: Limited

Following on from the previous Whistleblowing investigations concerning the Housing Section, relating to procurement and contractual issues, the Director of Finance & Corporate Services requested a

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wider service review of the Housing Revenue Account (HRA) to provide assurance that these matters were not widespread.

This audit focused on the wider contractual and procurement related areas and took an investigative approach to evaluate the overall effectiveness of the systems in place. The objectives for this review were as follows:

- To review supplier spend on the HRA, to ensure that the necessary contractual arrangements and/or procurement practices were in place for the Council to be open and transparent.
- To ensure that tender evaluations had been suitably undertaken, with the decision process clearly documented, for Council contracts concerning the HRA.
- To ensure that there were suitable arrangements in place for the Council to actively monitor spend against contracts concerning the HRA, to confirm that both the level of spend and the goods, services or works procured were within the remit of the contract.
- To ensure that necessary quotes were undertaken for non-contract spend against the HRA, to provide for genuine competition when procuring goods, services or works and that suitable evidence had been retained.
- To review the Council's Register of Interests and scrutinise any entries which may affect, or be seen by others to affect, an officer's impartiality in any matter concerning the procurement of goods, services or works against the HRA.

This report contained 8 recommendations, 3 of which were considered to present a low risk, 4 a moderate risk and 1 a significant risk. The following issues were considered to be the key control weaknesses:

1. Supplier spend analysis was not being effectively undertaken to identify instances where corporate contracts or frameworks would be advantageous. **(Significant Risk)**
2. The Procurement Section were not taking an active role in enforcing annual contract reviews throughout the Council, to ensure that contracts were being legally managed and extended in accordance with legislation. **(Moderate Risk)**
3. Contract opportunities for adaptations (where collective works were over the £25,000 threshold) were not being advertised on the 'Contracts Finder' website, in line with the requirements of the Public Contract Regulations 2015. **(Moderate Risk)**
4. Periodic checks were not being undertaken of the Register of Disclosures to flag potential conflicts of interests by members and staff. **(Low Risk)**
5. The Procurement Contracts Register was found to be incomplete and out-of-date. As such this did not completely fulfil the purpose of a Contracts Register. **(Low Risk)**
6. Systems and procedures were not in place for managing the Contracts Register. **(Low Risk)**
7. Procurement Checklists were not being completed to ensure that the required procurement processes were being undertaken. **(Low Risk)**
8. The Council was not publishing the required data for contracts and other legally enforceable agreements, in line with the Local Government Transparency Code 2014. **(Low Risk)**

All 8 of the control issues raised within this report were accepted and positive action was agreed to be taken to address all issues. Positive action in respect of 1 recommendation has already been taken by the end of the audit, another recommendation was due to be addressed by 18th January 2018 and a further recommendation due to be addressed by 26th January 2018. 4 recommendations were due to be implemented by 30th March 2018, with the remaining issue due to be addressed by 27th April 2018.

Waste Less, Save More

Overall Assurance Rating: Comprehensive

At the request of the Director of Finance & Corporate Services, we were asked to look into concerns in relation to the 'Waste Less, Save More' project, which was run by the Council in conjunction with

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Sainsbury's Supermarket. Issues were raised when it became apparent that the Project Lead on the 'Waste Less, Save More' project had funds paid directly into their personal bank account by the overarching body responsible for payments. This in turn flagged further concerns with the management of the project and overall accountability.

Evidence suggested that the payment made directly into the personal bank account of the Waste & Transport Manager was outside of their control and a genuine error. Furthermore, upon realisation of this error the Waste & Transport Manager took appropriate action to rectify this matter and made an open declaration to the Council to this effect.

Overall, the 'Waste Less, Save More' project has been hailed a success by all of those involved and by the community at large.

During the course of our work we identified the following control weaknesses:

1. The grant bid for the 'Waste Less, save More' project was made without any prior approval from the Council's Senior Management or any relevant Committee. (Low Risk)
2. Monthly reconciliations between income and expenditure records, maintained by the Project Lead, and the general ledger were not undertaken for the 'Waste Less, Save More' project. (Low Risk)

Although weakness have been identified with the approval process for making the initial grant bid, and with reconciliations between expenditure records and the general ledger, this has not detracted from the good work undertaken in the local community and no evidence has been found of any irregularities.

Management accepted both issues raised within this report and positive action had already been taken to address both issues by the end of the audit.

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RECOMMENDATION TRACKING

Highlighted Recommendations

The following outstanding recommendations are detailed for Committee's scrutiny.

Corporate Services

CRM Security Assessment

Control Issue 1 – The CRM databases were housed on a SQL Server 2005 SP2 system. Support for SQL Server 2005 SP2 ended in 2007. Unsupported database software is exposed to newly discovered security vulnerabilities or functionality bugs, which could be exploited to jeopardise the confidentiality, availability and integrity of the CRM user data.

Risk Rating – **Low Risk**

Status Update – Following a review of options and given the limited use of the current CRM system, it has been decided to replace the current CRM functionality for the sole user (Environmental Services) with a bespoke system written and maintained in-house. With the current server needing to be decommissioned for PSN purposes and the current system becoming unsupported in March 2018, there is now effectively a set deadline of February 2018. Although this will only act as an interim solution until Phase 2 of the website development is implemented, it will eliminate the current risks that were previously identified in the original audit.

Original Action Date 30 Apr 15 **Revised Action Date** 1 Mar 18

Control Issue 3 – There were a number of configurations and maintenance issues exposing the SQL Server to serious performance and reliability issues. This could ultimately impact on the performance and availability of the Councils CRM application which would affect service delivery.

Risk Rating – **Moderate Risk**

Status Update - Following a review of options and given the limited use of the current CRM system, it has been decided to replace the current CRM functionality for the sole user (Environmental Services) with a bespoke system written and maintained in-house. With the current server needing to be decommissioned for PSN purposes and the current system becoming unsupported in March 2018, there is now effectively a set deadline of February 2018. Although this will only act as an interim solution until Phase 2 of the website development is implemented, it will eliminate the current risks that were previously identified in the original audit.

Original Action Date 31 Aug 15 **Revised Action Date** 1 Mar 18

Risk Management

Control Issue 4 – Although the FIU Annual Report acted as a Fraud Plan and an Internal Audit Plan was developed on an annual basis, there was not a clear link between the two, and officers working in the Fraud Investigation Unit indicated that there was opportunity for clo.

Risk Rating – **Low Risk**

Status Update – The DCC Fraud Service is in place but have yet to develop formal plans. Agreement between SDDC and Internal Audit that this will be picked up for the 2018-19 planning cycle to allow the Fraud Service an opportunity to develop a longer term plan and then align this with the work of Internal Audit. Fraud work stream within CMAP will also provide a closer link between Internal Audit and Counter Fraud team.

Original Action Date 31 Dec 15 **Revised Action Date** 31 Dec 17

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Information@Work

Control Issue 8 – The page verification on a number of databases, including the live Images database, was TORN_PAGE_VERIFACATION. To effectively identify and deal with database corruption before the Council faces potential data loss situations, it is recommended that this configuration is set to CHECKSUM.

Risk Rating – Low Risk

Status Update – This call is sat with IT waiting to implement the details you sent us for the torn page setting.

Original Action Date 31 Oct 16 **Revised Action Date** 31 Oct 17

NDR 2016-17

Control Issue 4 – Accounts put on hold were not being regularly reviewed and holds were not being removed where no longer required.

Risk Rating – Low Risk

Status Update The review has been put back two months as it was necessary to issue JEQs and grades for existing jobs to provide a baseline for transferred staff before moving on to the restructure . We are at the JEQ appeal stage now so will shortly be finalised.

Original Action Date 30 Sep 17 **Revised Action Date** 1 Jan 18

Housing Benefit & Council Tax Support 2016-17

Control Issue 1 – The Council was not using all available exception reports in the Academy system to highlight potential areas of error and fraud.

Risk Rating – Low Risk

Status Update Implementation was subject to a Team restructuring that has been delayed (JEQs and grades only agreed in Nov 17).

Original Action Date 30 Nov 17 **Revised Action Date** 30 Mar 18

Control Issue 2 – Recovery rates quoted in the Housing and Council Tax Benefits Overpayments leaflet were out-of-date.

Risk Rating – Low Risk

Status Update Implementation was subject to a Team restructuring that has been delayed (JEQs and grades only agreed in Nov 17).

Original Action Date 30 Nov 17 **Revised Action Date** 30 Mar 18

Control Issue 3 – The Council was failing to pursue Housing Benefit overpayments in an efficient and timely manner which could contribute to the failure to recover money that it was owed.

Risk Rating – Moderate Risk

Status Update Implementation was subject to a Team restructuring that has been delayed (JEQs and grades only agreed in Nov 17).

Original Action Date 30 Nov 17 **Revised Action Date** 30 Mar 18

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Council Tax 2016-17

Control Issue 2 – Older postings to the suspense accounts were not being resolved resulting in inaccurate data being held in the system.

Risk Rating – **Low Risk**

Status Update Date extended to the end of the year - majority are miscoded DWP payments so need to wait until year-end to resolve which are still due and which are not.

Original Action Date 30 Sep 17 **Revised Action Date** 31 Mar 18

Change & Configuration Management

Control Issue 4 – The Council had not defined key metrics specific to the change management processes such as change aging report, failed change report, or changes by lead time, and had not documented an effective reporting process for monitoring the service desk performance.

Risk Rating – **Low Risk**

Status Update - Action status revised to the end of January 2018.

Original Action Date 1 Nov 17 **Revised Action Date** 31 Jan 18

Fixed Assets

Control Issue 2 – The procedure for logging asset movements and notifying the responsible officer for updating the Real Asset Management database was not formally documented and could not be properly confirmed.

Risk Rating – **Low Risk**

Status Update – No Response Received.

Original Action Date 30 Sep 17 **Revised Action Date**

Control Issue 3 – Periodic reconciliations were not being completed between the Fixed Asset Register and the General Ledger, prior to the year- end exercise.

Risk Rating – **Moderate Risk**

Status Update – No Response Received.

Original Action Date 1 Oct 17 **Revised Action Date**

Cashiering (Agile Audit)

Control Issue 5 – Cheques received through the post and handed in at Customer Services were not logged on receipt.

Risk Rating – **Low Risk**

Status Update – Proposed procedures are being reviewed.

Original Action Date 30 Sep 17 **Revised Action Date** 8 Jan 18

Client Monitoring – Information Governance

Control Issue 2 – The Information Governance function was still being determined within the Council.

Risk Rating – **Moderate Risk**

Status Update – We are now close to agreeing a service arrangement for Derby City Council to act as the Council's IG service provider on an on-going basis.

Original Action Date 30 Nov 17 **Revised Action Date** 22 Dec 17

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Community & Planning Services

Bereavement Services

Control Issue 2 – The Council's website did offer the option of extending the exclusive rights of burial for a further 25 years at the end of a 50 year term, but it was not clear as to what the procedure or cost would be should the request be made.

Risk Rating – Low Risk

Status Update –After seeking advice from other authorities, a proposal has been suggested to alter the procedure on extending Grants of Rights and to determine the fees payable. In line with other authorities we are proposing that it would become the responsibility of the Grant of Right holder or their 'successor in title' to extend/renew the grant at the end of the 50 year period. A proposed fee is to be included in our Fees & Charges review in October which will go through the Committee process with a view to coming into effect in April 2018. We are proposing that the 25 year extension to the Grant of Right be set at half the fee of the initial 50 year Grant. Will update the website/paperwork accordingly.

Original Action Date 31 Mar 15 **Revised Action Date** 1 Apr 18

Leisure Centres

Control Issue 1 – The Contractor had not included all the areas which it was responsible for maintaining within the planned preventative maintenance schedule and this had not been highlighted by the Council.

Risk Rating – Moderate Risk

Status Update – Discussed at contract meeting and we are expecting transition by the end of Feb 2018.

Original Action Date 1 Oct 17 **Revised Action Date** 28 Feb 18

Control Issue 2 – The Council had not undertaken inspections on the exterior fabric of the building as per the contract summary of maintenance responsibilities.

Risk Rating – Moderate Risk

Status Update – Our public building officer resigned several months ago and has not been replaced pending both a housing services and Council wide restructure. Once responsibility for this area of work is identified in the final structure and someone in post we will be able to commence the required inspections. Given the uncertainty suggest a revised compliance date of 31st Jan 2018

Original Action Date 1 Oct 17 **Revised Action Date** 31 Jan 18

Control Issue 4 – Repairs and maintenance issues were being recorded in different places with no central register bringing all the issues together.

Risk Rating – Low Risk

Status Update – Active Nation are still working on transition to WAM - suggest revised date of end of Jan 2018.

Original Action Date 1 Oct 17 **Revised Action Date** 31 Jan 18

Housing & Environmental Services

Whistleblowing Investigation

Control Issue 1 – Housing works had not been procured in an open tender process, in line with the requirements of the Contract Procedure Rules.

Risk Rating – Low Risk

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Status Update - This recommendation will be addressed with a series of refresher training and briefing sessions for staff following the resolution of the HR issues and the restructure of the Housing Department. This will, subject to approval by the Audit Sub-Committee, be referenced in the Governance Statement for 2016/17 as an action for 2017/18. In the meantime, relevant officers will be briefed to appraise them of the importance of complying with Council rules and regulations in this area.

This has largely been dealt with now through the Council's Formal Process; interim officers are aware of the situation and the recommendations.

The Director of Finance and Corporate Services has sent out a separate briefing note (7th September) to all senior officers (31 in total) across the Council to make them aware of the updated CPRs, pointing out provisions around extending contracts, exemptions, etc. Several of the issues have also been picked up by the interim Director as part of his responses to Whistleblowing 2.

There is an action in the Draft AGS for 2016/17 to run some briefing sessions later in the year and in particular when new appointments have been made in the Housing Department. I would expect this to have been completed by 31st January 2018.

Original Action Date 31 Jan 17 **Revised Action Date** 31 Jan 18

Control Issue 2 – Works had been awarded outside of a Council framework contract which should have been awarded to a contractor(s) on the framework.

Risk Rating – Low Risk

Status Update – See update comments for Recommendation 1.

Original Action Date 31 Jan 17 **Revised Action Date** 31 Jan 18

Control Issue 3 – Multiple quotes had not been sought for building works, in line with the requirements of the Contract Procedure Rules.

Risk Rating – Low Risk

Status Update – See update comments for Recommendation 1.

Original Action Date 31 Jan 17 **Revised Action Date** 31 Jan 18

Control Issue 4 – A mini-competition had not been run under the General Maintenance & Building Services framework contract for the awarding of larger works, not covered under direct award on a SoR basis.

Risk Rating – Low Risk

Status Update – See update comments for Recommendation 1.

Original Action Date 31 Jan 17 **Revised Action Date** 31 Jan 18

Control Issue 5 – Formal exemptions had not been raised to officially recognise the extenuating circumstances for not following Council rules and providing ratification of the actions taken.

Risk Rating – Low Risk

Status Update – See update comments for Recommendation 1.

Original Action Date 31 Jan 17 **Revised Action Date** 31 Jan 18

Control Issue 6 – Quotations for works had not been retained by the Housing Section.

Risk Rating – Low Risk

Status Update – See update comments for Recommendation 1.

Original Action Date 31 Jan 17 **Revised Action Date** 31 Jan 18

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Control Issue 9 – The Council were using a contractor to deliver Council services on a regular basis without formalised contractual arrangements in place.

Risk Rating – Low Risk

Status Update - See update comments for Recommendation 1.

Original Action Date 30 Apr 17 **Revised Action Date** 31 Jan 18

Control Issue 15 – Contractors were not being correctly challenged on defective works.

Risk Rating – Low Risk

Status Update - This recommendation will be addressed with a series of refresher training and briefing sessions for staff following the resolution of the HR issues and the restructure of the Housing Department. This will, subject to approval by the Audit Sub-Committee, be referenced in the Governance Statement for 2016/17 as an action for 2017/18. In the meantime, relevant officers will be briefed to appraise them of the importance of complying with Council rules and regulations in this area.

Original Action Date 31 Jan 17 **Revised Action Date** 23 Feb 18

Whistleblowing Investigation 2

Control Issue 2 – A formal process was not being followed for extending Housing Contracts.

Risk Rating – Low Risk

Status Update - We had expected to be able to demonstrate evidence of this by the end of October however the discussions about the appropriate course of action are still ongoing as the Council is still considering reviews of two specific contracts.

It is expected that these reviews will be completed before the end of this calendar year and at this point the evidence you require will be available.

Original Action Date 1 Sep 17 **Revised Action Date** 31 Dec 17
