



central midlands audit partnership

South Derbyshire District Council – Audit Progress Report

Audit Sub-Committee: 20th September 2017



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Our Vision

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

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South Derbyshire District Council – Audit Progress Report

Introduction

Role of Internal Audit

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

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

Recommendation Ranking

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

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

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

Control Assurance Definitions

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

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

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

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Audit Coverage

Progress on Audit Assignments

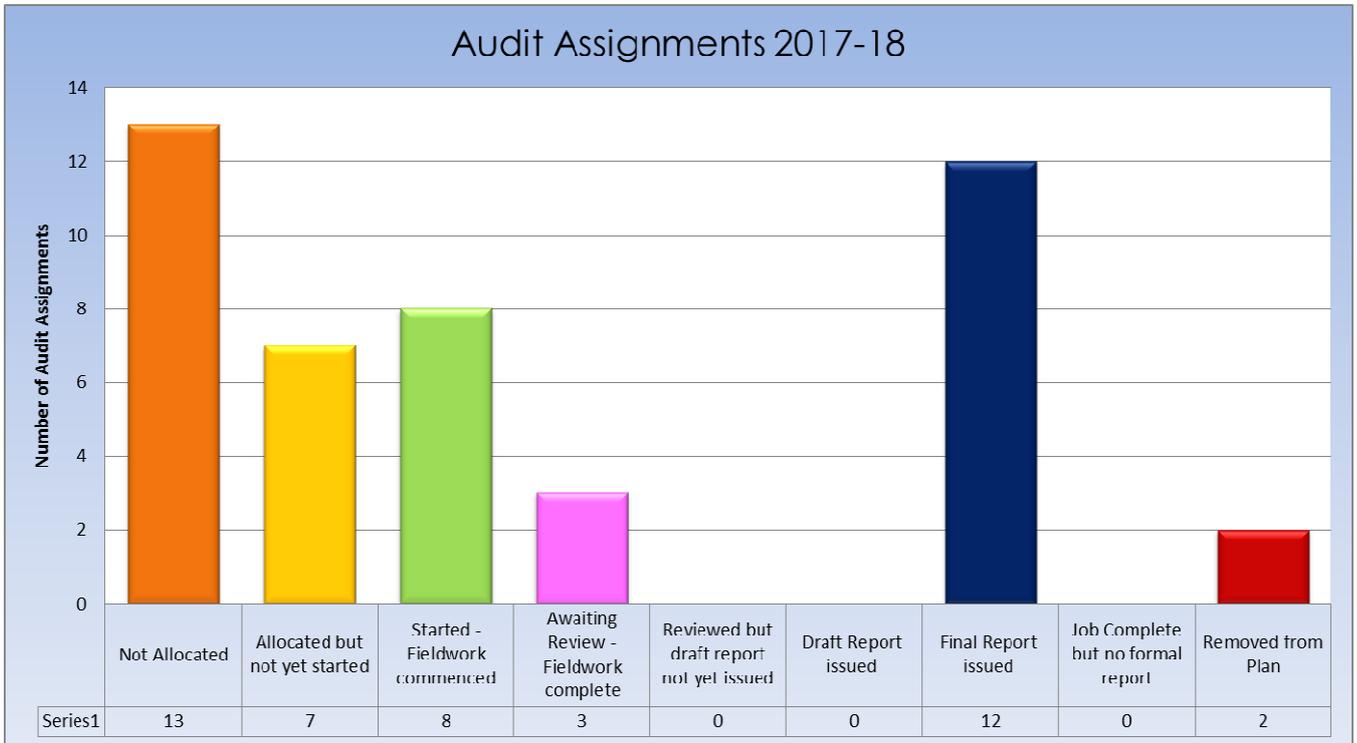
The following table provide Audit Sub-Committee with information on how audit assignments were progressing as at 31st August 2017.

| Audit Plan Assignments 2016-17 | Type of Audit | Current Status | % Complete | Level of Assurance |
|--------------------------------------------------------|-----------------------------------|---------------------|-------------|--------------------|
| Main Accounting System 2016-17 | Key Financial System | In Progress | 70% | |
| Banking Services | Systems/Risk Audit | Final Report | 100% | Reasonable |
| Payroll 2016-17 | Key Financial System | In Progress | 75% | |
| Creditors 2016-17 | Key Financial System | Final Report | 100% | Reasonable |
| Debtors 2016-17 | Key Financial System | In Progress | 75% | |
| Safeguarding | Governance Review | In Progress | 60% | |
| Fixed Assets 2015-17 | Key Financial System | Final Report | 100% | Reasonable |
| Parks & Open Spaces | Systems/Risk Audit | Final Report | 100% | Reasonable |
| Change & Configuration Management | IT Audit | Final Report | 100% | Reasonable |
| Client Monitoring - Corporate Services Contract | Procurement/Contract Audit | Final Report | 100% | Reasonable |
| Whistleblowing Investigation 2 | Investigation | Final Report | 100% | Reasonable |
| Housing Contracts Review | Investigation | In Progress | 75% | |
| Audit Plan Assignments 2017-18 | Type of Audit | Current Status | % Complete | |
| Business Continuity & Emergency Planning | Systems/Risk Audit | Allocated | 70% | |
| Cashiering (Agile Audit) | Key Financial System | In Progress | 60% | |
| Officers Expenses & Allowances | Systems/Risk Audit | Allocated | 10% | |
| People Management | Systems/Risk Audit | Allocated | 10% | |
| Express Electoral System Security Assessment | IT Audit | Allocated | 0% | |
| Backup Server Healthcheck | IT Audit | Fieldwork Complete | 80% | |
| Backup Policy | IT Audit | Allocated | 0% | |
| Sharpes Pottery | Systems/Risk Audit | In Progress | 30% | |
| Rent Accounting | Systems/Risk Audit | Allocated | 0% | |
| Tenants Arrears | Systems/Risk Audit | Allocated | 0% | |
| Dry Waste Recycling Contract | Systems/Risk Audit | Fieldwork Complete | 80% | |
| Licensing | Systems/Risk Audit | Allocated | 5% | |
| Investigation - Recycling & Waste | Anti-Fraud/Probity/Investigation | In Progress | 65% | |

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Audit Coverage

Progress on Audit Assignments Chart



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Audit Coverage

Completed Audit Assignments

Between 7th June 2017 and 31st August 2017, the following audit assignments have been finalised since the last Progress Report was presented to this Committee (the overall control assurance rating is shown in brackets):

- Banking Services (**Reasonable**).
- Creditors 2016-17 (**Reasonable**).
- Fixed Assets 2015-17 (**Reasonable**).
- Parks & Open Spaces (**Reasonable**).
- Change & Configuration Management (**Reasonable**).
- Client Monitoring - Corporate Services Contract (**Reasonable**).
- Whistleblowing Investigation 2 (**Reasonable**).

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

Banking Services

Overall Assurance Rating: **Reasonable**

This audit focused on a review of bank accounts and bank statements to identify the need for the accounts and any inappropriate transactions and balances. Also controls were examined around the use of smart cards, card readers and procurement cards.

From the 20 key controls evaluated in this audit review, 11 were considered to provide adequate control and 9 contained weaknesses. This report contained 7 recommendations, all of which were considered to present a low risk. Another minor risk issue was also highlighted for management's consideration. The following issues were considered to be the key control weaknesses:

1. The Council had not undertaken an exercise to determine the need for all existing accounts being transferred to the new banking contract and there was no regular review of usage levels of opened accounts. (**Low Risk**)
2. A full history of bank transactions had not been retained to enable later queries on bank transactions to be promptly resolved. (**Low Risk**)
3. There was no evidence that three Direct Debits had been authorised appropriately. (**Low Risk**)
4. There was no Policy in place that defined the responsibilities of the Council and card holders in relation to the use of Council Procurement Cards. (**Low Risk**)
5. There was no process for assessing the need for procurement cards being issued to officers. (**Low Risk**)
6. Officers issued with procurement cards were not required to sign an agreement to accept the terms and conditions of use of the card and to secure the card at all time. (**Low Risk**)
7. There was no documented guidance for management (collection & disposal) of procurement cards where staff leave the employment of the council. (**Low Risk**)

All of the issues raised were accepted. Positive action had been taken to address 5 of the recommendations by the end of the audit; one will be addressed by the end of July 2017 and one by the end of March 2018.

Creditors 2016-17

Overall Assurance Rating: **Reasonable**

This audit focused on controls around the Accounts Payable system, i.e. policies and procedures, records maintenance, processing of transactions, reconciliations with the General Ledger at South Derbyshire District Council.

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From the 16 key controls evaluated in this audit review, 13 were considered to provide adequate control and 3 contained weaknesses. This report contained 3 recommendations, 2 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. Financial Procedure Rules and the Purchase Order Conditions guidance on the website were out-of-date, not having been reviewed since 2014 and 2011 respectively. (Low Risk)
2. There was no consistent process in place for checking supplier accounts created to confirm that:
 - The account was not a duplicate.
 - The account details agreed to those on supporting documents. (Moderate Risk)
3. The 'No Purchase Order, No Pay' policy statement within the Contract Procedure Rules had not been adhered to. (Low Risk)

All 3 issues raised within this report were accepted and all issues raised had been addressed at the conclusion of the audit.

Fixed Assets 2015-17

Overall Assurance Rating: Reasonable

This audit focused on assessing the adequacy of processes and controls employed in the valuation of fixed assets. It has also assessed the data transfer process from the former Fixed Asset system to the new Real Asset Management database and the procedures to keep it updated.

From the 21 key controls evaluated in this audit review, 16 were considered to provide adequate control and 5 contained weaknesses. This report contained 4 recommendations, 3 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 minimum password length had not been set and the password expiry setting was not known. Also, the necessary training had not been delivered to allow first time users secure access to the Real Asset Management database. (Low Risk)
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. (Low Risk)
3. Periodic reconciliations were not being completed between the Fixed Asset Register and the General Ledger, prior to the year- end exercise. (Moderate Risk)
4. There was not a defined set of reports generated for senior management to monitor amendments to assets on the system. (Low Risk – Risk Accepted)

All 4 control issues raised in this report were accepted and positive action had already been taken to address one of these control issues. Positive actions were agreed to address 1 low risk by 30th September 2017 and the moderate risk by 1st October 2017. In respect of the remaining low risk control issue, management have accepted the risk and are satisfied with the existing management reporting arrangements in place. However, they have agreed for this to be kept under review

Parks & Open Spaces

Overall Assurance Rating: Reasonable

This audit sought to ensure that appropriate controls were in place in respect of the maintenance of play equipment and safe use of play areas.

From the 18 key controls evaluated in this audit review, 10 were considered to provide adequate control and 8 contained weaknesses. This report contained 8 recommendations, 6 of which were considered to present a low risk and the other 2 presenting a moderate risk. The following issues were considered to be the key control weaknesses:

1. Comprehensive risk assessments of play equipment were not available for inspection. A limited number of non-descript risk assessments were located with play equipment listed as a

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hazard, suggesting that risk assessments had not been completed for all playgrounds and equipment across the district. (Moderate Risk)

2. The Council did not maintain an inventory of play equipment, located on various sites around the district. (Low Risk)
3. Routine visual inspections were being undertaken on a daily and monthly basis of play equipment, but the results of the inspections were not being documented. (Low Risk)
4. Where issues and faults had been identified, the corrective action taken to rectify the fault had not been recorded on the inspection sheet. (Low Risk)
5. Files and documentation confirming compliance with safety standards was not held centrally, but rather in separate project files in the Cultural Services Department. (Low Risk)
6. The Council did not have any documented procedures, instructing officers in the event of a playground or park accident. (Low Risk)
7. Signs at play areas did not clearly identify the site operator, relying instead on a display of the Council's emblem, not necessarily identifiable with all users of the play areas. In addition, out of hours contact details differed on one sign compared to the other three we viewed. (Low Risk)
8. Park Keepers and other members of the Grounds Maintenance team undertaking inspections of play equipment had not received appropriate training. (Moderate Risk)

All 8 issues raised within this report were accepted. Action will be taken to address 3 of the issues raised by 31st December 2017 with action taken to address the remaining 5 issues by 31st March 2018.

Change & Configuration Management

Overall Assurance Rating: Reasonable

This audit focused on the Council's change and configuration management policies and procedures, as well as integration between change and configuration management processes and other business critical service management processes, including incident management.

From the 38 key controls evaluated in this audit review, 23 were considered to provide adequate control and 15 contained weaknesses. This report contained 10 recommendations, 6 of which were considered to present a low risk and the other 4 presenting a moderate risk. Another 1 minor risk issue was highlighted for management's consideration. The following issues were considered to be the key control weaknesses:

1. Changes were being actioned despite the Request For Change (RFC) form not containing all the mandatory background information, such as missing Director approval, cost codes, stake holders and consultees. (Low Risk)
2. The Council had not documented risk assessments or impact assessments for any of a sample of 10 recently completed requests for change. (Moderate Risk)
3. The Council was not distributing a forward schedule of change, to end users, to notify them of all approved changes and the planned implementation dates. (Moderate Risk)
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. (Low Risk)
5. The change control process did not require requests for change forms or the implementing team to record whether the change requested would involve an update, addition or deletion any amendments to the Configuration Management Database (CMDB), possibly leading to data quality and accuracy issues. (Low Risk)
6. There was no dedicated configuration management policy, and the small coverage in the ICT Service Management policy was not sufficient as it did not cover the Council's policy on configuration management planning, control, identification, monitoring, verification and

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integration with other service management processes, such as incident management and change management. (Moderate Risk)

7. The Council had not documented a formal configuration management plan to define data capture requirements for the Configuration Management Database (CMDB). (Low Risk)
8. The Council were not performing data quality audits against the Configuration Management Database (CMDB) to assess the completeness and accuracy of data. During our testing we noted a number of active devices in Active Directory had not been registered in the CMDB, and the physical status had not been registered against any of the configuration items in the CMDB. (Moderate Risk)
9. The Configuration Management Database (CMDB) did not formally establish relationships between Configuration Item's, which could impact incident response efforts, as well as lead to ineffective risk assessment processes for assessing the technical and business impact on requests for change. (Low Risk)
10. There were no documented standard operating procedures for maintaining and managing the Configuration Management Database (CMDB), which could lead to the data within the CMDB quickly becoming inaccurate and unreliable. (Low Risk)

All 10 of the issues raised were accepted and positive action was agreed to address one of the issues by the beginning of July 2017, one by the beginning of August 2017, another by the beginning of November 2017, one by the beginning of January 2018, and the remaining 6 by the end of March 2018.

Client Monitoring - Corporate Services Contract

Overall Assurance Rating: Reasonable

A revised scope was agreed looking at the proposed new function of the Client Services Unit, given that the services formerly being delivered by Northgate had been brought back in-house. We were subsequently informed that this team was no longer in place and the Council was looking to implement a shared service arrangement with Derby City Council regarding Information Governance. We therefore fed back on the issues identified, in order for these to be built into any future proposals concerning these arrangements.

1. A Register of Corporate Policies was not being maintained by the Council to enable the effective management of these documents and/or on-going compliance. (Moderate Risk)
2. The Information Governance function was still being determined within the Council. (Moderate Risk)
3. Not all Council policies had a Control Page to define how the policy would be managed and controlled. (Low Risk)

All 3 issues raised within this report were accepted and positive action was agreed to address all of the issues by the end of November 2017.

Whistleblowing Investigation 2

Overall Assurance Rating: Reasonable

Following the Council's Second Whistleblowing Investigation, it was agreed with the Solicitor & Monitoring Officer that CMAP would evaluate the adequacy of the systems of control in place concerning the housing improvement contracts (1-11 Rowley Court) and the batching of works in relation to the Right to Repair Regulations 1994. This report dealt with the system weaknesses identified during the second investigation and recommended what Audit considered to be appropriate control improvements. We sought to evaluate the adequacy of the systems of control and suggest control improvements where considered necessary.

The following issues were considered to be the key control weakness:

1. Signed Housing Contracts were not held in the custody of Legal Services. (Low Risk)
2. A formal process was not being followed for extending Housing Contracts. (Low Risk)

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3. A formal exemption had not been raised to cover the extension of a Housing Contract past its contract end date, i.e. where this exceeded a specified extension period that had already been applied. (Low Risk)
4. Contractual spend was not being adequately identified in the General Ledger to enable effective spend monitoring over Housing Contracts. (Low Risk)
5. Annual contract reviews were not being undertaken by the Contract Managers, to monitor contract spend amongst other requirements, and we believe that certain Housing Contracts may be overspent. (Moderate Risk)
6. Option appraisals and formal justifications had not been undertaken to demonstrate due process had been followed for the procuring of works. (Moderate Risk)
7. A suitable Project Plan had not been drawn up, and properly approved, for the refurbishment works at Rowley Court. (Low Risk)
8. As a result of our findings, we consider that the Contract Procedure Rules may require further clarification in respect of on-going contract management. (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 had already been taken by the end of the audit, another recommendation was due to be addressed by 31st August 2017 and 5 recommendations were due to be implemented by 1st September 2017, with the remaining moderate risk issue regarding the annual contract reviews due to be addressed by 1st April 2018.

Audit Plan Changes

The two planned audits on Capital Programme and Procurement (Contracts Register) have been removed from the audit plan as the intended coverage of both these areas has been delivered in the work undertaken in the Wider Contracts Review and investigative work.

A specific audit assignment will be initiated later in the plan year to follow-up the actions taken by management to address all of the recommendations arising from the recent contract/procurement related work undertaken. This work will seek evidence of the effectiveness of the control improvements made by management.

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Audit Performance

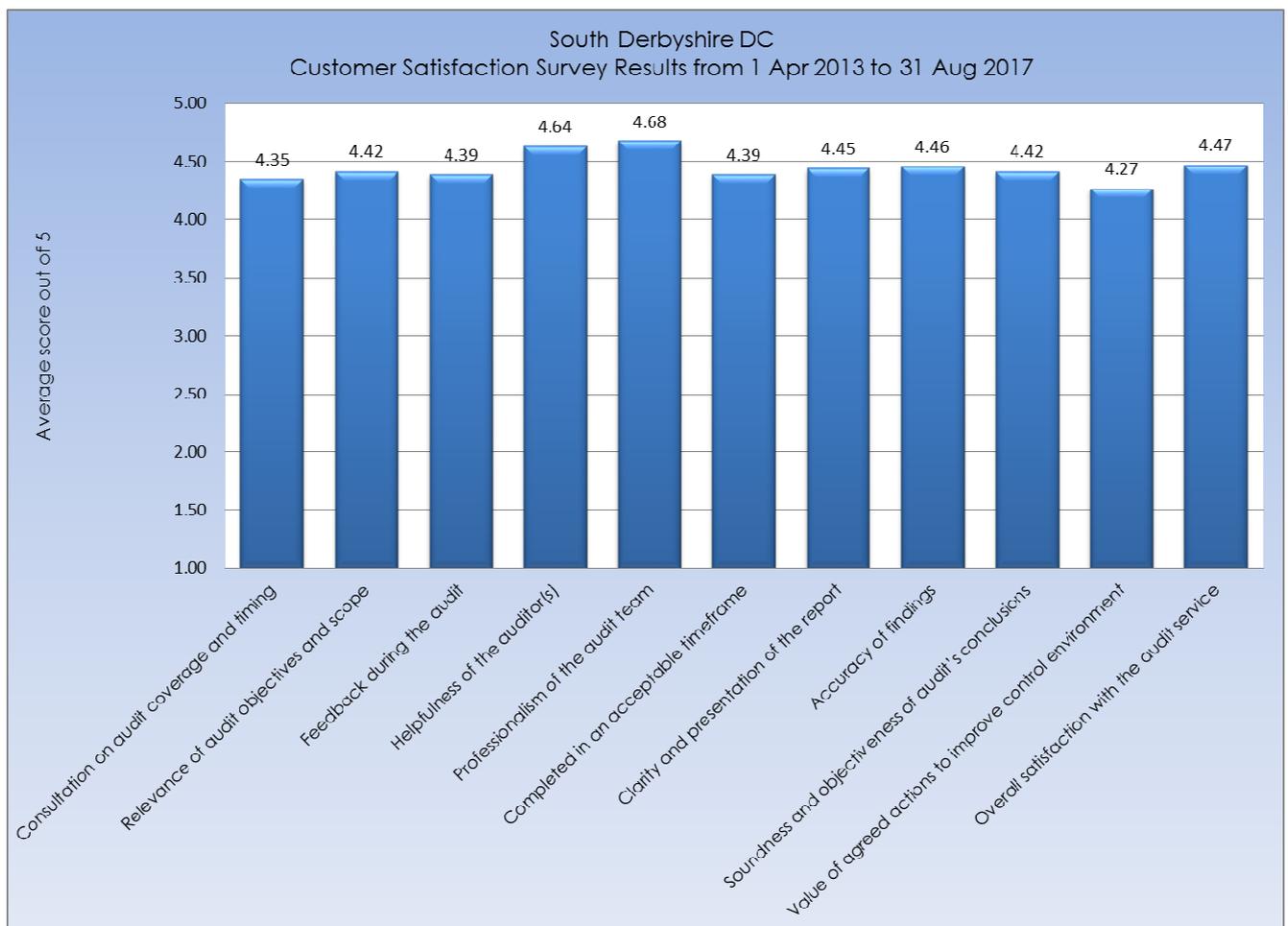
Customer Satisfaction

The Audit Section sends out a customer satisfaction survey with the final audit report to obtain feedback on the performance of the auditor and on how the audit was received. The survey consists of 11 questions which require grading from 1 to 5, where 1 is very poor and 5 is excellent. The chart across summarises the average score for each question from the 74 responses received between 1st April 2013 and 7th September 2017. The overall average score from the surveys was 48.9 out of 55. The lowest score received from a survey was 39, whilst the highest was 55 which was received on 11 occasions.

The overall responses are graded as either:

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

Overall 52 of 74 responses categorised the audit service they received as excellent, another 22 responses categorised the audit as good. There were no overall responses that fell into the fair, poor or very poor categories.



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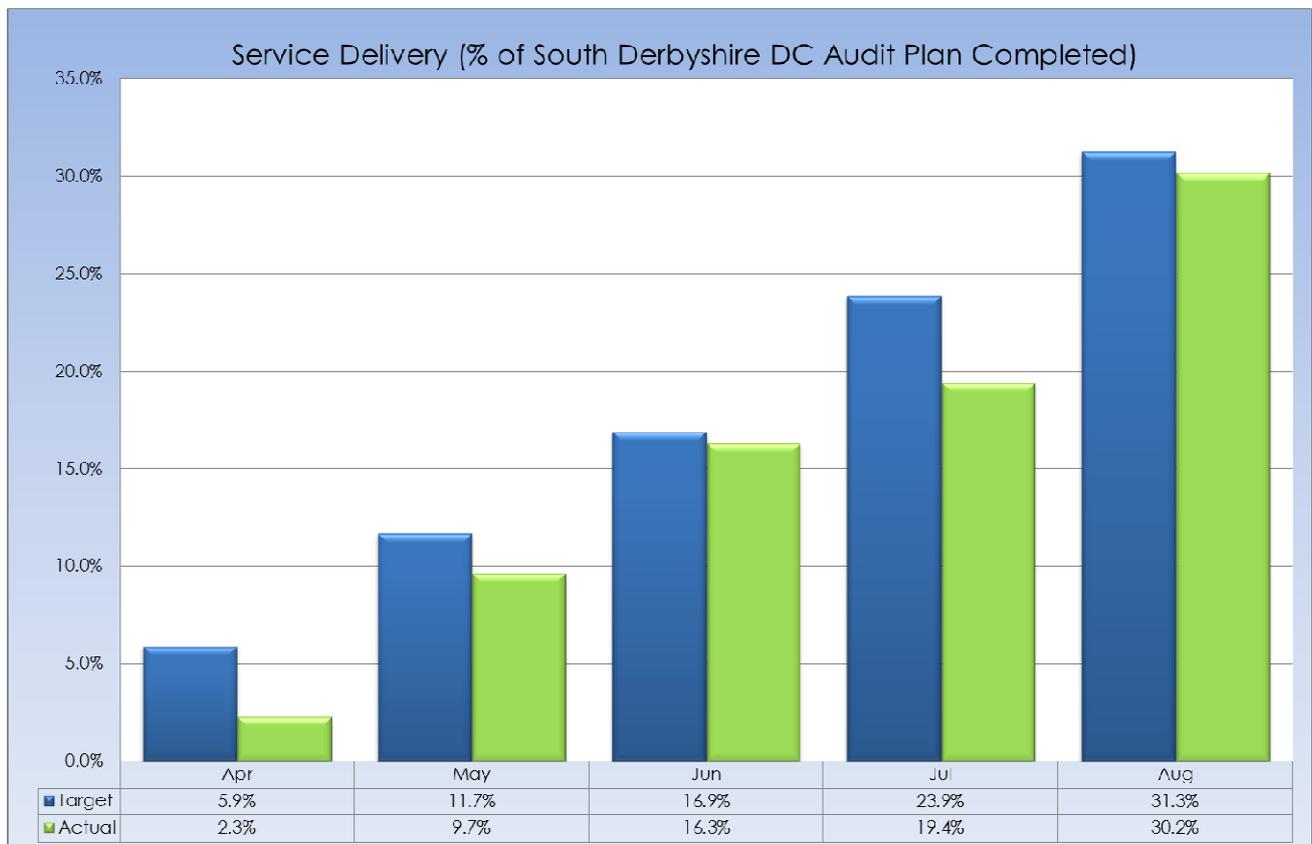
Audit Performance

Service Delivery (% of Audit Plan Completed)

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

Shown across is the estimated percentage complete for South Derbyshire's 2016-17 Audit Plan (including incomplete jobs brought forward) after 5 months of the Audit Plan year.

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



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Recommendation Tracking

Follow-up Process

Internal Audit sends emails, automatically generated by our recommendations database, to officers responsible for action where their recommendations' action dates have been exceeded. We request an update on each recommendation's implementation status, which is fed back into the database, along with any revised implementation dates.

Prior to the Audit Sub-Committee meeting we will provide the relevant Senior Managers with details of each of the recommendations made to their divisions which have yet to be implemented. This is intended to give them an opportunity to provide Audit with an update position.

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

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

Implementation Status Details

The table below is intended to provide members with an overview of the current implementation status of all agreed actions to address the control weaknesses highlighted by audit recommendations made between 1st April 2013 and 11th September 2017.

| | Implemented | Being Implemented | Risk Accepted | Superseded | Action Due | Future Action | Total |
|------------------|-------------|-------------------|---------------|------------|------------|---------------|------------|
| Low Risk | 400 | 19 | 15 | 9 | 0 | 28 | 471 |
| Moderate Risk | 83 | 1 | 1 | 4 | 0 | 16 | 105 |
| Significant Risk | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| Critical Risk | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 485 | 20 | 16 | 13 | 0 | 44 | 578 |

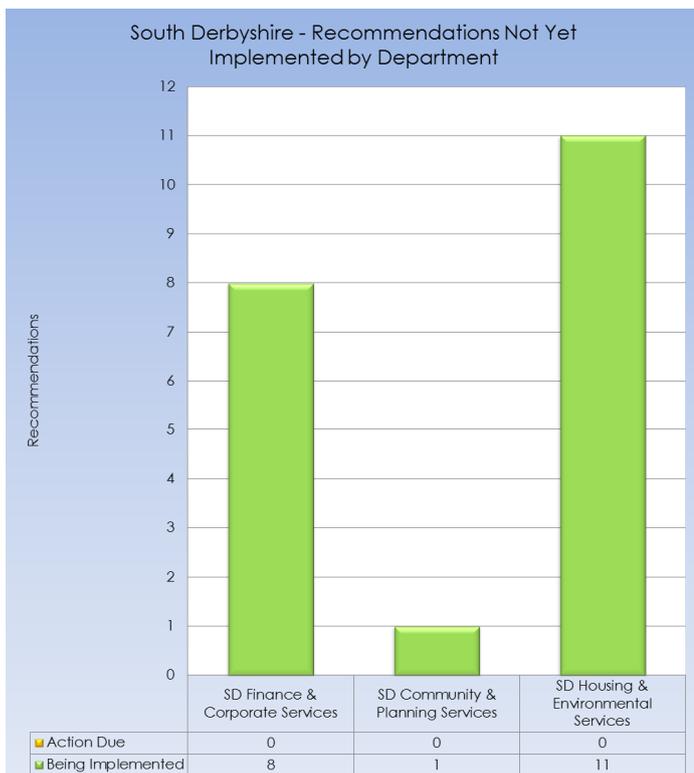
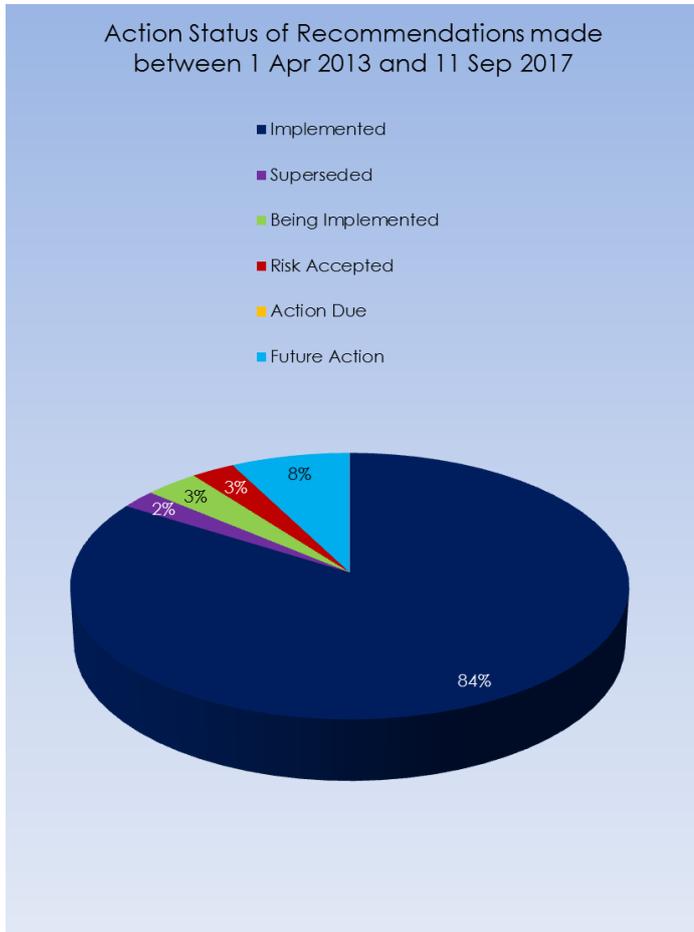
The table below shows those recommendations not yet implemented by Dept.

| Recommendations Not Yet Implemented | Corporate Services | Community & Planning Services | Housing & Environmental Services | TOTALS |
|-------------------------------------|--------------------|-------------------------------|----------------------------------|-----------|
| Being Implemented | 8 | 1 | 11 | 20 |
| Action Due | 0 | 0 | 0 | 0 |
| | 8 | 1 | 11 | 20 |

Internal Audit has provided Committee with summary details of those recommendations still in the process of 'Being Implemented' and those that have passed their due date for implementation. We provide full details of each moderate, significant or critical risk issue where management has decided not to take any mitigating actions (shown in the 'Risk Accepted' category above). All the risk accepted issues shown above have already been reported to this Committee with the exception of an additional 1 low risk recommendation which arose from the Fixed Asset audit completed in this period (details of which can be found earlier in this report).

Recommendation Tracking

Implementation Status Charts



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Recommendation Tracking

Highlighted Recommendations

The following outstanding recommendations are detailed for Committee's scrutiny. We have also included the latest position on all of the recommendations arising from our two whistleblowing investigations to provide Committee with a complete overview of the current situation:

Corporate Services

Council Tax / NNDR / Cashiering 2013-14

Control Issue 3 – The error reports and zero liability bills highlighted by the Council Tax billing runs had not been corrected.

Risk Rating – Low Risk

Status Update – The exercise is being treated as data cleansing from the implementation of Academy, and will be a task allocated to apprentices. Staff shortages led to this being returned to a low priority status, to revisit in summer once annual billing and year end are out of the way. Continued lack of resource has impacted on progress. Further request for a 12 month extension due to NDR revaluation taking priority.

Original Action Date 31 Dec 14 **Revised Action Date** 31 Oct 17

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

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** 29 Sep 17

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

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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

Partnership Governance

Control Issue 1 – The Partnership Agreement between the Council and the Forestry Commission did not include key areas.

Risk Rating – **Low Risk**

Status Update – The agreement between SDDC & FC is currently being reviewed and updated as part of the contract transition.

Original Action Date 30 Jun 17 Revised Action Date 31 Aug 17

Control Issue 2 – Whilst a significant change to the Rosliston Forestry Centre Executive Partnership prompted a new Partnership Agreement, the arrangements for review and revision of the partnership had not been documented within it.

Risk Rating – **Low Risk**

Status Update – The agreement between SDDC & FC is currently being reviewed and updated as part of the contract transition.

Original Action Date 30 Jun 17 Revised Action Date 31 Aug 17

Control Issue 3 – The aims, objectives and mission of the Rosliston Forestry Centre Executive Partnership differed across key partnership documents.

Risk Rating – **Low Risk**

Status Update – The agreement between SDDC & FC is currently being reviewed and updated as part of the contract transition.

Original Action Date 30 Jun 17 Revised Action Date 31 Aug 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

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

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 Disciplinary Process and identified officers have left the Council; interim staff 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

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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

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 31 Oct 17

Whistleblowing Investigation 2

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

Risk Rating – **Low Risk**

Status Update - The system has been devised and is being used to evaluate existing contracts as they come up for renewal. Formal evidence of this process should be available by the end of October 2017.

Original Action Date 1 Sep 17 Revised Action Date 1 Nov 17

Control Issue 4 – Contractual spend was not being adequately identified in the General Ledger to enable effective spend monitoring over Housing Contracts.

Risk Rating – **Low Risk**

Status Update - Whilst improved budget monitoring identifies capital/revenue committed and actual spend on a monthly basis, any further financial monitoring system improvements in the general ledger has been delayed. Meetings to review and improve the Financial Management Systems between

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Housing and Finance, have been scheduled over the next four weeks. It is expected that any new ways of working will be implemented by the end of October 2017.

Original Action Date 1 Sep 17 Revised Action Date 31 Oct 17

Gypsy Sites

Control Issue 4 – There was no safe provided for the warden to store rent collected.

Risk Rating – Low Risk

Status Update – Council officers are currently performing the warden's role therefore no cash is held onsite. Approval has been given for recruitment of a new temporary warden and once appointed a safe will be provided. However DCC may take over the site sooner rather than later therefore recruitment may not actually commence.

Original Action Date 1 Apr 17 Revised Action Date 31 Jul 17

South Derbyshire District Council – Whistleblowing Investigations Update

| Control Issue | Recommendation | Agreed Actions | Update Comments |
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| Whistleblowing Investigation 1 (Limited Assurance) | | | |
| <p>Low Risk Housing works had not been procured in an open tender process, in line with the requirements of the Contract Procedure Rules.</p> | <p>1 We recommend that the Housing Asset Manager monitors the annual value of off-contract spend with individual contractors to ensure that the total spend with a single organisation does not exceed £25,000 in any 5 year rolling period. Where spend has or is likely to exceed this threshold they must refer the matter to the Central Procurement Team in line with the requirements of the Contract Procedure Rules.</p> | <p>The Director of Housing & Environmental Services will formally instruct the Housing Asset Manager to comply with the recommended action in this regard, and ensure that monitoring takes place on a quarterly basis.</p> <p>Implementation Date: 31/01/2017</p> | <p>Status: Being Implemented 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 Disciplinary Process and identified officers have left the Council; interim staff 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.</p> |
| <p>Low Risk Works had been awarded outside of a Council framework contract which should have been awarded to a contractor(s) on the framework.</p> | <p>2 We recommend that all Council officers involved with procuring goods and/or services be informed that, where there is a corporate contract and/or framework in place relating to those goods or services, this should be utilised in the first instance. Only where the required goods and/or services fall outside of those specified within the contract should the Council consider procuring elsewhere. Where this is the case the Contract Procedure Rules should be followed in all circumstances</p> | <p>The Director of Housing & Environmental Services will formally instruct all staff within his Directorate to comply with the recommended action in this regard. The Director of Housing & Environmental Services will suggest to his fellow Directors and the CEO that all SDDC employees are provided with the same instruction.</p> <p>Implementation Date: 31/01/2017</p> | <p>Revised Action Date: 31/01/2018 Status: Being Implemented See update comments for Recommendation 1 Revised Action Date: 31/01/2018</p> |

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| <p>Low Risk Multiple quotes had not been sought for building works, in line with the requirements of the Contract Procedure Rules.</p> | <p>3 We recommend that the Housing Assets Manager formally instruct all relevant officers within the Housing Section, of the requirement to ensure genuine competition when procuring works or services up to the value of £25,000. The Contract Procedure Rules state that this can be achieved by inviting sufficient numbers of contractors (good practice indicates a minimum of 3 selected impartially) to submit written quotations for works or services. Works can then be awarded at the lowest cost commensurate with the required specification.</p> | <p>The Director of Housing & Environmental Services will formally instruct all staff within his Directorate to comply with the recommended action in this regard and ensure that compliance is monitored by the Housing Asset Manager.</p> | <p>Status: Being Implemented See update comments for Recommendation 1 Revised Action Date: 31/01/2018</p> |
| <p>Low Risk 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.</p> | <p>4 We recommend that the Housing Asset Manager formally instruct all officers responsible for issuing larger works under the framework contract that the larger works (those not covered under direct award via SoR) should be awarded on a mini-competition basis. The usual practice for mini-competition would be for the Specification of Works to be e-mailed to the contractors and for prices and capacity to undertake the works to be received back via return e-mail. The job would then be issued to the cheapest contractor with the required capacity to undertake the works.</p> | <p>Implementation Date: 31/01/2017 The Director of Housing & Environmental Services will formally instruct all staff within his Directorate to comply with the recommended action in this regard and ensure that compliance is monitored by the Housing Asset Manager.</p> | <p>Status: Being Implemented See update comments for Recommendation 1 Revised Action Date: 31/01/2018</p> |
| <p>Low Risk Formal exemptions had not been raised to officially recognise the extenuating circumstances for not following Council rules and providing ratification of the actions taken.</p> | <p>5 We recommend that all Council officers involved with procuring goods and/or services be informed that a formal exemption should be agreed to cover all instances where the Contract Procedure Rules and/or other Council processes are not followed for the procurement of goods, works or services.</p> | <p>The Director of Housing & Environmental Services will formally instruct all staff within his Directorate to comply with the recommended action in this regard. The Director of Housing & Environmental Services will suggest to his fellow Directors and the CEO that all SDDC employees are provided with the same instruction.</p> | <p>Status: Being Implemented See update comments for Recommendation 1 Revised Action Date: 31/01/2018</p> |
| <p>Low Risk Quotations for works had not been retained by the Housing Section.</p> | <p>6 We recommend that the Housing Assets Manager formally instruct all relevant officers within the Housing Section, that quotes for all works and/or services should be retained and filed with the job paperwork or held electronically on the job file. The retention of this information could prove invaluable should the Council be challenged by a third party at a later date.</p> | <p>Implementation Date: 31/01/2017 The Director of Housing & Environmental Services will formally instruct all staff within his Directorate to comply with the recommended action in this regard and ensure that compliance is monitored by the Housing Asset Manager.</p> | <p>Status: Being Implemented See update comments for Recommendation 1 Revised Action Date: 31/01/2018</p> |
| <p>Implementation Date: 31/01/2017</p> | | | |

South Derbyshire District Council – Whistleblowing Investigations Update

Moderate Risk

The General Maintenance & Building Services framework contract had not been signed by the successful contractors and a copy had not even been made available to these same contractors

7 We recommend that the successful contractors are contacted to explain that there has been an oversight on the signing of the overarching framework agreement and that the Council is looking to address this retrospectively, along with a copy of the agreement. This matter should be handled carefully as to not aggravate already sensitive issues, but unless this is addressed the Council may find it hard to legitimately enforce contractual obligations and/or conditions.

This matter is currently subject to further investigation. Upon conclusion of such, the appropriate action will be taken. A provisional deadline of 6 months has been set for this.

Implementation Date: 01/09/2017

Status: Implemented

The Council took independent legal advice on whether to issue the Framework Agreement. Following a risk assessment, on balance, the advice recommended that it should not be issued and the Council accepted this advice. You will be aware that the Framework was inadvertently issued to one of the Contractors. This issue, together with the matter relating directly to Recommendation 8, were dealt with using the Council's Disciplinary Procedure. The Framework Agreement itself is due to expire in March 2018 by which time a new contract will be put in place. The Council is now content that this matter has been dealt with and no further action is required

Moderate Risk

We could not find, or were not given access to, any specific documentation under the General Maintenance & Building Services framework which identified the nature of the arrangements in terms of allocating work between the contractors on the framework.

8 We recommend that, prior to writing to Contractors with a copy of the framework agreement, the documentation be reviewed to ensure that clear provision has been made for detailing the way in which Smaller Works and Larger Works are issued against the framework. Furthermore, the Council should ensure that all works are being issued against this protocol, without exception, and that all relevant sections/departments are aware of these requirements to protect the Council from future challenge.

This matter is currently subject to further investigation. Upon conclusion of such, the appropriate action will be taken. A provisional deadline of 6 months has been set for this.

Implementation Date: 01/09/2017

Status: Implemented

See update comments for Recommendation 7

Low Risk

The Council were using a contractor to deliver Council services on a regular basis without formalised contractual arrangements in place

9 We recommend that the Housing Section review their off-contract spend with contractors to identify where it would be beneficial to establish formal contracts. Where there is regular spend with an organisation over a period of time consideration should be given to the following:

- A contract may be required for the area of spend and as such a formal tender exercise should be undertaken.
- The area of spend may be relevant to an existing contract or framework agreement which should be used to formalise the process.
- The organisation may be required to undertake limited work where a tender exercise would not be beneficial or where the particular organisation is required for a specific reason. Should this be the case, then a formal exemption from the CPR should be agreed.

The Director of Housing & Environmental Services will formally instruct the Housing Asset Manager to comply with the recommended action in this regard, and ensure that monitoring takes place on a quarterly basis. The Director of Housing & Environmental Services will suggest to his fellow Directors and the CEO that all SDDC employees are provided with the same instruction.

Implementation Date: 30/04/2017

Status: Being Implemented

This recommendation will be See update comments for Recommendation 1

Revised Action Date: 31/01/2018

South Derbyshire District Council – Whistleblowing Investigations Update

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| <p>Moderate Risk At the time of the audit the Asbestos Policy and Asbestos Management Plan were not compliant with the Control of Asbestos Regulations 2012</p> | <p>10 We recommend that the re-drafted Asbestos Policy and Asbestos Management Plan be reviewed to ensure they are now compliant with the requirements of the Control of Asbestos Regulations 2012 and be formally ratified as soon as is practically possible. Copies of the revised policy and plan should be sent out to all relevant contractors to apprise them of the Councils latest position.</p> | <p>The Director of Housing & Environmental Services will formally instruct the Housing Asset Manager to comply with the recommended action in this regard.</p> | <p>Status: Implemented</p> |
| <p>Low Risk There was no document control and/or version control over the redrafted Asbestos Policy and the Asbestos Management Plan.</p> | <p>11 We recommend that all policies and strategic plans have some form of version control written into them, along with a Document Control page detailing, as a minimum requirement, the following:</p> <ul style="list-style-type: none"> • Implementation date. • Author / Document Owner. • Purpose / Reason for Policy. • Version Number. • Revision Schedule. | <p>The Director of Housing & Environmental Services will formally instruct the Performance & Policy Manager to confirm that all new policies and strategic plans within his Directorate comply with the recommended action, and that old documents are migrated to the new format as soon as is practically possible. The Director of Housing & Environmental Services will suggest to his fellow Directors and the CEO that all SDDC employees are provided with the same instruction.</p> | <p>Status: Implemented</p> |
| <p>Moderate Risk At the time of the audit, the information recorded in the asbestos surveys had not been subject to regular review and was therefore not compliant with the Control of Asbestos Regulations 2012.</p> | <p>12 We recommend that the Housing Section implement the following processes:</p> <ul style="list-style-type: none"> • Undertake Asbestos Management Surveys on all voids that have not been inspected before. • Undertake additional surveys of property types considered to be a higher risk from the existing survey data available. • Where asbestos is located either, remove, encase or manage. Where encased or managed, annual checks should be undertaken to assess the situation and be clearly evidenced. • Tenant(s) should be told of the location of any asbestos located within their property and informed how it is being managed. • Contractors should get a copy of the Asbestos Management Survey for void properties and be informed how any asbestos located is to be treated, i.e. remove, encase or managed. • Copies of all asbestos surveys and test certificates should be retained by the Housing Section and ideally stored electronically on a team shared drive. | <p>Implementation Date: 30/04/2017 The Director of Housing & Environmental Services will formally instruct the Housing Asset Manager and all staff within his Directorate to comply with the recommended action in this regard.</p> | <p>Status: Implemented All voids are now surveyed as part of the re-letting process. Given the current position, the plan is to actually re-survey all of the stock, firstly on an archetypal basis to produce a robust sample and then to extend this to the whole stock. A procurement exercise is taking place to appoint an external contractor to undertake the surveys to produce a robust sample, together with an action plan for further surveys and re-inspections. This work will cover the specific points highlighted in the recommended audit actions. The procurement exercise to appoint a contractor to undertake surveys and provide reports, etc. is nearing completion. As the current response states, some surveys have already been completed and there is a system in place for surveying voids. There isn't really a set implementation date now as the process will be on-going; I am advised that to complete all surveys, working through in priority order, will take up to 2 years and budgetary provision is being put in place. Given this, I consider that the principle embedded in the recommendations is being met and a proper process is being put in place.</p> |

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Moderate Risk

The information recorded on the Summary of Asbestos Registers spreadsheet was not being adequately maintained in order to provide sufficient control over the process.

13 We recommend that, in addition to storing copies of asbestos surveys and test certificates electronically, that the Housing Section also look into recording the asbestos related information on the Lifespan Asset Management System. This will then create a central location for all officers to search for the information and can be used to record details of the annual checks. Information contained within the existing Summary of Asbestos Registers spreadsheet should also be imported into Lifespan, if possible, to ensure the continued integrity of data.

The Director of Housing & Environmental Services will formally instruct the Housing Asset Manager and all staff within his Directorate to comply with the recommended action in this regard.

Implementation Date: 30/06/2017

Status: Implemented

This will be part of the exercise in recommendation 12. The Council will appoint the external contractor to provide a separate database, which can be integrated into the Housing Management system.

The procurement exercise to appoint a contractor to undertake surveys and provide reports, etc. is nearing completion. As the current response states, some surveys have already been completed and there is a system in place for surveying voids. There isn't really a set implementation date now as the process will be on-going; I am advised that to complete all surveys, working through in priority order, will take up to 2 years and budgetary provision is being put in place. Given this, I consider that the principle embedded in the recommendations is being met and a proper process is being put in place.

Low Risk

DLO Operatives had not received Non-Licensed Asbestos training which could compromise their health and safety and that of the tenants.

14 We recommend that all DLO Operatives who undertake works on Council properties receive Non-Licensed Asbestos training to ensure that their health and safety is not compromised during routine works or emergency call outs. Furthermore, this could negate the need for the Council to contract out non-licensed asbestos removal works* which could translate into cost savings. * where the Council undertake non-licences asbestos removal works they should either be licenced to carry hazardous waste or arrange the collection of the hazardous waste from site by a company licenced to deal with hazardous waste.

All DLO Operatives are now Asbestos Awareness trained. This now forms part of SDDC's annual training programme going forward. In addition to the above, 7 operatives are CAT B trained. They are qualified to work on Non Licensed work for vinyl tile removal, working with textured coatings, removal of textured coatings up to 1M² and removal of asbestos debris. The aim for 2017/18 is to have all Operatives trained as CAT B Operatives.

Implementation Date: 26/01/2017

Status: Implemented

Low Risk

Contractors were not being correctly challenged on defective works

15 We recommend that the Housing Section look to challenge any future defective works against the terms and conditions of the contractual documentation and not that of the Latent Defects Act, unless this act has been explicitly written into the contract. This does not preclude the Council from taking action outside of the warranty period, provided the issues were present within this timeframe. The Limitations Act 1980, states that this is within 6 years for a contract signed by hand and 12 years for a contract signed as a deed (under seal).

The Director of Housing & Environmental Services will formally instruct the Housing Asset Manager and all staff within his Directorate to comply with the recommended action in this regard.

Implementation Date: 31/01/2017

Status: Being Implemented

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.

Revised Action Date: 31/10/2017

South Derbyshire District Council – Whistleblowing Investigations Update

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| <p>Low Risk There was not an up-to date Whistleblowing Policy available on the Council's website</p> | <p>16 We recommend that the Confidential Reporting Policy, dated November 2010 and last updated July 2012, be removed from the Council's website and replaced with the latest Whistleblowing Policy & Procedure, dated April 2016. This will ensure that none Council employees are informed of the latest guidance and directed accordingly.</p> | <p>Actions already taken as recommended. Implementation Date: 26/01/2017</p> | <p>Status: Implemented</p> |
| <p>Whistleblowing Investigation 2 (Reasonable Assurance)</p> | | | |
| <p>Low Risk Signed Housing Contracts were not held in the custody of Legal Services.</p> | <p>1 We recommend that the Interim Director of Housing formally instruct all officers within the Housing Section that secondary copies should be taken of original signed contracts, either a hard copy or a scanned copy, for the purpose of reference. These copies should be taken at the earliest opportunity, with the original signed contracts returned to the custody of Legal services as soon as possible. This should ensure that the original signed contracts are readily available to the Council, should they be required at a later date.</p> | <p>Instructions will be sent to all Unit Managers across the Authority with regard to contracts and other documentation held in the custody of Legal Services. There will be a request for copies to be taken, with original documents being returned immediately. Implementation Date: 31/07/2017</p> | <p>Status: Implemented</p> |
| <p>Low Risk A formal process was not being followed for extending Housing Contracts</p> | <p>2 We recommend that the Housing Section do not allow any contract to simply roll on where there is an option to extend. A contract review should be undertaken and documented to demonstrate that it remains in the Council's best interests to continue with the contract. Where this is the case, the Contractor should be written to (before the original contract end date) with an offer to extend the contract, as per the option to extend. The formal offer and acceptance from the Contractor should be retained and a copy sent to Legal Services to be filed with the Contract. Where it is identified that a possible extension is not in the Council's best interests, or where the contract value has already been exceeded, the Council may not want to extend the Contract and should notify the Contractor accordingly. Again copies of all correspondence should be retained and sent to Legal Services to be filed with the Contract.</p> | <p>A system will be put in place to ensure that sufficient time is given to undertaking an evaluation of the benefits or otherwise of extending contracts. There does need however to be a recognition that retendering can itself lead to delays in the process. Implementation Date: 01/09/2017</p> | <p>Status: Being Implemented The system has been devised and is being used to evaluate existing contracts as they come up for renewal. Formal evidence of this process should be available by the end of October 2017. Revised Action Date: 01/11/2017</p> |
| <p>Low Risk A formal exemption had not been raised to cover the extension of a Housing Contract past its contract end date, i.e. where this exceeded a specified extension period that had already been applied.</p> | <p>3 We recommend that the Interim Director of Housing formally instruct all officers with the responsibility for managing contracts that where a contract is allowed to proceed past the final end date allowed under the contract, that a formal exemption should be agreed to officially recognise the situation. This should be prior to informing the Contractor of any extension and should therefore be undertaken in advance of any such end date</p> | <p>A process for doing so will be put into place which aligns with recommendation 2 above. Implementation Date: 01/09/2017</p> | <p>Status: Implemented</p> |

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| <p>Low Risk Contractual spend was not being adequately identified in the General Ledger to enable effective spend monitoring over Housing Contracts.</p> | <p>4 We recommend that the Housing Asset Manager liaises with the Financial Services Manager to review the existing methods for recording spend against contracts in the Financial Management System to ensure that this is being undertaken by the most effective means. It may be that the existing systems are sufficient, in which case the Housing Section need to conform to the requirement to accurately record the 'CE' contract number on the Payment Certificates. Should this not be the case, any new system agreed between Finance and Housing Services should be implemented as soon as possible to enable contract monitoring to commence as soon as practically possible.</p> | <p>The role Housing Asset Manager will not exist under the new structure so the recommendation will need to be accepted in relation to the relevant manager in the department. Regular contract monitoring meetings between the appropriate persons in the Finance and Housing services will be implemented.</p> | <p>Status: Being Implemented Whilst improved budget monitoring identifies capital/revenue committed and actual spend on a monthly basis, any further financial monitoring system improvements in the general ledger has been delayed. Meetings to review and improve the Financial Management Systems between Housing and Finance, have been scheduled over the next four weeks. It is expected that any new ways of working will be implemented by the end of October 2017.</p> |
| <p>Moderate Risk Annual contract reviews were not being undertaken by the Contract Managers, to monitor contract spend amongst other requirements, and we believe that certain Housing Contracts may be overspent.</p> | <p>5 We recommend that the Housing Section undertake annual contract reviews over all major Housing Contracts, in conjunction with the Head of Procurement, to ensure that these contracts are operating effectively, providing value for money and are not overspent against official contract values. This process should be formally documented and where issues are identified, appropriate remedial action(s) should be undertaken without undue delay.</p> | <p>Implementation Date: 01/09/2017 Reviews will be put into place to evaluate the contract performance, value for money and effectiveness based on the start dates of the individual contracts. This is separate from a need to have an ongoing multi-year programme that should be refreshed and reviewed regularly.</p> | <p>Revised Action Date: 31/10/2017 Status: Future Action</p> |
| <p>Moderate Risk Option appraisals and formal justifications had not been undertaken to demonstrate due process had been followed for the procuring of works.</p> | <p>6 We recommend that where a proportion of works required for future projects are not directly covered by the respective contracts, that all possible procurement routes be considered and documented in some form of options appraisal. For example, the use of other contracts/frameworks or seeking further quotes or tenders, dependant on the value of the works. Where the original Contractor considered for the works is deemed to be the most economically viable, i.e. the use of a single Contractor to undertake the works due to economies of scale, this should be clearly documented, along with formal justifications why other options were not considered to be appropriate, to demonstrate that an open and accountable process had been followed. A further consideration should also be given to the value of the additional works, i.e. those not expressly covered by the contract, to ensure that these are not in excess of 10% of the value of the overall works being undertaken. This process should also be documented and form part of the options appraisal. Where the value of 10% is exceeded, formal advice should always be sought from the Council's Procurement Section on how to proceed.</p> | <p>Implementation Date: 01/04/2018 The recommendation is accepted where such procurement provision isn't already covered by the contract/framework. It is expected that such variations from the norm of specific timed contracts will be kept to a minimum.</p> <p>Implementation Date: 01/09/2017</p> | <p>Status: Implemented</p> |

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Low Risk

A suitable Project Plan had not been drawn up, and properly approved, for the refurbishment works at Rowley Court.

7 We recommend that the Interim Director of Housing ensures that any specific project undertaken by the Housing Section, outside of the routine planned maintenance and/or responsive maintenance, have a specific Project Plan in place. Such a plan should incorporate, but not be limited to, the following:

- An evaluation of all of the different procurement routes that could be utilised for the awarding of works.
- Formal justification(s) identifying the reasons for choosing the preferred procurement route.
- Sign-off or endorsement by Senior Management to approve the process, prior to the engagement of any contractors.

It is not considered likely that these circumstances will occur often but if they do a specific project plan will be drawn up and if required a tender process will be put in place. If not a justification for that action will be provided.

Status: Implemented

Implementation Date: 01/09/2017

Low Risk

As a result of our findings, we consider that the Contract Procedure Rules may require further clarification in respect of on-going contract management.

8 We recommend that the Head of Procurement reviews the Council's Contract Procedure Rules with a view to strengthening the rules concerning on-going contract management. This may help to prevent some of the weaknesses identified earlier in this report from reoccurring.

For completeness, the CPR will be reviewed against the 7 recommendations, in particular those relating to contract management.

Status: Implemented

Response from KS - 5 Sept 17
I have reviewed the CPRs and agreed changes to sections 22 and 23. I have asked for the amended document to be uploaded to the website and when this has been done, a briefing note will be sent out to Managers explaining the changes with a general reminder about the overall CPRs.

Implementation Date: 31/08/2017