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Our Ref: DS

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Date: 20 May 2019

Dear Councillor,

**Audit-Sub Committee**

A Meeting of the **Audit-Sub Committee** will be held in the **Council Chamber (Special)**, on **Wednesday, 29 May 2019 at 16:00**. You are requested to attend.

Yours faithfully,



Chief Executive

To:- **Conservative Group**

Councillor Whittenham (Chairman), Councillor Atkin (Vice-Chairman) and Councillor Churchill

**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 March 2019 Open Minutes **4 - 8**
- 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 **9 - 23**
- 7 INTERNAL AUDIT PROGRESS REPORT **24 - 40**
- 8 INTERNAL AUDIT ANNUAL REPORT 2018/19 **41 - 61**
- 9 LOCAL CODE OF CORPORATE GOVERNANCE REVIEW 2019/20 **62 - 77**
- 10 ANNUAL GOVERNANCE STATEMENT 2018/19 **78 - 95**
- 11 ANTI-FRAUD AND CORRUPTION PLAN 2019/20 **96 - 103**
- 12 COMMITTEE WORK PROGRAMME **104 - 107**

### **Exclusion of the Public and Press:**

- 13 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.

- 14** To receive any Exempt questions by Members of the Council pursuant to Council procedure Rule No. 11.

AUDIT SUB-COMMITTEE

20<sup>th</sup> March 2019

**PRESENT:-**

**Conservative Group**

Councillor Grant (Chairman), Councillor Atkin (Vice-Chairman) and  
Councillor Stanton

**Labour Group**

Councillor Dunn and Shepherd

AS/41 **APOLOGIES**

Apologies for absence were received from Mr S Clarke (External Auditor).

AS/42 **MINUTES**

The Open Minutes of the Meeting held on 19<sup>th</sup> September 2018 and 12<sup>th</sup> December 2018 were taken as read, approved as a true record and signed by the Chairman.

In relation to Minute No. AS/37 of the 12<sup>th</sup> December 2018 Meeting, Councillor Shepherd raised he had requested it to be recorded he had asked the Chairman if the Core Principals set out in the report included members of the public.

Abstention: Councillor Stanton

AS/43 **DECLARATIONS OF INTEREST**

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

AS/44 **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/45 **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/46 **LOCAL GOVERNMENT AUDIT COMMITTEE BRIEFING**

The External Auditor presented the report to the Sub-Committee, directing the Committee to the key components of the report, which were questions the Council should be considering of auditors, and the Transparency Report, which detailed the Financial Reporting Council's audit of the firm.

The Chairman reported to the Sub-Committee the key questions as detailed within the report had been considered and discussed with the Strategic Director (Corporate Resources).

**RESOLVED:-**

***The Sub-Committee considered and noted the report of the External Auditor.***

AS/47 **INTERNAL AUDIT PROGRESS REPORT**

The Internal Auditor presented the report to the Sub-Committee outlining progress within the Audit Plan and outstanding recommendations. The Internal Auditor identified key issues and relayed the feedback from across each dashboard, noting 51% of audits having been fully completed.

Councillor Dunn queried why the recommendations within the follow-up to the whistleblowing were not detailed within the report. The Internal Auditor responded that the recommendations have previously been brought to the Sub-Committee and the single outstanding recommendation will have been addressed by 1<sup>st</sup> April 2019, when a contract is due to commence. It was noted any weaknesses identified during the investigation, which were applicable matters for the Sub-Committee, had been brought to Member's attention as recommendations. The Internal Auditor further noted protection towards the whistle-blower and any subsequent HR implications had been dealt within relevant policies. Members noted further transparency around procedural actions in relation to the fall-out of the whistleblowing would have been welcomed, along with an understanding of the accusations made.

The Internal Auditor noted information and evidence had been received that the Parks and Open Spaces Audit had been addressed

The Chairman disagreed with the decision the Parks and Open Spaces Audit had been fully addressed given the action plan for improvement, developed following the risk assessment audit, had not yet materialised. He was concerned Parish Councils were not made aware a Play Audit had been due

to be carried out and the parameters of the audit were not clear. He was unsure if it had been fully established which play areas were the responsibility of the Council or the relevant Parish. He was highly concerned that without a robust inspection programme and recording system, this could present risks for the Council. The Chairman further stated an officer was requested to attend the Sub-Committee to account for the current progress and he was not satisfied with the Parks and Open Spaces Audit being marked as fully addressed without responsibility over play areas being established.

The Internal Auditor responded to the Chairman's comments, noting it was down to the specific officer to direct his concerns to. The initial recommendation was for a risk assessment to be completed to identify hazards, which has been completed. Any subsequent findings would need to be raised with the specific officer responsible as the original identified weakness has been addressed.

It was noted by the Sub-Committee concerns regarding the subsequent actions from the Parks and Open Spaces Audit could be raised to the Finance and Management Committee, to be recommended to the Environmental and Development Services Committee to follow-up.

**RESOLVED:-**

***The Sub-Committee 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/48

**CERTIFICATION OF CLAIMS AND RETURNS ANNUAL REPORT 2017/2018**

The External Auditor presented the report to the Sub-Committee, noting the report covers work completed around Housing Benefits Subsidy Claims and pooling of housing capital receipts. The External Auditor highlighted errors within calculation of claims were decreasing and improvements had been shown within Revenue and Benefits.

Councillor Shepherd queried if the recommendations as stipulated within the report had been discussed with the Strategic Director (Corporate Resources) and were due to be actioned. The External Auditor explained the recommendations had been discussed and would be met by the April deadline to be within the 2018/19 claim.

Councillor Atkin noted a deadline had not been identified for the high priority recommendation. The External Auditor clarified the recommendation related to reoccurring common errors and is due to staff training and cannot be addressed by a fixed point; a quality assurance process needs to be secure.

**RESOLVED:-**

***1.1 The Sub-Committee considered the Claims and Returns Report for 2017/18 and noted the recommendations, together with management actions as detailed in Section 5 of the Auditor's Report.***

AS/49 **AUDIT PLANNING REPORT FOR THE YEAR ENDING 31 MARCH 2019**

The External Auditor presented the report to the Sub-Committee, drawing Members' attention to the Council's arrangement to secure value for money and a new identified risk in relation to financial statements, due to new accounting standards.

**RESOLVED:-**

***1.1 The Sub-Committee considered the proposed Audit Plan for the year ending 31 March 2019 and approved the proposed approach to undertaking audit work for the year.***

AS/50 **PROPOSED INTERNAL AUDIT PLAN 2019-2020**

The Internal Auditor presented the report to the Sub-Committee, noting the report was the proposed body of work to be conducted over the next financial year; the proposed audit plan was detailed in Appendix A of the report. The Internal Auditor also noted the report contained the Internal Audit Service Charter, which detailed the standards and approach the Council can expect from the auditing service and the organisation was a separate entity from the Council.

**RESOLVED:-**

***1.1 The Sub-Committee considered and approved the proposed Internal Audit Plan for 2019/20, subject to any changes agreed by the Committee.***

AS/51 **COMMITTEE WORK PROGRAMME**

**RESOLVED:-**

***Members considered and approved the updated work programme with the amendment***

AS/52 **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.***

**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 5.25PM.

COUNCILLOR J GRANT

CHAIRMAN



<b>REPORT TO:</b>	<b>AUDIT SUB-COMMITTEE (SPECIAL)</b>	<b>AGENDA ITEM: 6</b>
<b>DATE OF MEETING:</b>	<b>29<sup>th</sup> MAY 2019</b>	<b>CATEGORY: DELEGATED</b>
<b>REPORT FROM:</b>	<b>EXTERNAL AUDIT</b>	<b>OPEN</b>
<b>MEMBERS' CONTACT POINT:</b>	<b>JASON BURGESS</b> <a href="mailto:Jburgess3@uk.ey.co">Jburgess3@uk.ey.co</a>	<b>DOC:</b> u/ks/audit/EY/committee briefings/quarterly update cover
<b>SUBJECT:</b>	<b>LOCAL GOVERNMENT AUDIT COMMITTEE BRIEFING: QUARTER 1 ENDING MARCH 2019</b>	
<b>WARD(S) AFFECTED:</b>	<b>ALL</b>	<b>TERMS OF REFERENCE: AS 01</b>

## **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 supporting the Council in an environment that is constantly changing and evolving. It covers issues which may have an impact on the Council, the wider local government sector and the audits that are undertaken.

## **3.0 Detail**

- 3.1 The Briefing is attached separately to the report. The key questions are detailed on Page 9 of the Briefing and include matters relating to:

- The UKs exit from the EU.
- The risk of borrowers' default on investments
- Homelessness
- The Local Government Financial Settlement 2019/20
- Governance
- Accounting Standard on Leases
- Streamlining local authority accounts

- Financial resilience of local authorities

#### **4.0 Financial Implications**

4.1 None

#### **5.0 Corporate Implications**

5.1 None directly

#### **6.0 Community Implications**

6.1 None directly



# Local Government Audit Committee Briefing

Quarter 1, March 2019



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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.

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It covers issues which may have an impact on your organisation and the Local Government sector as a whole.

This briefing is produced by our national Government and Public Sector (GPS) team, using our public sector knowledge, and EY's wider expertise across UK and international business.

This briefing brings together not only technical issues relevant to the Local Government sector but also 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 Club Item

The EY ITEM Club's winter forecasts describe the UK economy as being 'mired in a Brexit fog'. The uncertainty arising from the lack of clarity around the timing and nature of the UK's withdrawal from the EU, along with the associated downside economic risks, contribute to a relatively gloomy outlook for the UK economy. This, in turn, has a number of significant consequences when applying a local government focus.

UK GDP grew 1.4% in 2018; the smallest rise since 2009. Under the assumption that the UK leaves the EU with a deal, growth is predicted to increase marginally to 1.5% in 2019, whilst a 'no-deal' scenario is projected to yield just 0.7% growth in 2019 (although there is significant uncertainty around this forecast). The initial economic shock, coupled with the current lack of capital investment and expected reduced migration, would adversely impact the level of UK economic activity in the long term.

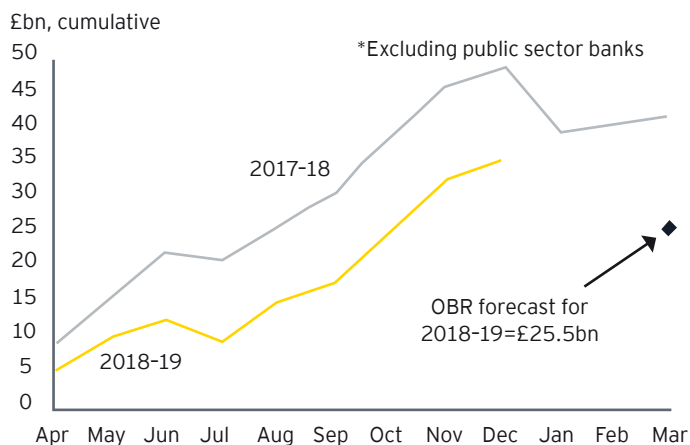
### Continued improvement to Public Sector Net Borrowing has not reversed the trend of rising local authority debt

Despite the UK's relatively slow recent economic growth, public finances have seen substantial year-on-year improvement over the fiscal year 2018/19 so far. This has continued the recent consistent pattern of the budget deficit – measured in terms of Public Sector Net Borrowing excluding banks (PSNBex) –

coming in below the projections made by the Office for Budget Responsibility (OBR).

This has led the OBR to substantially revise down its forecasts for underlying government borrowing over the medium term. However, local authorities are continuing to take advantage of the powers granted under the Localism Act, allowing them to apply to borrow money cheaply from central government and provide capital support to LATCOs and Housing Associations. This has seen annual borrowing by local authorities double in just two years to £10bn in 2017/18, with total outstanding local authority debt approaching £100bn. Many local authorities are thereby exposed to the risk of a borrower defaulting, or a fall in asset prices if they have utilised debt to fund such acquisitions, a risk that is exacerbated by Brexit. This is substantiated by increased borrowing activity from the PWLB; the February 2019 rolling year to date figure borrowed from PWLB stands at £8.2bn, compared to £4.4bn at the same point in 2018. Whilst a number of local authorities are using the capital to fund integral activities such as regeneration schemes, a number are also restructuring their financing through converting shorter term debt into longer term borrowing.

**Figure 1: UK – Public sector net borrowing**



Source: EY ITEM Club

## Public sector investment may form a crucial component in revitalising the economy

Whilst rhetoric from the government has suggested 'an end to austerity', few firm commitments have been made to provide further funding to local government. However, the impact of Brexit, along with the need to deliver a number of core policy pledges (especially focused towards housing, regeneration and public health), may see an increase in public sector investment in the years ahead. Private consumption and investment is likely to be below the levels they otherwise would be, and public spending could contribute to making up this shortfall.

In addition to increasing consumer confidence, this may help to offset the effects of an anticipated interest rate rise in 2019, which – all else equal – would be expected to encourage saving and reduce consumption and investment in the short term.

## Homelessness is at record levels

In a single night in autumn 2018, 4,677 people were counted or estimated to be sleeping rough across England. This represents an increase of 65% since 2010. Other sources, such as the charity Crisis, suggest that the true number may be much higher.

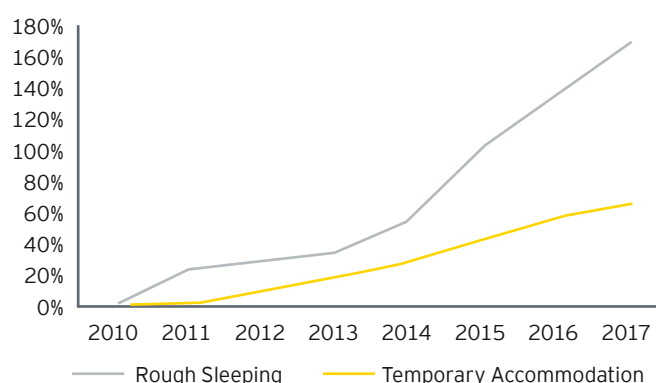
The task increasingly falls on local authorities to find new ways to deal with the growing problem of homelessness. The Homelessness Reduction Act 2017 introduced new duties to provide prevention and relief for homelessness for anyone eligible for public funds – not just those who are unintentionally homeless and have priority needs.

Rough sleeping is just one form of homelessness. On 30 June 2018, 82,310 households were in temporary accommodation.

There are also likely to be many families living in unsuitable housing, sofa surfing, or staying with family and friends.

The most common reason for homelessness is the end of private tenancy. Tenancies can end for a range of reason; often the cause is the tenant becoming unable to pay their rent – either because their income (from benefits or work) decreases, joint incomes being split through separation, or rising rental costs.

**Figure 2: %Increase in Homelessness, England 2010-2017**



Source: MHCLG Homelessness Data ([www.gov.uk](http://www.gov.uk))

## Rent controls may ease affordability

What can be done to make housing more affordable? One possible solution is rent controls. By capping rents – or increases to rents – rent controls can reduce the costs of housing for tenants whilst preventing landlords from making excessive profits. Recently, there been calls for the Government to devolve the power to implement rent controls to local authorities, enabling them to set controls at the level required by the area.

The main argument against rent controls is that they distort the market. Those fortunate to be housed benefit from lower rents, but supply drops, making it harder to find housing in the first place. Providing rental properties becomes less attractive to landlords and developers; they may choose to invest less in maintaining or upgrading properties or sell them, reducing the size of the rental market.

Opponents to rent controls also argue that they discourage investment, reducing the quality of rental homes, and lead to more ancillary costs being passed on to tenants. Supporters, on the other hand, argue that the rental market is already distorted. Under this line of argument, landlords have market power through monopolistic competition that allows them to restrict the numbers of homes available, driving up the price (and their profits). By pushing the price back down, rental controls would force landlords to seek profits through increasing supply instead.

## Ultimately, more homes are needed – and soon

The underlying problem with rent controls is that they focus on the symptom, not the cause. In order to address the housing shortage and reduce homelessness, local authorities need to focus on increasing housing supply.

Last year, the Government removed Housing Revenue Account borrowing caps, enabling district and unitary councils to finance more new developments. Only one in ten such authorities built any homes last year. Of the 340,000 new homes estimated to be needed in 2017/18, only 222,000 were built. A rapid shift toward large-scale house building is now possible, but it requires boldness and ambition – and a willingness to tackle the negative associations of council housing.

The house-building market is dominated by a small number of large firms, and some argue that reducing barriers to entry could help stoke competition. Releasing smaller plots of public land could help small builders enter the market and subsidies or policy intervention could encourage the introduction of innovative, new construction techniques. Other ideas include intervening where properties have not been occupied for large periods or supporting community-led housing groups. With Brexit likely to compound problems in the housing market, it's imperative that local authorities take positive action now.

## 2019/20 Local Government Settlement

On 29 January the Government confirmed the Local Government Finance Settlement for 2019/20. The settlement is the annual determination of funding allocations from central government to local government.

Key elements of the finance settlement include:

### Council Tax

Authorities will be able to increase council tax for 2019/20 up to a maximum of 3% without the need for a local referendum. For shire district authorities, a higher limit of either 3% or £5 on a Band D bill applies. In addition, social care authorities are allowed to increase council tax by a further 2% (provided that the precept does not exceed a maximum of 6% increase over the three year period from 2017/18 to 2019/20). During consultation, the preference of many local authorities was for the council tax referendum level to be removed altogether, however the view of the government is that this level of flexibility should be sufficient to address local needs, whilst protecting households from excessive increase in council tax.

### Business Rates

£180 million surplus in the business rates levy account was achieved in 2018/19 and will be distributed to authorities based on the local authority's 2013-14 Settlement Funding Assessment. The Secretary of State confirmed the aim to introduce 75% Business Rate Retention for all local authorities from 2020/21. Fifteen local authorities, London boroughs and the City of London Corporation will pilot certain aspects of the 75% Business Rate Retention scheme in 2019/20 prior to full implementation in 2020/21.

### Social Care

The Government has confirmed £240 million of adult social care winter pressures funding in both 2018/19 and 2019/20. Local authorities will also receive an additional £410mn social care grant in 2019/20 to support both adult and children's social care services. This grant is aimed at preventing additional demand on the NHS.

### New Homes Bonus

The payment threshold for New Homes Bonus will remain unchanged at 0.4%. This threshold represents the baseline housing growth required by central government to qualify for New Homes Bonus funding. Central government will be providing an additional £18 million to allow this baseline to remain unchanged.

On top of these financial measures, the Government also announced that it was developing a package of support to help councils become more efficient and achieve better service outcomes. A continuous improvement tool is expected to be launched in Spring 2019.

The Government also confirmed that it is likely to implement the Fair Funding Review in April 2020. This review will impact how funding is allocated and distributed across local authorities. It is expected the review will focus on population, deprivation and sparsity as the main cost drivers. The government closed consultation on how the fair funding review will work in practice on 21 February 2019. The areas of focus in the consultation included options to implement a relative needs assessed funding formulae and options to measure the council tax base.

The Local Government Association (LGA) has responded to the finance settlement by stating that, overall, local authorities will still face a £3.2bn funding gap during 2019/20. The finance settlement saw some welcomed extra funding in relation to social care; however this one off funding is not an answer to the long term sustainability of the social care sector. This settlement is the final year of the existing four year offer. The LGA has raised concerns that there is no clarity over funding levels after March 2020, which hampers meaningful financial planning.





The Chartered Institute of Public Finance and Accountancy (CIPFA) has responded to the settlement by calling on central Government to consider policy options for longer term reform in order to increase financial sustainability across the local government sector, including fire and police bodies.

Additionally, CIPFA have welcomed the Secretary of State's concern over some local authorities that are borrowing in advance of need to purely create profit which does not 'sit right' with the council's obligation to be prudent and the primary purpose to deliver services. It is estimated that over the past two years local authorities have in total spent £1.8bn on investment properties. This is a six times increase compared to 2013/14 levels of spending. Returns from investment properties are exposed to the volatility of market conditions. This introduces a level of risk into local authority budgets, as authorities may become over reliant on rental income to finance services for the public. There is an even greater risk if the initial investment was financed through borrowing; if the markets were to take an unfavourable turn, then it would be left to the council tax payers to foot the bill. It is for this reason that CIPFA has urged authorities to take a balanced and proportional approach to commercial ventures.

## Council Tax Increases for 2019/20

Local authorities have established their annual budget for the 2019/20 financial year beginning 01 April 2019. An integral part of setting a balanced budget is the determination of the appropriate level of council tax. Council tax is a key source of funding for local authorities.

CIPFA has conducted a Council Tax Survey based on responses from 312 local authorities in England. The results of the survey concluded that 80% of authorities increased council tax by the maximum amount allowable of 2.99% without triggering a local referendum. The average band D council tax bill for English authorities increased by £75.60, equivalent to 4.5%, for 2019/20. This is the second largest increase of council tax that has occurred in the previous ten years.

The CEO of CIPFA has commented that the extent of council tax increases is a reflection of the 'incredible fiscal pressure' faced by local authorities. CIPFA has called on central Government to take decisions to secure the future funding of local authorities as 'council tax is regressive, and increasingly divorced from the reality of property values'.



# Accounting, auditing and governance

## NAO report: Local Authority Governance

The National Audit Office (NAO) has published a report on local authority governance. The report examined the pressures faced by local government governance systems, the extent to which local governance arrangements function as intended and whether the Ministry of Housing, Communities and Local Government (MHCLG) is fulfilling its responsibilities as steward of the system.

Key findings of the report were that:

- ▶ The risk profile faced by many local authorities has increased due to reduced spending power, increased demand for services and increased commercial activity in order to generate new income streams. External auditors have indicated that risk profiles were 37% higher in 2017/18 as a result of these activities.
- ▶ Effective governance arrangements are important to ensure financial control at times of financial pressure. Local authorities are accountable to their communities on how monies are spent and ensuring that spending represents value for money. Good governance means that proper arrangements are in place to ensure effective budgetary control and budget setting scrutiny.

- ▶ Concerns have been raised by external audit firms on the effectiveness of internal checks and balances; including the effectiveness and sustainability of internal audit, governance arrangements and the adequacy of risk management processes.
- ▶ Over half of section 151 officers requested greater focus from external audit on value for money conclusion and less on capital assets.
- ▶ MHCLG has the ability to intervene where it has concerns over governance arrangements; however the process for engagement is not transparent.

The NAO report recommended that MHCLG should adopt a stronger leadership role to oversee and coordinate the key aspects of the governance framework.

CIPFA's Chief Executive Officer welcomed the report stating that no authority should remain complacent with their current governance arrangements, given the significant financial and delivery challenges authorities face. The report also found that while 87% of s151 officers who report directly to the Chief Executive responded as they were able to provide unfettered advice to the senior leadership team, this dropped to 52% where

s151 officers who responded as not having a clear reporting line. CIPFA has called for all s151 officers to be placed in a position where they can directly report any concerns they may have to the senior leadership team.

## Accounting Standard IFRS 16: Leases – change of timetable

The Government's Financial Reporting Advisory Board (FRAB) has decided to defer the implementation of the new Accounting standard IFRS 16 Leases until 01 April 2020, which is one year later than originally intended. The CIPFA/LASAAC Local Authority Accounting Code Board has similarly agreed to delay the implementation of IFRS 16 in the Local Government Code of Practice until 01 April 2020 for local government bodies. This decision was made to avoid the additional work load caused by the Whole of Government Accounts data collection process and to finalise the approach relating to the subsequent re-measurement of right-of-use assets.

CIPFA/LASAAC have encouraged local authorities to continue to progress their plans for the implementation of the new standard including to ensure that local authorities have the appropriate information, processes and systems in place.

## CIPFA: Streamlining of the accounts

CIPFA, in conjunction with the Society of London Treasurers and external audit firms, has prepared guidance for local authorities, aimed at chief finance officers and heads of finance, on how to streamline the authority's annual financial statements; including the year end closure processes and format of the published financial statements.

Aspects covered by the guidance include using materiality to avoid key messages being obscured by excess detail, reviewing accounting policies so that only relevant information is included and consideration of the presentation and layout of the financial statements themselves.

The key benefits to local authorities for stream lining their financial statements and year end closure processes include:

- ▶ More accurate in year information.
- ▶ Reduced time to prepare the accounts.
- ▶ Enhanced reputation of the finance function.
- ▶ Smoother external audit process.

The report includes guidance on how to prepare working papers with sufficient and appropriate audit evidence, which will inevitably reduce delays/issues during the external audit process and a pre-audit checklist on the draft year-end accounts.

This guidance is available free from CIPFA's website and is based on information as per Public Sector Accounts Workshops.







## Regulation news

### Financial Resilience in English Authorities

CIPFA have released a briefing on the financial resilience index for local authorities in England. The index provides aggregated statistics on councils across a range of indicators including 'change of reserves', 'council budget flexibility' and 'reserves depletion time'. A beta version of the tool has been shared with authorities.

The index indicated that the majority of authorities had a stable financial position and were not showing signs of potential risk to their financial stability. This demonstrates that the majority of authorities have shown effective financial management in a challenging context given the pressures that authorities have faced in the past years and continue to face.

However, approximately 10-15% of authorities showed signs of risk to their financial stability. CIPFA have stated that they will

discuss professional support to the Chief Finance Officer's of the authorities affected. CIPFA believes timely, transparent and clear advice to these authorities, can be effective in stabilising these authorities before it is too late.

The NAO has also recently developed a financial sustainability visualisation tool based on the data published by MHCLG over the past seven years. The tool is useful to clearly visualise trends within the local government sector by individual authority. The NAO has highlighted that whilst the data in the visualisation can provide a relevant assessment of the financial sustainability of individual authorities it by no means represents a full assessment. The purpose of the tool is to facilitate comparison between individual authorities or groups of authorities.

# Key questions for the Audit Committee

## EY Club Item

Is your authority prepared for the different scenarios on the UK's exit from the EU?

Is your authority exposed to risk of borrowers' default, if there is a fall in asset price?

How is your local authority dealing with the growing problem of homelessness?

## 2019-20 Local Government Settlement

Has your authority considered the impact of the 2019-20 finance settlement? How has this been reflected in budget setting and medium term financial planning?

Does your authority have a balanced and proportionate approach to commercialisation ventures?

Has your authority considered the potential impacts from the Government's Fairer Funding Review, and if so what those impacts will have on your authority?

## NAO report: Local Authority Governance

Is your authority satisfied that appropriate governance arrangements are in place?

Does your s151 officer have the ability to raise concerns directly with the senior leadership team of the authority?

## Accounting Standard IFRS 16 Leases

What plans does the authority have in place to ensure it will be ready to implement the IFRS 16 new accounting standard when it becomes effective on 1st April 2020? Does the authority have the appropriate information, processes and systems in place?

## CIPFA: Streamlining of the accounts

How has the authority reflected on the first year (2017-18) of the faster close accounts deadline?

How has the authority considered what improvements and efficiencies can be achieved for the current year (2018-19)?

Has the authority reviewed how it can streamline its financial statements and year end closure processes?

## Financial Resilience in English Authorities

What was the outcome of CIPFA's financial resilience index for your authority? What are the medium term risk to financial resilience of your authority?

Has your authority used the NAO's financial stability visualisation tool to identify the risks to financial stability compared to similar authorities?

# Find out more

## EY Club Item

<https://www.ey.com/uk/en/issues/business-environment/financial-markets-and-economy>

## 2019-20 Local Government Settlement

<https://www.gov.uk/government/speeches/final-local-government-finance-settlement-2019-to-2020-written-statement>

<https://www.local.gov.uk/parliament/briefings-and-responses/provisional-local-government-finance-settlement-201920-day>

<https://www.cipfa.org/about-cipfa/press-office/latest-press-releases/cipfa-responds-to-the-provisional-local-government-finance-settlement-201920>

<https://www.thebureauinvestigates.com/stories/2018-12-04/councils-borrow-billions-to-buy-real-estate>

## Council Tax Increases for 2019/20

<https://www.cipfa.org/about-cipfa/press-office/latest-press-releases/council-tax-increases-in-england-to-be-second-highest-in-10-years>

## NAO report: Local Authority Governance

<https://www.nao.org.uk/report/local-authority-governance-2/>

<https://www.cipfa.org/about-cipfa/press-office/latest-press-releases/cipfa-response-to-nao-report-on-local-government-governance>

## Accounting IFRS 16: Leases – change of timetable

<https://www.cipfa.org/policy-and-guidance/technical-panels-and-boards/cipfa-lasaac-local-authority-code-board>

## Financial Resilience in English Authorities

<https://www.cipfa.org/about-cipfa/press-office/latest-press-releases/cipfa-releases-briefing-on-financial-resilience-index>

<https://www.nao.org.uk/highlights/financial-sustainability-of-local-authorities-2018-visualisation/>

## CIPFA: Streamlining of the accounts

<https://www.cipfa.org/policy-and-guidance/technical-panels-and-boards/local-authority-accounting-panel>

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ED None

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<b>REPORT TO:</b>	<b>AUDIT SUB COMMITTEE (SPECIAL)</b>	<b>AGENDA ITEM: 7</b>
<b>DATE OF MEETING:</b>	<b>29<sup>th</sup> MAY 2019</b>	<b>CATEGORY: RECOMMENDED</b>
<b>REPORT FROM:</b>	<b>AUDIT MANAGER</b>	<b>OPEN</b>
<b>MEMBERS' CONTACT POINT:</b>	<b>ADRIAN MANIFOLD (01332 643281)</b> <a href="mailto:adrian.manifold@centralmidlandsaudit.co.uk">adrian.manifold@centralmidlandsaudit.co.uk</a>	<b>DOC:</b> u/ks/audit/internal audit/quarterly reports/quarterly report cover
<b>SUBJECT:</b>	<b>INTERNAL AUDIT PROGRESS REPORT</b>	<b>REF:</b>
<b>WARD(S) AFFECTED:</b>	<b>ALL</b>	<b>TERMS OF REFERENCE: AS 02</b>

## **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 the period covering March and April 2019 up to the date of this report.

## **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: 29<sup>th</sup> May 2019



South Derbyshire  
District Council



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## Our Vision

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

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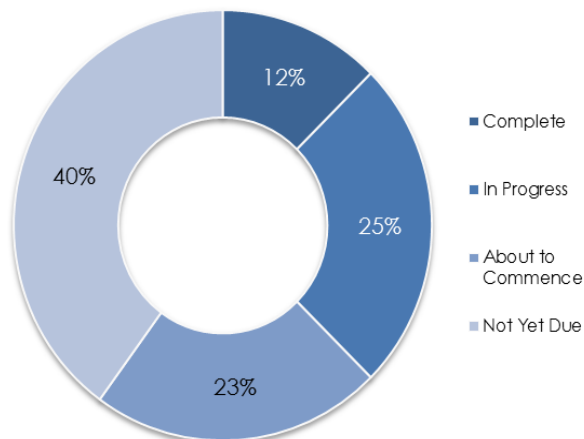


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# South Derbyshire District Council – Audit Progress Report

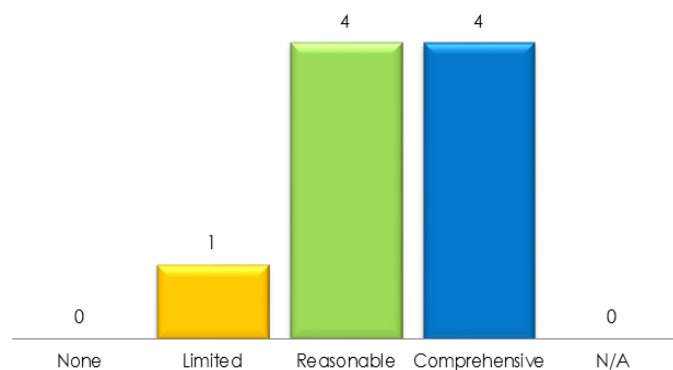
## AUDIT DASHBOARD

### Plan Progress



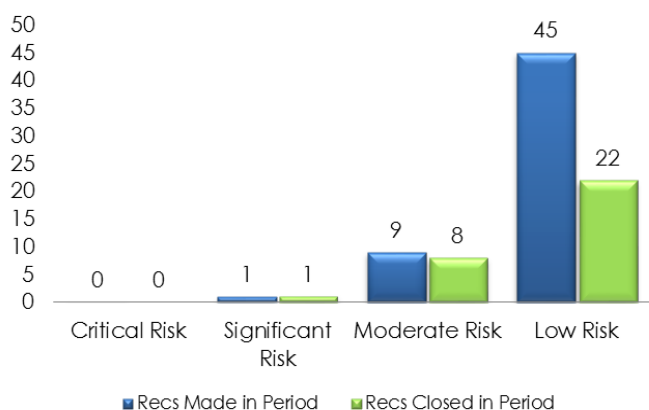
### Jobs Completed in Period

#### Control Assurance Ratings During Period



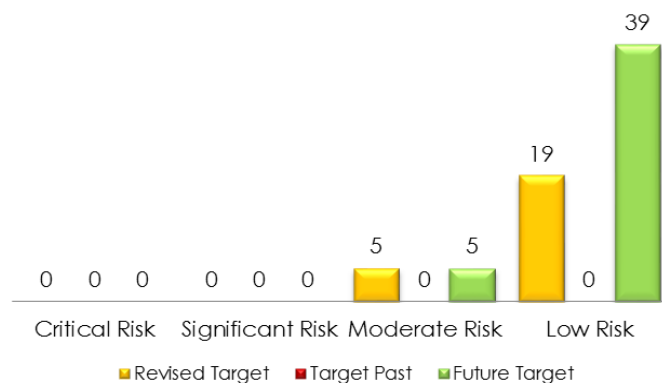
### Recommendations

#### Movement During Period



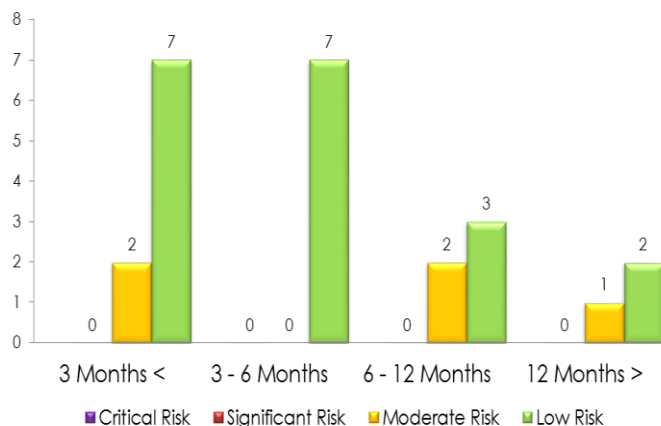
### Recommendations

#### Recommendations Currently Open



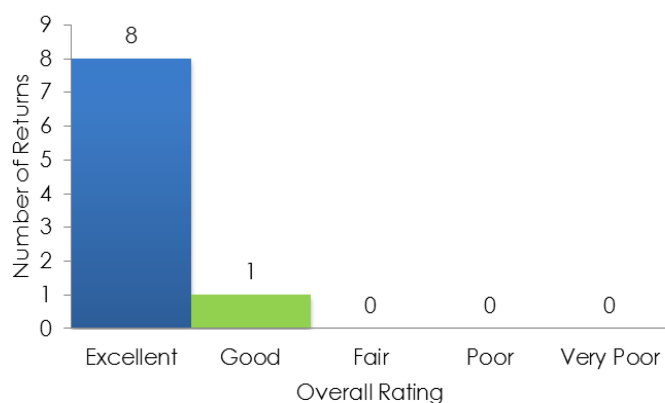
### Recommendations

#### Overdue Recommendations



### Customer Satisfaction

#### Returns Between May 18 & Apr 19



## South Derbyshire District Council – Audit Progress Report

### AUDIT PLAN

#### Progress on Audit Assignments

The following tables provide Audit Sub-Committee with information on how audit assignments were progressing as at 30<sup>th</sup> April 2018.

2019-20 Jobs	Status	% Complete	Assurance Rating
Significant Contracts	Not Allocated		
Main Accounting System 2019-20	Not Allocated		
Treasury Management 2019-20	Not Allocated		
Banking Services 2019-20	Allocated	10%	
Payroll 2019-20	Not Allocated		
Officers Expenses & Allowances 2019-20	In Progress	20%	
Creditors 2019-20	Not Allocated		
Fixed Assets 2019-20	Allocated	5%	
Revenues Systems 2019-20	Not Allocated		
Cashiering 2019-20	In Progress	30%	
Housing Benefit & Council Tax Support 2019-20	Not Allocated		
Anti-Fraud & Corruption 2019-20	Allocated	10%	
IT Applications	Not Allocated		
IT Infrastructure	Not Allocated		
Project Management	Not Allocated		
Business Change & Transformation	Not Allocated		
Data Quality & Perf. Management 2019-20	Allocated		
Rent Accounting 2019-20	In Progress	20%	
Former Tenants Arrears 2019-20	Allocated		
Council House Sales - Right To Buy 2019-20	Allocated	5%	
Grounds Maintenance	Not Allocated		
Improvement Grants (Disabled Facilities Grant)	Not Allocated		
Bereavement Services 2019-20	Not Allocated		
Electoral Services 2019-20	Not Allocated		
Economic Development 2019-20	Not Allocated		

B/Fwd Jobs	Status	% Complete	Assurance Rating
Information Governance	In Progress	45%	
Capital Programme	Allocated	0%	
Payroll 2018-19	Draft Report	95%	
Creditors 2018-19	Final Report	100%	Reasonable
Revenue Systems 2018-19	Final Report	100%	Comprehensive
Housing Benefit & Council Tax Support 2018-19	Draft Report	95%	
File Server Security	Final Report	100%	Reasonable
Development Control	Allocated	5%	
Food Safety 2018-19	Draft Report	95%	
Sport & Health Funding	Allocated	10%	
Rosliston Forestry Centre	Draft Report	95%	
Planned & Responsive Maint. - Public Buildings	In Progress	40%	
Housing Safety Inspections	Fieldwork Complete	80%	
Community Safety Partnership 2018-19	In Progress	75%	
Corporate Governance 2018-19	Fieldwork Complete	90%	

## South Derbyshire District Council – Audit Progress Report

### AUDIT COVERAGE


#### Completed Audit Assignments

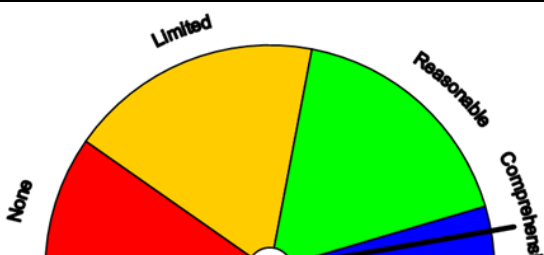
Between 1st March 2019 and 16<sup>th</sup> May 2019, the following audit assignments have been finalised since the last Progress Report was presented to this Sub-Committee.

Audit Assignments Completed in Period	Assurance Rating	Recommendations Made				% Recs Closed
		Critical Risk	Significant Risk	Moderate Risk	Low Risk	
Street Cleansing 2018-19	Comprehensive				2	50%
Fleet Management	Reasonable				8	50%
Treasury Management 2018-19	Comprehensive				2	100%
Orchard IT Application	Limited			3	15	6%
File Server Security	Reasonable			4	5	44%
Revenue Systems 2018-19	Comprehensive				4	0%
Creditors 2018-19	Reasonable		1	1	4	50%
Housing Benefit & CTax Support 2018-19	Comprehensive				2	0%
Food Safety 2018-19	Reasonable			1	3	0%

Street Cleansing 2018-19		<p>Assurance Rating</p>			
Control Objectives Examined	Controls Evaluated	Adequate Controls	Partial Controls	Weak Controls	
The process for fixed penalty notices complies with legislation, is subject to review and is communicated to all relevant parties.	2	1	0	1	
Procedures are in place to manage the fixed penalty notice process and test that actual practice follows procedure.	5	4	1	0	
To test if the Council have a policy and procedures in place to manage the prosecution of offenders for non payment of fixed penalty notices.	4	3	1	0	
<b>TOTALS</b>	<b>11</b>	<b>8</b>	<b>2</b>	<b>1</b>	
<b>Summary of Weakness</b>		<b>Risk Rating</b>	<b>Agreed Action Date</b>		
There were differences in the information available on different parts of the Council's website (and with the Fixed Penalty Notices Procedures Manual) and the Council was not complying with Government requirements with regard to the disclosure of information.		Low Risk	Implemented		
The Fixed Penalty Notice Quality Procedures Manual contained errors and omissions that undermined its purpose of providing direction and control to the Fixed Penalty Notice process.		Low Risk	01/03/2019 Being Implemented 31/05/2019		

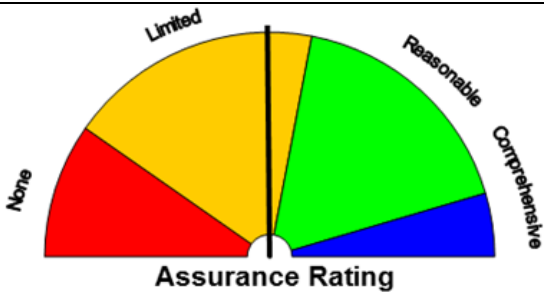
## South Derbyshire District Council – Audit Progress Report

Fleet Management	 <p>Assurance Rating</p>			
Control Objectives Examined	Controls Evaluated	Adequate Controls	Partial Controls	Weak Controls
There are up-to-date Fleet management strategy, relevant policies and procedures in place, appropriately communicated to staff	3	0	2	1
The Council is compliant with undertakings of the Operator's Licence	4	3	0	1
Comprehensive records on all vehicles and drivers are maintained	4	1	0	3
Vehicles are serviced and inspected in accordance with the maintenance programme. Daily checks are undertaken in respect of each vehicle and defect books are appropriately completed and retained	4	2	0	2
<b>TOTALS</b>	<b>15</b>	<b>6</b>	<b>2</b>	<b>7</b>
Summary of Weakness		Risk Rating	Agreed Action Date	
The Vehicle Management Strategy and Vehicle Replacement Plan (November 2016) were out-of-date		Low Risk	30/11/2019 Future Action	
A number of policies and procedures related to vehicle management and driving are inconsistent with the current regulations, out-of-date or drafted but not formally approved.		Low Risk	31/03/2020 Future Action	
The good practice of requirement to sign for reading of the drivers' responsibilities was not followed		Low Risk	31/03/2020 Future Action	
The information on currently used operating centres communicated to the Traffic Commissioner was not up-to-date		Low Risk	12/03/2019 Implemented	
The check of entries to manually maintained database was not evidenced.		Low Risk	11/02/2019 Implemented	
There was no centralised record of the drivers employed by the Council, and no centralised checks were undertaken for validity of driving permits		Low Risk	30/06/2019 Future Action	
There was no record of controlled stationery allocation to vehicles and no vehicle details on the Defect books covers		Low Risk	11/02/2019 Implemented	
4 out of 10 sampled defect books were not completed in line with the procedure		Low Risk	07/03/2019 Implemented	

Treasury Management 2018-19	 <p>Assurance Rating</p>			
Control Objectives Examined	Controls Evaluated	Adequate Controls	Partial Controls	Weak Controls
Appropriate and approved Treasury Management Strategy and Policy and Procedures documentation are in place and maintained.	5	3	2	0

## South Derbyshire District Council – Audit Progress Report


Treasury Management transactions comply with the Council's agreed Investment Strategy.	4	4	0	0
Investment decisions are authorised and promptly recorded, and controls are in place to ensure that interest received is correct and funds invested are recovered by the due date.	12	10	2	0
<b>TOTALS</b>	<b>21</b>	<b>17</b>	<b>4</b>	<b>0</b>
<b>Summary of Weakness</b>		<b>Risk Rating</b>	<b>Agreed Action Date</b>	
The Authorising Officers for transactions in the Treasury Management Strategy Statement did not align with the approvers detailed in the treasury management guidance notes.		Low Risk	Implemented	
Reconciliations for Short Term Investments (BZ330) and Instant Access Investment Account (BZ343) had not always been reviewed by a second officer.		Low Risk	Implemented	

Orchard IT Application		 <p><b>Assurance Rating</b></p>		
<b>Control Objectives Examined</b>	<b>Controls Evaluated</b>	<b>Adequate Controls</b>	<b>Partial Controls</b>	<b>Weak Controls</b>
SDDC-VM-ORCH-L (Live Orchard Housing Server) - review of security and general housekeeping of the server & installed applications to assist the Council with 'GDPR readiness'	18	5	0	13
Orchard (Test & Demo Server) - review of security and general housekeeping of the server & installed applications to assist the Council with 'GDPR readiness'	19	6	0	13
SDDC-VM-MERGEIT (Mail Merge) - review of security and general housekeeping of the server & installed applications to assist the Council with 'GDPR readiness'	7	4	0	3
SDDC-VM-IMS01 (IMS Server) - review of security and general housekeeping of the server & installed applications to assist the Council with 'GDPR readiness'	8	5	0	3
SDDC-VM-HBO (Business Objects Server) - review of security and general housekeeping of the server & installed applications to assist the Council with 'GDPR readiness'	7	5	0	2
<b>TOTALS</b>	<b>59</b>	<b>25</b>	<b>0</b>	<b>34</b>
<b>Summary of Weakness</b>		<b>Risk Rating</b>	<b>Agreed Action Date</b>	
A number of issues were identified with share and directory access control lists on both the live and test servers, which may expose sensitive or critical information to unauthorised access or amendment.		Moderate Risk	30/09/2019 Future Action	
No Windows Security updates had been applied to the live server since May 2018 (4 months previous), and a smaller number of updates were missing/pending on the test server.		Low Risk	31/05/2019 Future Action	
The local firewall was not enabled on either the live or test servers.		Low Risk	30/09/2019 Future Action	
A significant number of stale accounts existed in in both the live and test systems.		Moderate Risk	30/09/2019 Future Action	



## South Derbyshire District Council – Audit Progress Report

Auto purging of spool and interface files was not taking place on either live or test, meaning personal data may reside in these files on the servers local drives, and therefore be susceptible to unauthorised access, or complicate data retention practices.	Low Risk	31/08/2019 Future Action
A number of stale database level accounts were still enabled in both the live and test databases, but were not seem to be serving any operational purpose	Low Risk	30/09/2019 Future Action
An administrative accounts password was accessible plain text in a number of configuration files on both the live and test servers, and should be encrypted.	Low Risk	31/05/2019 Future Action
The current version of Progress in use in both the live and test environments would be unsupported and retired early in 2019.	Low Risk	31/08/2019 Future Action
The Council was not making use of encrypted protocols to protect data at rest (n the Orchard database) and in transit, on either the test or live environments.	Low Risk	31/12/2019 Future Action
Weaknesses in the current password policy of the system on both the live and test systems were highlighted, specific to minimum password length (currently 4 characters), and password expiry settings.	Low Risk	30/06/2019 Future Action
Historic upgrade logs had not been removed on the live server, which exposed usernames and passwords in plain text.	Low Risk	31/12/2019 Future Action
The Orchard Housing LIVE password had never been changed on either live or test.	Moderate Risk	30/04/2019 Being Implemented 31/05/2019
The current configuration of the application logs meant they would continually grow, causing access and capacity risks, and should be effectively rotated.	Low Risk	31/12/2019 Future Action
The demo database had not been updated with relevant or current data since January 2018, which could violate GDPR principles.	Low Risk	Implemented
Old PDF documents linked to the mail merge process containing personal information, were still resident on the server, and were not being effectively deleted from the local storage.	Low Risk	30/09/2019 Future Action
The c:\ drive on the mail merge server had only 1 GB of free space, which could cause service outages and performance issues.	Low Risk	30/09/2019 Future Action
The IMS system was being run using a high privilege local service account, rather than the best practice of a lower privilege read-only account.	Low Risk	30/09/2019 Future Action
Concerns were raised on how business object reports were being stored on the local drive, which may affect the accuracy and currency of the data, and violate data retention policies.	Low Risk	30/04/2019 Being Implemented 31/05/2019

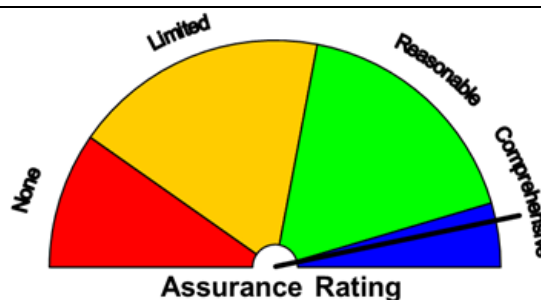
File Server Security					
Control Objectives Examined		Controls Evaluated	Adequate Controls	Partial Controls	Weak Controls
Ensure the security configuration of the file servers underlying operating system and integration with the domain and host environment aligns with best practice.		18	13	0	5
Ensure the configuration, maintenance and monitoring of the file server environment aligns with recognised best practices.		15	3	0	12
<b>TOTALS</b>		<b>33</b>	<b>16</b>	<b>0</b>	<b>17</b>
Summary of Weakness			Risk Rating	Agreed Action Date	
The last date any form of Windows updates (security or otherwise) had been applied to either of the file servers reviewed was November 2017, meaning both servers were vulnerable to known security exploits.			Moderate Risk	Implemented	



## South Derbyshire District Council – Audit Progress Report

A number of issues were identified with domain admin accounts which had full access over both file servers, including: <ul style="list-style-type: none"> <li>28 seemingly inactive accounts across the domains (no login activity into their respective domain over a year),</li> <li>inconsistencies between password never expires grants amongst administrators,</li> <li>officers with multiple accounts as domain admin members (a standard 'day to day' account and a specific admin account), and</li> <li>an officer outside of ICT with domain admin rights.</li> </ul>	Low Risk	Implemented
The ability to create root level folders in the users\$ and data file shares on the RICO file server had not been appropriately restricted to only server administrators.	Low Risk	Implemented
Not all employee's U:\ drives had been appropriately restricted to only the employee and the default IT administrative support groups.	Low Risk	01/06/2019 Future Action
From a sample of directories reviewed, we found that membership of security groups which governed access could not always be justified. This included the revenues and licensing new structure directories, both of which stored personal and sensitive information.	Moderate Risk	01/06/2019 Future Action
The Council was storing over a million files on the data drive of the file server, of which almost half a million were associated with the Health, Leisure and Housing departments. Of these, almost 90% of the documents had not been accessed by anyone since 2017 or earlier, raising corporate concerns around data retention and departmental records management.	Low Risk	31/12/2019 Future Action
Some users were storing excessive amounts of data on their U:\ drives, including one user alone with a 30 GB U:\, there were no quotas configured to enforce individual housekeeping and data retention practices, and user drives and shared data were resident on the same volume.	Low Risk	31/12/2019 Future Action
Domain user security groups containing non IT professionals had been granted NTFS full control over sensitive directories, including the health directory on the data share which housed over 250,000 files/folders.	Moderate Risk	01/06/2019 Future Action
Access to a number of sensitive directories on the data share of the Council's core file server had been shared to the domain users groups (everyone in the network).	Moderate Risk	15/02/2019 Implemented

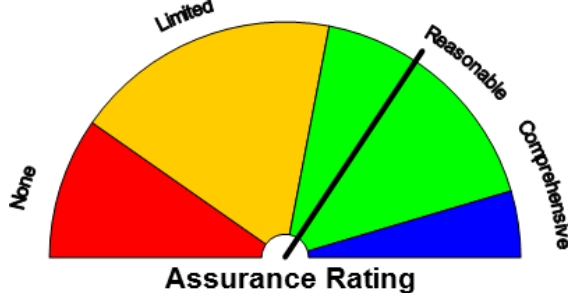
### Revenue Systems 2018-19

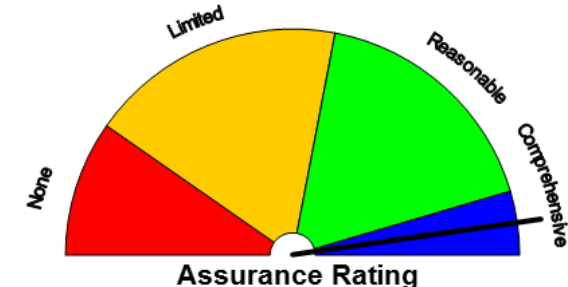


Control Objectives Examined	Controls Evaluated	Adequate Controls	Partial Controls	Weak Controls
To ensure that the Council Tax and Non-Domestic Rates property databases are accurately maintained.	7	6	1	0
To ensure that income due for Council Tax and Non-Domestic Rates is collected and properly recorded.	18	15	3	0
<b>TOTALS</b>	<b>25</b>	<b>21</b>	<b>4</b>	<b>0</b>
Summary of Weakness		Risk Rating	Agreed Action Date	
The weekly reconciliations of the Council Tax and NDR property databases to the VOA Schedule of Alterations were not all completed in a timely manner and were not subject to evidenced review.		Low Risk	01/10/2019 Future Action	
Transactions on the Council Tax payment suspense account were not cleared in a timely manner.		Low Risk	01/10/2019 Future Action	
Information on which debts were with Enforcement Agents was available from the		Low Risk	01/10/2019	

## South Derbyshire District Council – Audit Progress Report

Academy system, but there was no periodic management information prepared on the number of debts with each Enforcement Agent, and no analysis of performance was undertaken.		Future Action
There was no scheme of delegation for the authorisation of individual refund payments, and the level of seniority of the staff authorising high value payments was not considered appropriate.	Low Risk	01/10/2019 Future Action

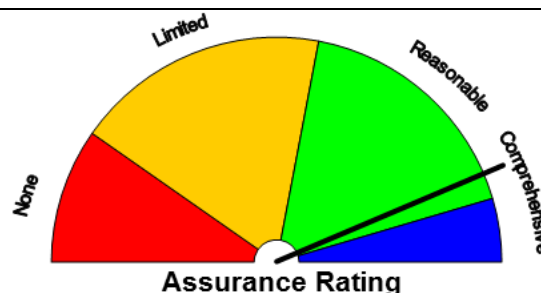
Creditors 2018-19		 <p>Assurance Rating</p>		
Control Objectives Examined	Controls Evaluated	Adequate Controls	Partial Controls	Weak Controls
Robust controls are in place to ensure access to the Creditors system is properly administered and access levels are appropriate in accordance with job roles.	8	2	6	0
Adequate controls are in place surrounding the input and processing of invoices received for payment, with a particular focus on preventing duplicate payments.	4	3	1	0
<b>TOTALS</b>	<b>12</b>	<b>5</b>	<b>7</b>	<b>0</b>
Summary of Weakness		Risk Rating	Agreed Action Date	
There was no standard form in use to set up new System Administrator users or ordinary system users on the Council's Financial Management System.		Low Risk	01/07/2019 Future Action	
Whilst some complimentary checks on the system audit trails were in place and being evidenced, this could not be said for all. There was limited or no evidence available in respect of other audit trail checks that were being undertaken.		Low Risk	Risk Accepted	
User access permissions were only reviewed as a result of a change to the staffing structure and no evidence was maintained that any review had been undertaken.		Low Risk	01/10/2019 Future Action	
All officers within the Finance Team had access permissions to set-up new suppliers and amend existing supplier details, but the Head of Finance had the capacity to undertake both of these tasks and also authorise payments to suppliers.		Moderate Risk	Implemented	
All officers within the Finance Team had access permissions to set-up new suppliers' bank account details; amend existing supplier bank account details with three of these officers also responsible for processing payments to suppliers.		Significant Risk	Implemented	
The Purchasing Code of Practice did not specify the procedures to be followed in relation to the payment of invoices or that payment must only be made on receipt of a proper, valid invoice.		Low Risk	31/10/2019 Future Action	

Housing Benefit & Council Tax Support 2018-19		 <p>Assurance Rating</p>		
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## South Derbyshire District Council – Audit Progress Report

Control Objectives Examined	Controls Evaluated	Adequate Controls	Partial Controls	Weak Controls
Changes in circumstance are processed promptly and accurately, so that overpayments of benefit are minimised.	10	7	3	0
Overpayments are recovered timely and in accordance with Council policies	10	7	2	1
Appropriate quality assurance arrangements are in place	9	8	1	0
<b>TOTALS</b>	<b>29</b>	<b>22</b>	<b>6</b>	<b>1</b>
Summary of Weakness		Risk Rating	Agreed Action Date	
The Debt Management Policy was not up-to-date and comprehensive operational procedural guidance for the management of housing benefit overpayment debts had not yet been produced.		Low Risk	30/09/2019 Future Action	
Authorisation documentation could not be located for all write-offs tested.		Low Risk	31/12/2019 Future Action	

### Food Safety 2018-19



Control Objectives Examined	Controls Evaluated	Adequate Controls	Partial Controls	Weak Controls
Confirm that procedures and policies are up-to-date, compliant with the current legislation and appropriately communicated to staff, customers and the general public	5	4	1	0
Confirm that the Council is up-to-date with its statutory reporting and standards certification	3	3	0	0
Confirm that the Council is up-to-date with its food premises inspection /scoring programme and that inspections are carried out in compliance with relevant standards and policies	9	8	0	1
Confirm that complaints and other service requests are dealt with appropriately and within pre-determined timescales. Suitable records should be maintained for investigations and enforcement actions should be fully justified with documented evidence	8	8	0	0
Confirm that correct performance information is collated and reported regularly	2	0	1	1
<b>TOTALS</b>	<b>27</b>	<b>23</b>	<b>2</b>	<b>2</b>
Summary of Weakness		Risk Rating	Agreed Action Date	
Food Safety procedures were out-of-date (issued in 2013) and had not been reviewed in line with procedural requirements.		Low Risk	01/11/2019 Future Action	
Inspections had been undertaken outside of the required 28 day period, with one found to be undertaken 128 days after the scheduled date which was only then initiated by a complaint.		Low Risk	01/06/2019 Future Action	
Management were not actively monitoring that inspection reports were being issued within 10 working days of inspection, as specified in the published target response times.		Low Risk	01/06/2019 Future Action	
Performance information and the annual Food Service Plan were not being routinely reported to the Environmental & Development Services Committee.		Moderate Risk	01/09/2019 Future Action	

## South Derbyshire District Council – Audit Progress Report

## RECOMMENDATION TRACKING

Final Report Date	Audit Assignments with Open Recommendations	Assurance Rating	Recommendations Open		
			Action Due	Being Implemented	Future Action
16-May-19	Housing Benefit & Council Tax Support 2018-19	Comprehensive			2
16-May-19	Food Safety 2018-19	Reasonable			4
08-May-19	Creditors 2018-19	Reasonable			3
31-Mar-19	Orchard IT Application	Limited		2	15
26-Mar-19	Fleet Management	Reasonable			4
16-Apr-19	Revenue Systems 2018-19	Comprehensive			4
08-Apr-19	File Server Security	Reasonable			5
12-Feb-19	PCI Compliance 2018-19	Reasonable		2	4
19-Dec-18	Sheltered Housing / Careline	Reasonable		3	2
14-Feb-19	Allocations & Homelessness 2018-19	Reasonable			3
14-Mar-19	Street Cleansing 2018-19	Comprehensive		1	
25-Jan-19	Section 106 Agreements 2018-19	Reasonable		2	1
02-Oct-18	Payroll 2017-18	Reasonable			1
25-Apr-18	Organisational Culture & Ethics	Reasonable		1	
12-Jul-18	NDR 2017-18	Comprehensive		1	
06-Sep-18	Council Tax 2017-18	Comprehensive		2	
10-Jan-19	Health & Safety	Reasonable			2
06-Mar-18	Tenants Arrears 2017-18	Reasonable		3	
19-Jan-18	Rent Accounting 2017-18	Reasonable		1	
13-Nov-17	Officers Expenses & Allowances	Reasonable		1	
18-May-18	Sharpes Pottery	Comprehensive		1	
07-Aug-17	Parks & Open Spaces	Reasonable		2	
06-Jun-17	Leisure Centres 2016-17	Reasonable		1	
29-Jun-18	Safeguarding	Reasonable		1	
		<b>TOTALS</b>		<b>24</b>	<b>50</b>

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

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

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

Audit Assignments with Recommendations Due	Action Due			Being Implemented		
	Significant Risk	Moderate Risk	Low Risk	Significant Risk	Moderate Risk	Low Risk
Orchard IT Application					1	1
PCI Compliance 2018-19					1	1
Sheltered Housing / Careline						3
Street Cleansing 2018-19						1
Section 106 Agreements 2018-19						2
Organisational Culture & Ethics					1	
NDR 2017-18						1
Council Tax 2017-18						2
Tenants Arrears 2017-18						3
Rent Accounting 2017-18						1
Officers Expenses & Allowances					1	
Sharpes Pottery						1
Parks & Open Spaces						2
Leisure Centres 2016-17					1	
Safeguarding						1

## South Derbyshire District Council – Audit Progress Report

TOTALS					5	19
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## South Derbyshire District Council – Audit Progress Report

### Highlighted Recommendations

The following significant or moderate risk rated recommendations, that have not yet been implemented, are detailed for Committee's scrutiny.

### Being Implemented Recommendations

PCI Compliance 2018-19	Rec No. 8
Summary of Weakness / Recommendation	Risk Rating
<p>The Council was not PCI Compliant and was paying non-compliance fees to a third party. Further management fees were being paid to the financial system provider for PCI and they were also charging the Council for a verbal assessment that no-one at the Council knew anything about.</p> <p>We recommend that the Council establishes a PCI Compliance Action Plan which should take account of the non-compliance fees being paid and should look to work with the third party to ensure that they are able to provide compliance to them and remove the non-compliance fee. The Council should also determine what benefits the Council receives for the PCI DSS Management Fee and verbal assessment.</p>	Moderate Risk
Management Response/Action Details	Action Date
This matter has been raised with Capita360 and there are several issues that have been raised previously about responsibility for the various elements of PCI DSS compliance and which appear to affect compliance. Following the meeting with Capita on 15 <sup>th</sup> February 2019 a compliance action plan will be drafted for agreement by each team.	01/04/2019
Status Update Comments	Revised Date
Following further investigation a PCI Compliance Self-assessment is in progress to validate current compliance status, as it now appears that fees referred to in report were not for non-compliance, but related to a separate monthly contractual payment card service cost.	30/06/2019

Organisational Culture & Ethics	Rec No. 3
Summary of Weakness / Recommendation	Risk Rating
<p>The Council had not undertaken a staff survey which was specifically geared towards the Council's culture, ethics and values.</p> <p>We recommend that the Council consider undertaking a specific Cultural Survey aimed at assessing officer opinions on the Council's culture, ethics and values. The results of the survey could then be used to make improvements where necessary should any common specific themes or patterns result.</p>	Moderate Risk
Management Response/Action Details	Action Date
A survey will be undertaken following research with the Council's Communications section.	31/10/2018
Status Update Comments	Revised Date
There is a restructure report tabled to Members at the Finance and Management Committee this week. Following the outcome of that, the post to drive this matter forward will be identified. Management therefore propose to delay this recommendation until 30 <sup>th</sup> September 2019.	30/09/2019



## South Derbyshire District Council – Audit Progress Report

Orchard IT Application	Rec No. 12
Summary of Weakness / Recommendation	Risk Rating
The Orchard Housing LIVE password had never been changed on either live or test. We recommend that management looks to ensure the password is subject to routine change, in line with the consultant's report.	<b>Moderate Risk</b>
Management Response/Action Details	Action Date
Housing to change Orchard Housing live password and then update on a 90 day basis as per consultant's report and Council Policy and update IT and Orchard appropriately.	30/04/2019
Status Update Comments	Revised Date
This is in progress and will be completed by 31 <sup>st</sup> May 2019. The revised action date has been updated to reflect the update.	31/05/2019

Officers Expenses & Allowances	Rec No. 2
Summary of Weakness / Recommendation	Risk Rating
The review of essential user allowances process, which was due to be carried out annually, had not been carried out. We recommend that the Council considers a root and branch review of its approach to the payment of travel expenses, with a view to reducing the number of uneconomic payments made through the essential user scheme.	<b>Moderate Risk</b>
Management Response/Action Details	Action Date
The payments are contractual for employees and therefore formal consultation will need to be undertaken. The Council is completing a job evaluation project and it is planned to commence discussions with the Trade Unions as part of a wider review of employment conditions and to fit in line with negotiations being completed on a national basis. Position to be reviewed 30 <sup>th</sup> September 2019.	30/09/2018
Status Update Comments	Revised Date
No formal action has progressed on this action. Revised action date 30/09/2019.	30/09/2019

Leisure Centres	Rec No. 2
Summary of Weakness / Recommendation	Risk Rating
The Council had not undertaken inspections on the exterior fabric of the building as per the contract summary of maintenance responsibilities. We recommend that the Council fulfil its obligations in respect of those areas which it has responsibility for maintaining. Inspections should be undertaken on a regular basis, in accordance with any relevant legislation and properly documented.	<b>Moderate Risk</b>
Management Response/Action Details	Action Date
Programme of inspections to be agreed with Building Maintenance Officer	01/10/2017
Status Update Comments	Revised Date
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 31 <sup>st</sup> January 2018  The long term future of the Public Building Officer post has still not been settled and an interim arrangement has recently been implemented with a temporary 6 month	30/06/2019

## South Derbyshire District Council – Audit Progress Report

appointment. Suggest a revised date of the end of September 2018.

Request made to interim public buildings officer to assist. Answer pending. Anticipate should be able to close out by 31<sup>st</sup> December 2018.

Responsibilities are being addressed but not in the systematic way required. The Public Building Officer situation has still not been properly resolved and capacity issues has meant he hasn't had time to devote to this issue. Suggest a revised date of 31<sup>st</sup> March 2019 and will pursue support with him and other colleagues.

We have had another change of staff in the Public Buildings Officer role and a temporary appointment has been made who is tasked with undertaking the requisite inspections. However their job priorities are still being sorted so unfortunately recommend another revised deadline of 30<sup>th</sup> June 2019.



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<b>REPORT TO:</b>	<b>AUDIT SUB-COMMITTEE (SPECIAL)</b>	<b>AGENDA ITEM: 8</b>
<b>DATE OF MEETING:</b>	<b>29<sup>th</sup> MAY 2019</b>	<b>CATEGORY: RECOMMENDED</b>
<b>REPORT FROM:</b>	<b>AUDIT MANAGER</b>	
<b>MEMBERS' CONTACT POINT:</b>	<b>ADRIAN MANIFOLD</b> <a href="mailto:Adrian.manifold@centralmidlandsaudit.gov.uk">Adrian.manifold@centralmidlandsaudit.gov.uk</a> <b>(01332 643281)</b>	<b>DOC:</b> u/ks/audit/internal audit/annual reports/summary
<b>SUBJECT:</b>	<b>INTERNAL AUDIT ANNUAL REPORT 2018/19</b>	<b>REF:</b>
<b>WARD(S) AFFECTED:</b>	<b>ALL</b>	<b>TERMS OF REFERENCE: AS 02</b>

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## **1.0 Recommendations**

1.1 To consider and note the Annual Internal Audit Opinion for 2018/19.

## **2.0 Purpose of Report**

2.1 The Public Sector Internal Audit Standards (PSIAS) sets out the requirements for the Chief Audit Executive to provide an annual internal audit opinion based on an objective assessment of the framework of governance, risk management and control.

## **3.0 Detail**

3.1 The report of the Audit Manager is detailed in a report which is attached.

## **4.0 Financial Implications**

4.1 None

## **5.0 Corporate Implications**

5.1 None directly

## **7.0 Community Implications**

7.1 None directly

## **8.0 Background Papers**

8.1 The Accounts and Audit Regulation 2015



# South Derbyshire DC – Internal Audit Annual Report 2018-19

Audit Sub-Committee: 29<sup>th</sup> May 2019



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## Our Vision

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

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central midlands audit partnership

*Providing Excellent Audit Services in the Public Sector*

# Introduction

## Why an Audit Opinion is required

The Public Sector Internal Audit Standards (PSIAS) states:

### Public sector requirement

The chief audit executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.

The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

The annual report must also include a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme.

Extracted from Public Sector Internal Audit Standards Updated March 2017 - 2450 Overall Opinions

In this instance, the Chief Audit Executive is Adrian Manifold, Audit Manager.

With regard to overall opinions, CIPFA's Local Government Application Note for the United Kingdom Public Sector Internal Audit Standards 2019 Edition (issued February 2019) also states:

*"The Public Sector Requirement in PSIAS 2450 requires that the Chief Audit Executive must provide an annual report to the board timed to support the annual governance statement. This must include:*

- an annual internal audit opinion on the overall adequacy and effectiveness of the organisation's governance, risk and control framework – i.e. the control environment*
- a summary of the audit work from which the opinion is derived (including reliance placed on work by other assurance providers)*
- a statement on conformance with the PSIAS and the results of the Quality Assurance and Improvement Programme.*

*In local government, the annual opinion should be guided by the CIPFA Framework Delivering Good Governance in Local Government.*

*The annual report should also include:*

- disclosure of any qualifications to that opinion, together with the reasons for the qualification*
- disclosure of any impairments ('in fact or appearance') or restriction in scope*
- a comparison of the work actually undertaken with the work that was planned and a summary of the performance of the internal audit function against its performance measures and targets*
- any issues the Chief Audit Executive judges particularly relevant to the preparation of the annual governance statement*
- progress against any improvement plans resulting from QAIP external assessment.*

*In the context of the PSIAS, 'opinion' means that internal audit will have done sufficient, evidenced work to form a supportable conclusion about the activity that it has examined. Internal audit will word its opinion appropriately if it cannot give reasonable assurance (e.g. because of limitations to the scope of, or adverse findings arising from, its work)."*

### How an Audit Opinion is Formed

Internal Audit's risk-based plan must take into account the requirement to produce an annual internal audit opinion. Accordingly, the Audit Plan must incorporate sufficient work to enable the Audit Manager to give an opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. Internal Audit must therefore have sufficient resources to deliver the Audit Plan.



### Possible Overall Opinions

The Audit Manager's opinion relative to the organisation as a whole could fall into one of the following 3 categories:

- **Inadequate System of Internal Control** – Findings indicate significant control weaknesses and the need for urgent remedial action. Where corrective action has not yet started, the current remedial action is not, at the time of the audit, sufficient or sufficiently progressing to address the severity of the control weaknesses identified.
- **Adequate System of Internal Control Subject to Reservations** – A number of findings, some of which are significant, have been raised. Where action is in progress to address these findings and other issues known to management, these actions will be at too early a stage to allow a satisfactory audit opinion to be given.
- **Satisfactory System of Internal Control** - Findings indicate that on the whole, controls are satisfactory, although some enhancements may have been recommended.

## Quality Assurance and Improvement Programme

A quality assurance and improvement programme is designed to enable an evaluation of the internal audit activity's conformance with the Definition of Internal Auditing and the Standards and an evaluation of whether internal auditors apply the Code of Ethics. The programme also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement.

Public Sector Internal Audit Standards state:

### Public sector requirement

The results of the quality and assurance programme and progress against any improvement plans must be reported in the annual report.

Extracted from Public Sector Internal Audit Standards Updated March 2017 - 1320 Reporting on the Quality Assurance and Improvement Programme

Public Sector Internal Audit Standard 1312 also requires that:

*"External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation."*

Assessments are based on the following 3 ratings:

- **Generally Conforms** - means that an internal audit activity has a charter, policies, and processes that are judged to be in conformance with the Standards.
- **Partially Conforms** - means deficiencies in practice are noted that are judged to deviate from the Standards, but these deficiencies did not preclude the internal audit activity from performing its responsibilities in an acceptable manner.
- **Does Not Conform** - means deficiencies in practice are judged to be so significant as to seriously impair or preclude the internal audit activity from performing adequately in all or in significant areas of its responsibilities.

An external quality assessment of the internal auditing activities of CMAP was undertaken during the period February – April 2017 and identified some opportunities for further improvement and development. The consultant provided an update position on our overall conformance with the Standards in September 2017 and was content to re-assess our conformance as follows:

	Number of standards	Generally Conforms	Partially Conforms	Does Not Conform
Code of Ethics	4	4	0	0
Attribute Standards	19	19	0	0
Performance Standards	33	33	0	0



## South Derbyshire DC – Internal Audit Annual Report 2018-19

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As required, we have also undertaken a self-assessment against the Standards in December 2018 using the tool specifically developed by the Institute of Internal Auditors (IIA) for this purpose.

We have determined that CMAP **Generally Conforms** ' to the Standards. 'Generally Conforms' means the evaluator has concluded that the relevant structures, policies, and procedures of the activity, as well as the processes by which they are applied, comply with the requirements of the individual *Standard* or element of the Code of Ethics in all material respects. For the sections and major categories, this means that there is general conformance to a majority of the individual *Standards* or elements of the Code of Ethics, and at least partial conformance to the others, within the section/category. There may be significant opportunities for improvement, but these must not represent situations where the activity has not implemented the *Standards* or the Code of Ethics, has not applied them effectively, or has not achieved their stated objectives. As indicated above, general conformance does not require complete/perfect conformance, the ideal situation, successful practice, etc.

As such, the CMAP has identified a number of actions for improvement some of which are listed in the [Improvement Plan](#) section at the end of this report.

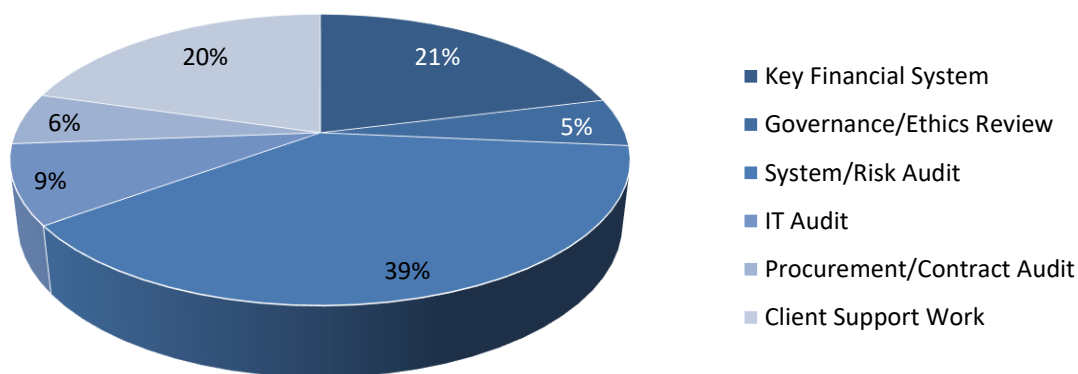
## Audit Opinion 2018-19

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

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

- The level of coverage provided by Internal Audit was considered adequate.
- Work has been planned and performed so as to obtain sufficient information and explanation considered necessary in order to provide evidence to give reasonable assurance that the organisation's control environment is operating effectively.
- Our organisational independence and objectivity has not been subject to any impairment in fact or appearance; nor has the scope of our work been restricted in any way.
- Our insight gained from our interactions with Senior Management and the Audit Sub-Committee.
- No adverse implications for the Authority's Annual Governance Statement have been identified from any of the work that Internal Audit has undertaken in 2018-19.
- The 2018-19 Internal audit plan, approved by the Audit Sub-Committee, 21<sup>st</sup> March 2018, was informed by internal audits own assessment of risk and materiality in addition to consultation with senior management to ensure it aligned to the organisation's key risks and objectives.
- The following tables summarise the 2018-19 Audit Plan assignments and their outcomes as well as those assignments from the 2017-18 Audit Plan which were still ongoing in 2018-19.

### Audit Plan 2018-19 per Type of Audit



## South Derbyshire DC – Internal Audit Annual Report 2018-19

2018-19 Jobs	Status	% Complete	Assurance Rating
Information Governance	In Progress	45%	
Treasury Management 2018-19	Final Report	100%	Comprehensive
Insurance 2018-19	Final Report	100%	Reasonable
Capital Programme	Allocated	0%	
Payroll 2018-19	Draft Report	95%	Reasonable *
Creditors 2018-19	Final Report	100%	Reasonable
Revenue Systems 2018-19	Final Report	100%	Comprehensive
Housing Benefit & Council Tax Support 2018-19	Final Report	100%	Comprehensive
PCI Compliance	Final Report	100%	Reasonable
Orchard IT Application	Final Report	100%	Limited
File Server Security	Final Report	100%	Reasonable
Waste Management	Final Report	100%	Comprehensive
Fleet Management	Final Report	100%	Comprehensive
Street Cleansing	Final Report	100%	Comprehensive
Section 106 Agreements	Final Report	100%	Reasonable
Development Control	Allocated	5%	
Pollution Control	Final Report	100%	Comprehensive
Food Safety	Final Report	100%	Reasonable
Active Communities & Health	Allocated	10%	
Rosliston Forestry Centre	Draft Report	95%	Comprehensive *
Planned & Responsive Maint. - Public Buildings	In Progress	40%	
Housing Safety Inspections	Fieldwork Complete	80%	Limited *
Allocations & Homelessness	Final Report	100%	Reasonable
Sheltered Housing / Careline	Final Report	100%	Reasonable
Community Safety Partnership	In Progress	75%	
Corporate Governance	Fieldwork Complete	90%	Reasonable *

**\* Assurance ratings yet to be finalised**

2017-18 Jobs B/fwd	Status	% Complete	Assurance Rating
Risk Management	Job Complete	100%	N/A
Organisational Culture & Ethics	Final Report	100%	Reasonable
Council Tax 2017-18	Final Report	100%	Comprehensive
NDR 2017-18	Final Report	100%	Comprehensive
Housing Benefit & Council Tax Support 2017-18	Final Report	100%	Comprehensive
Payroll 2017-18	Final Report	100%	Reasonable
Express Electoral System Security Assessment	Final Report	100%	Reasonable
Sharpes Pottery	Final Report	100%	Comprehensive
New Build / Affordable Housing	Final Report	100%	Comprehensive
Licensing 2017-18	Final Report	100%	Comprehensive
Health & Safety	Final Report	100%	Reasonable
Safeguarding	Final Report	100%	Reasonable
Followup of Whistleblowing Recommendations	Final Report	100%	Reasonable

- Of the 33 substantially completed assignments, 30 attracted either a 'Comprehensive' or 'Reasonable' assurance rating. Two Audit assignments were given a 'Limited' assurance rating. The remaining piece of consultancy work on Risk Management could not be assigned an assurance rating due to the nature of the review. From the completed assignments a total of 142

## South Derbyshire DC – Internal Audit Annual Report 2018-19

recommendations were made; 121 of these were considered to present a low risk; 18 were considered to present a moderate risk; with the remaining 3 presenting a significant risk; no critical risk recommendations were made.

- Of the 10 **Key Financial System** audits undertaken in 2018-19, 9 were finalised and attracted either a Comprehensive or Reasonable overall assurance rating. The 1 remaining was substantially completed and was provisionally given a Reasonable overall assurance rating. These audit assignments identified 32 recommendations, 28 of which were classified as low risk; 2 were a moderate risk and 2 were considered a significant risk.
  - One **significant risk** arose from an inadequate separation of duties relating to the setting up of new starters in Payroll which was first identified in the Payroll 2017-18 audit. This issue was revisited in a follow-up Payroll audit in 2018-19 and the recommended changes to access controls had still not been actioned; compensating controls had been introduced, but control weakness still remained.
  - The other **significant risk** issue came from the Creditors 2018-19 audit, along with one of the moderate risk issues. Both issues again related to an inadequate separation of duties regarding setting up new suppliers, changing bank account details and making payments. I am pleased to note that both these issues have already been addressed to our satisfaction.
  - The remaining moderate risk identified during the Insurance audit has been resolved.
- Of the 15 **System/Risk** audits undertaken in 2018-19, 10 were finalised and attracted either a Comprehensive or a Reasonable overall assurance rating. Of the remaining 5 audits, 2 were substantially completed; one of which has been provisionally given a Comprehensive overall assurance rating, whereas the Housing Safety Inspections audit has been provisionally given a '**Limited**' overall assurance rating (see below). The 3 remaining assignments were still in progress.

A total of 47 recommendations were made; 4 of which are considered to present a moderate risk; the remaining 43 were judged as low risk. The moderate risk recommendation arising from the Section 106 Agreements review has a future action date; the two arising from the Allocations & Homelessness audit have both now been implemented. The remaining moderate risk arising from the Sheltered Housing/Careline audit has now also been appropriately addressed.

- The Housing Safety Inspections audit is substantially complete and has attracted a provisional assurance rating of '**Limited**'. This rating is due to the identification of an issue that has been initially assessed as a **significant risk** and concerned action points identified in Fire Risk Assessments dating from 2016 and 2017 that had still not been addressed. This audit assignment had also identified a number of

## South Derbyshire DC – Internal Audit Annual Report 2018-19

moderate risk recommendations. Management has not yet had the opportunity to respond formally to these findings, as such these risk and assurance ratings are still subject to change.

- Of the 6 **Governance/Ethics** audits undertaken during 2018-19, 4 have been finalised, 1 is substantially complete and the remaining audit is still in progress. Of the 5 finalised and substantially complete assignments, 4 were judged as Reasonable and resulted in 17 recommendations; 2 of which were considered to represent a moderate risk. One of these moderate risk recommendations came from the Organisational Culture & Ethics assignment which has passed its original action date and management have suggested another action date in the future. The other moderate risk came from the Health & Safety audit and it has now been addressed to our satisfaction.
  - The Risk Management review which compared the Council's Risk Management Framework against the Association of Local Authority Risk Managers (Alarm) national performance model for risk management in public services was a piece of consultancy work which wasn't intended to give an overall assurance rating and no formal recommendations were made. Though the following table shows the improvement against the performance model between our initial assessment and our final assessment.

Ratings	Number of instances in original assessment	Number of instances in revised assessment
Weakness	9	1
Partial Weakness	17	12
Adequate	12	25

- The Corporate Governance audit is substantially complete and has attracted a Reasonable assurance rating. Although Management has not yet had the opportunity to respond formally to these findings, as such this assurance rating is still subject to change.
- The 4 **IT Audits** were all completed during 2018-19. The Orchard IT Application attracted an overall assurance rating of '**Limited**' whereas the other 3 all attained a 'Reasonable' rating. In all, these audits raised 41 recommendations; 31 of which were considered low risk; 9 were considered a moderate risk and the remaining 1 was considered to represent a **significant risk**. The significant risk, regarding postal voter's personal and sensitive information being submitted over an unsecure unencrypted protocol on the Council's website, was addressed to our satisfaction by the end of the audit. Of the 9 moderate risks, 3 have been implemented, 4 have future action dates and 2 have passed their original action date and management have suggested another action date in the near future.
- Of the 4 **Procurement/Contract** audits, 2 finalised during 2018-19 attracted an overall assurance rating of 'Comprehensive' and Reasonable. Another 2 audits are still in progress. Only 1 low risk recommendation has been made to date which has been implemented to our satisfaction.

## South Derbyshire DC – Internal Audit Annual Report 2018-19

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- We are pleased to report that the follow up of the recommendations arising from the previous year's Whistleblowing investigations and subsequent work have all now been implemented to our satisfaction.

This opinion is provided with the following caveats:

- The opinion does not imply that Internal Audit has reviewed all risks, controls and governance arrangements relating to the Council. The opinion is substantially derived from the conduct of risk-based audit work and as such, it is only one component that is taken into account when producing the Council's Annual Governance Statement.
- No system of control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give absolute assurance.
- Full implementation of all agreed actions is essential if the benefits of the control improvements detailed in each individual audit report are to be realised.



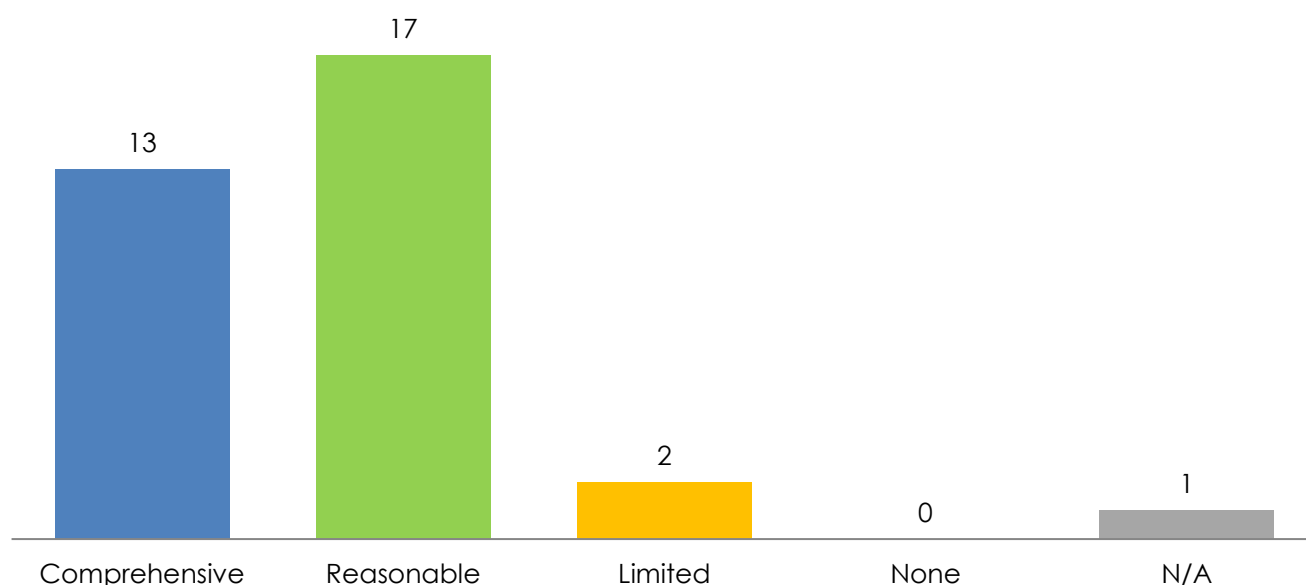
## Audit Coverage

### Assurances Provided

The following table seeks to summarise the extent of audit coverage provided to South Derbyshire District Council during 2018-19 and the assurance ratings associated with each audit assignment.

Summary of Audit Plan 2018-19 Results (incl. Jobs B/Fwd)	Type of Review						Totals
	Key Financial System	System/ Risk	Governance /Ethics	IT Audit	Anti- Fraud	Procurement /Contract	
Not Yet Complete		3	1			2	6
Comprehensive	6	6				1	13
Reasonable	4	5	4	3		1	17
Limited		1		1			2
None							0
N/A			1				1
	10	15	6	4		4	39

### Assurances Provided 2018-19



### Assurance Ratings Explained

**Comprehensive** - We are able to offer comprehensive assurance as the areas reviewed were found to be adequately controlled. Internal controls were in place and operating effectively and risks against the achievement of objectives were well managed.

**Reasonable** - We are able to offer reasonable assurance as most of the areas reviewed were found to be adequately controlled. Generally risks were well managed, but some systems required the introduction or improvement of internal controls to ensure the achievement of objectives.

## South Derbyshire DC – Internal Audit Annual Report 2018-19

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**Limited** - We are able to offer limited assurance in relation to the areas reviewed and the controls found to be in place. Some key risks were not well managed and systems required the introduction or improvement of internal controls to ensure the achievement of objectives.

**None** - We are not able to offer any assurance. The areas reviewed were found to be inadequately controlled. Risks were not being well managed and systems required the introduction or improvement of internal controls to ensure the achievement of objectives.

**N/A** – The type of work undertaken did not allow us to reach a conclusion on the adequacy of the overall level of internal control.

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

## South Derbyshire DC – Internal Audit Annual Report 2018-19

## Audit Plan Assignments 2018-19

Audit Assignments Completed in Period	Assurance Rating	Recommendations Made				% Recs Closed
		Critical Risk	Significant Risk	Moderate Risk	Low Risk	
Treasury Management 2018-19	Comprehensive				2	100%
Insurance 2018-19	Reasonable			1	1	100%
Payroll 2018-19	Reasonable *					n/a
Creditors 2018-19	Reasonable		1	1	4	50%
Revenue Systems 2018-19	Comprehensive				4	0%
Housing Benefit & Council Tax Support 2018-19	Comprehensive				2	0%
Council Tax 2017-18	Comprehensive				2	0%
NDR 2017-18	Comprehensive				3	67%
Housing Benefit & Council Tax Support 2017-18	Comprehensive				1	100%
Payroll 2017-18	Reasonable		1		9	90%
Waste Management 2018-19	Comprehensive				2	100%
Fleet Management	Comprehensive				8	50%
Street Cleansing 2018-19	Comprehensive				2	50%
Section 106 Agreements 2018-19	Reasonable			1	4	40%
Development Control						n/a
Pollution Control 2018-19	Comprehensive				2	100%
Food Safety 2018-19	Reasonable			1	3	0%
Active Communities & Health						n/a
Rosliston Forestry Centre 2018-19	Comprehensive *					n/a
Housing Safety Inspections	Limited *					n/a
Allocations & Homelessness 2018-19	Reasonable			2	9	73%
Sheltered Housing / Careline	Reasonable			1	7	38%
Community Safety Partnership 2018-19						n/a
Sharpes Pottery	Comprehensive				5	80%
Licensing 2017-18	Comprehensive				4	100%
Information Governance						n/a
Corporate Governance 2018-19	Reasonable *					n/a
Risk Management	N/A					n/a
Organisational Culture & Ethics	Reasonable			1	3	75%
Health & Safety	Reasonable			1	4	60%
Safeguarding	Reasonable				8	88%
PCI Compliance 2018-19	Reasonable			1	7	25%
Orchard IT Application	Limited			3	15	6%
File Server Security	Reasonable			4	5	44%
Express Electoral System Security Assessment	Reasonable		1	1	4	100%
Capital Programme						n/a
Planned & Responsive Maint. - Public Buildings						n/a
New Build / Affordable Housing	Comprehensive				1	100%
Followup of Whistleblowing Recommendations	Reasonable					n/a
<b>TOTALS</b>			<b>3</b>	<b>18</b>	<b>121</b>	<b>54%</b>

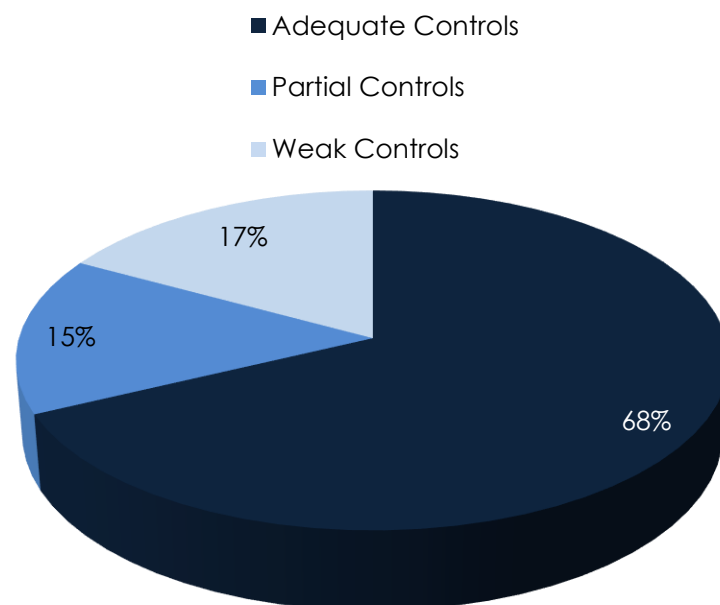
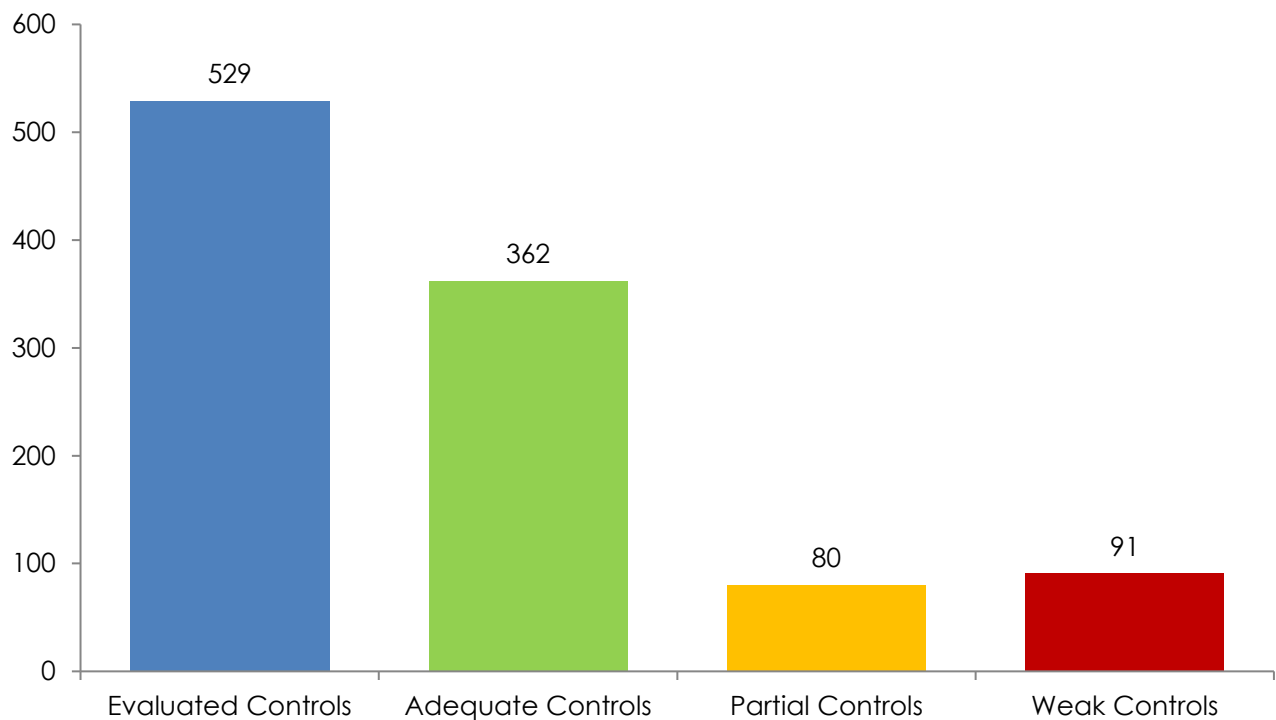
\* Assurance ratings yet to be finalised

## South Derbyshire DC – Internal Audit Annual Report 2018-19

### Internal Controls Examined

For those audits finalised during 2018-19, we established the following information about the controls examined:

#### South Derbyshire DC 2018-19



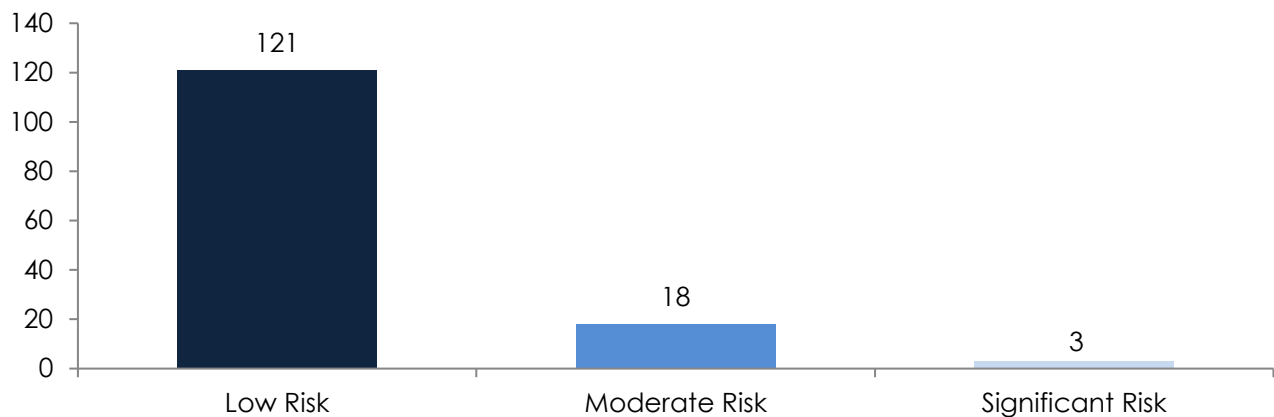
## South Derbyshire DC – Internal Audit Annual Report 2018-19

## Recommendations Made

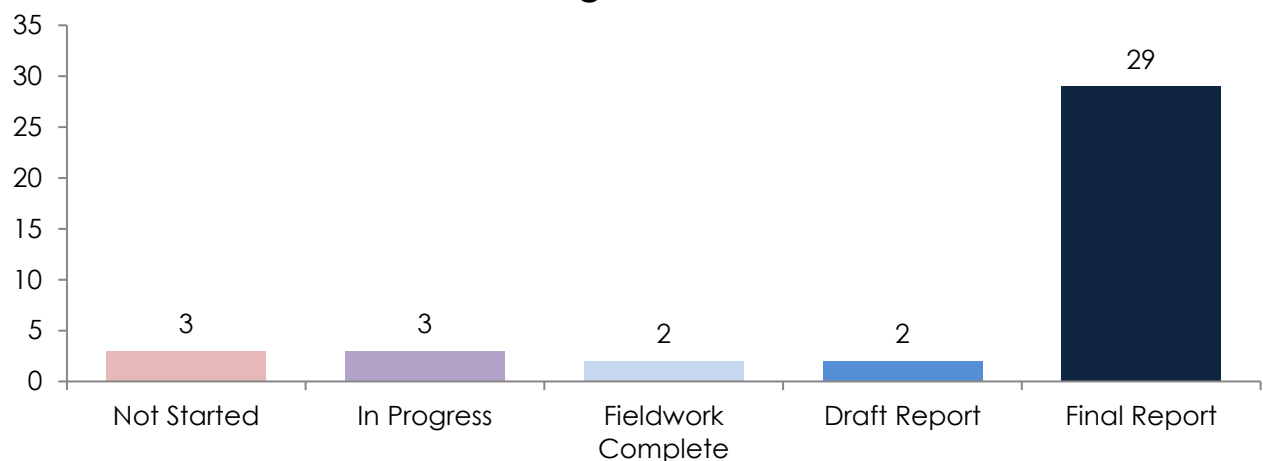
The control weaknesses identified above resulted in 136 recommendations which suggested actions for control improvements. The following table and charts show where the recommendations came from, how the recommendations were risk rated and the current status of all recommendations made in 2018-19:

Audit Assignments	Type of Review	Recommendations Status			
		Total Closed	Action Due	Being Implemented	Future Action
Treasury Management 2018-19	Key Financial System	2			
Insurance 2018-19	Key Financial System	2			
Payroll 2018-19	Key Financial System				
Creditors 2018-19	Key Financial System	3			3
Revenue Systems 2018-19	Key Financial System				4
Housing Benefit & Council Tax Support 2018-19	Key Financial System				2
Council Tax 2017-18	Key Financial System			2	
NDR 2017-18	Key Financial System	2		1	
Housing Benefit & Council Tax Support 2017-18	Key Financial System	1			
Payroll 2017-18	Key Financial System	9			1
Waste Management 2018-19	System/Risk	2			
Fleet Management	System/Risk	4			4
Street Cleansing 2018-19	System/Risk	1		1	
Section 106 Agreements 2018-19	System/Risk	2		2	1
Development Control	System/Risk				
Pollution Control 2018-19	System/Risk	2			
Food Safety 2018-19	System/Risk				4
Active Communities & Health	System/Risk				
Rosliston Forestry Centre 2018-19	System/Risk				
Housing Safety Inspections	System/Risk				
Allocations & Homelessness 2018-19	System/Risk	8			3
Sheltered Housing / Careline	System/Risk	3		3	2
Community Safety Partnership 2018-19	System/Risk				
Sharpes Pottery	System/Risk	4		1	
Licensing 2017-18	System/Risk	4			
Information Governance	Governance/Ethics				
Corporate Governance 2018-19	Governance/Ethics				
Risk Management	Governance/Ethics				
Organisational Culture & Ethics	Governance/Ethics	3		1	
Health & Safety	Governance/Ethics	3			2
Safeguarding	Governance/Ethics	7		1	
PCI Compliance 2018-19	IT Audit	2		2	4
Orchard IT Application	IT Audit	1		2	15
File Server Security	IT Audit	4			5
Express Electoral System Security Assessment	IT Audit	6			
Capital Programme	Procurement/Contract				
Planned & Responsive Maint. - Public Buildings	Procurement/Contract				
New Build / Affordable Housing	Procurement/Contract	1			
Followup of Whistleblowing Recommendations	Procurement/Contract				
<b>TOTALS</b>		<b>76</b>		<b>16</b>	<b>50</b>

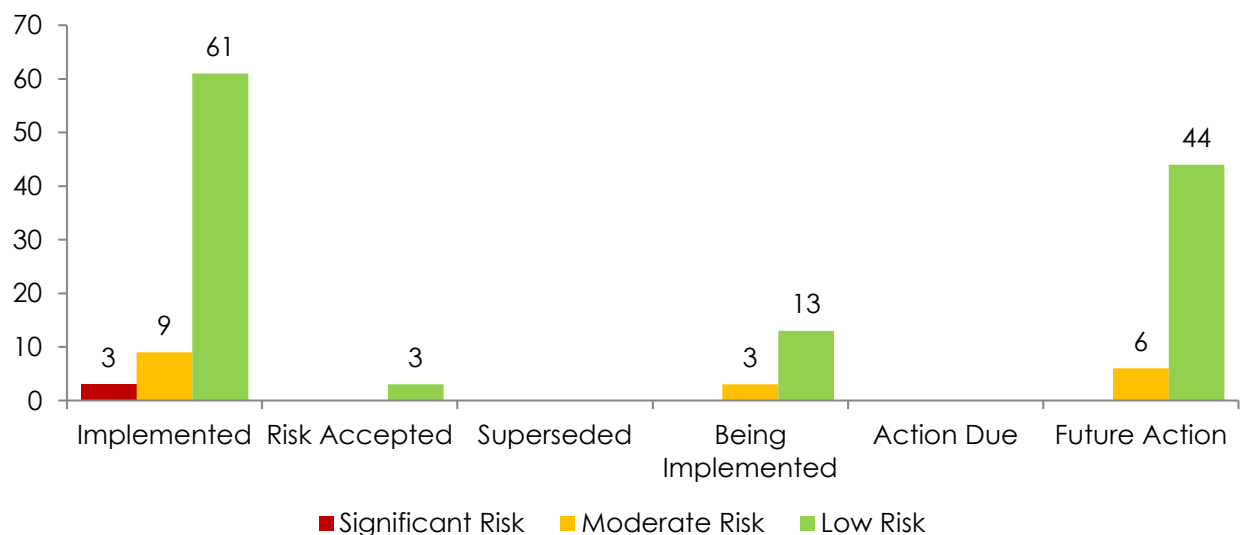
### Recommendations Made 2018-19



### Plan Progress 2018-19



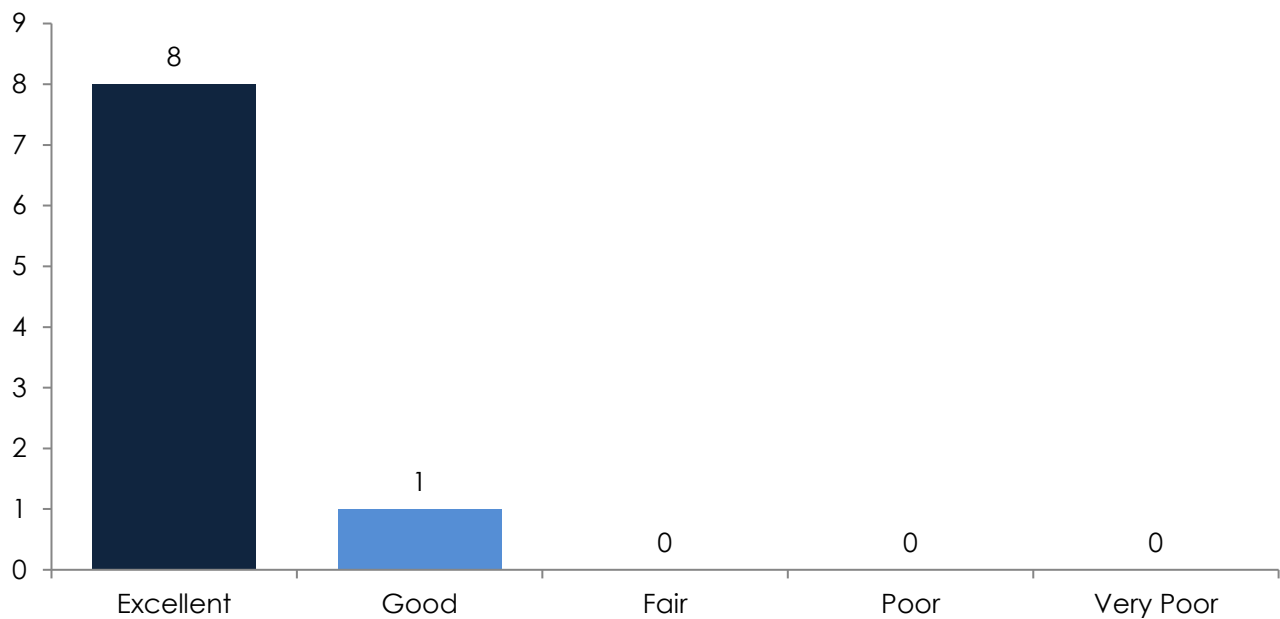
### 2018-19 Recommendations Status



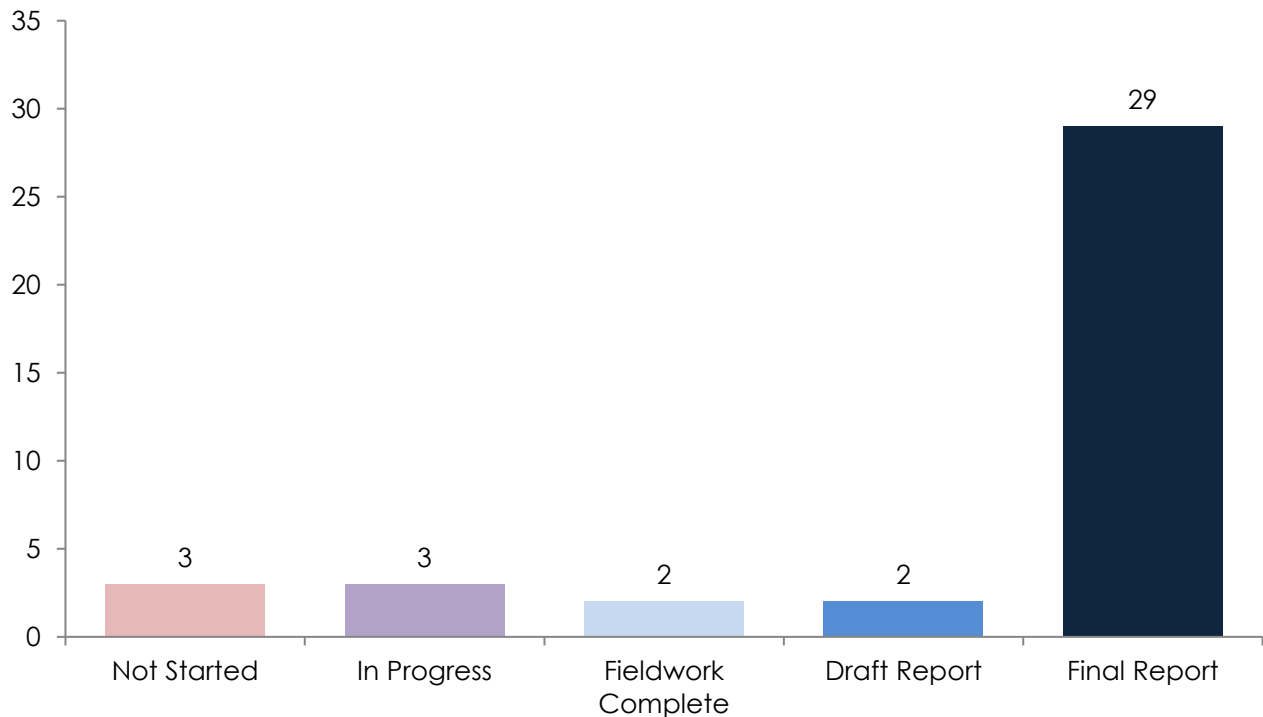


## Performance Measures

### Customer Satisfaction Returns 2018-19



### Plan Progress 2018-19



## QAIP – Improvement Plan

### ACTIONS

1. We need to seek satisfaction feedback from Audit Committees & Senior Management on whether the Audit Plan focuses on the things that matter to the organisation and whether our opinion and recommendations are valued and help the organisation
2. We must continue to heighten our profile by building on the relationship management already established with each partner organisation. i.e. Regular meetings with senior management and regular on-site presence.
3. To avoid any perceived conflicts of interest, we need to re-iterate/emphasise our rules and individual responsibilities to matters concerning the impairment of our professional judgement.
4. Our Record Retention Policy needs to be refined and expanded to include temporary records not held on DCC's network drive. Potentially need to issue procedural guidance to supplement the policy. The ethical use of information gathered during audits, needs to be emphasised.
5. We need to map competency levels of staff over the various audit disciplines (e.g. contract, IT, probity, investigations etc.) that we can link to audit engagements to demonstrate that the staff assigned are appropriate.
6. To show our commitment to staff retention and development, we also need to ensure that:
  - staff complete the AMS in respect of any training received,
  - we undertake MIPs in accordance with the hosts requirements and
  - we produce a Training & Development Plan to demonstrate a culture of continuous improvement which considers the needs of individuals
7. To ensure that the Audit Charter is reviewed and approved by the board we should develop a reporting timetable for each Audit Committee that defines what needs to go to each Committee during the year ahead.
8. We need to make a declaration on whether there are any perceived conflicts of interest with any other assurance providers which the CAE is relying upon when forming an opinion.
9. We must seek to ensure that the organisational changes at DCC do not impair the independence of the CAE by getting operational responsibilities for non-audit functions.
10. We need to establish a robust process for engaging capable assistance when resource shortfalls exist (e.g. contracts for Co-sourcing, specialists service providers etc.) (i.e. Staffs re AMS support)
11. We must ensure that our Audit Manual is complete, up-to-date, readily available and used by all audit staff.

## South Derbyshire DC – Internal Audit Annual Report 2018-19

12. To ensure that audit engagements are supported by appropriate tools, we need to encourage Auditors greater use of CAATs (e.g. IDEA and analytical Excel functions) and consider whether it would be beneficial to record when they have been used to identify potential development opportunities.
13. Complete this self-assessment and produce a revised QAIP and Action Plan for reporting to all necessary parties.
14. To demonstrate stakeholder engagement with the process, we need to ensure that the QAIP Action Plan is a standard agenda item on both Operational Management group and at Audit Section meetings.
15. We must never again allow the external assessor to be also engaged as a consultant for management. A conflict of interest existed which could mean that the process was not independent and could have been manipulated for other purposes.
16. To ensure that we are managing risks to the internal audit activity appropriately and effectively, we need to try and improve the financial monitoring information produced for CMAP and produce a Business Plan that demonstrates that the internal audit activity is adding value to each organisation.
17. To ensure the CAE communicates significant interim changes to plans and resource requirements, we could improve the way we plan/report the use of contingency time for certain partners.
18. Need to add an area to record other assurance providers to our individual assignment risk assessments, we need to consider how we can incorporate this information into our overall risk assessment process and our overall opinion and how the other assurance provider information we gather can be used to demonstrate the overall Assurance 'map' for each organisation.
19. To support the improvement of the organisation's governance framework, we need to undertake consultancy work to facilitate the self-assessment of the effectiveness of the Audit Committee at all partner organisations as well as develop a suite of Audit Committee training courses.
20. We need to consider how we could systematically evaluate the potential for the occurrence of fraud at each partner organisation and how each organisation manages fraud risk.
21. To demonstrate each work programme has been appropriately approved, we need to continue to develop the controls/risk/tests selection from a searchable database in the AMS (which will automatically generate the control evaluation) which incorporates attributes for each control (such as risk type, control type) so we can better demonstrate our coverage and the scrutiny and approval of that coverage by audit management. We need to continue to gather control/risk/test data from existing audit ready for import into the database.

REPORT TO:	AUDIT SUB-COMMITTEE (SPECIAL)	AGENDA ITEM: 9
DATE OF MEETING:	29 <sup>th</sup> MAY 2019	CATEGORY: DELEGATED
REPORT FROM:	HEAD OF LEGAL and DEMOCRATIC SERVICES	OPEN
MEMBERS' CONTACT POINT:	ARDIP KAUR (01283 595715) <a href="mailto:Ardip.kaur@southderbyshire.gov.uk">Ardip.kaur@southderbyshire.gov.uk</a>	DOC: u/ks/governance/local code/May 19/update report May 19
SUBJECT:	LOCAL CODE OF CORPORATE GOVERNANCE REVIEW 2019/20	
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 2019/20 as detailed in **Appendix 1** is approved.
- 1.2 That progress on the work plan to strengthen the Council's governance arrangements in 2018/19 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. The report also details progress on actions arising out of the Council's Annual Governance Statement (AGS) for 2017/18.

## 3.0 Detail

### Background

- 3.1 In 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 the Audit Sub-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 is also 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 The latest self-assessment against the Framework 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	May 2018	Dec 2018	May 2019
Total number of principles	21	21	21	21	21	21
Total number scoring 5	16	18	17	18	18	20
Total number scoring 4	5	3	4	3	3	1

- 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. The one remaining issue is detailed in the following table.

Sub-Principle	Action	Timeframe
<b>Developing the entity's capacity</b>	<p>The guidelines recommend that organisations should be subject to an external peer review from time-to-time.</p> <p>A Corporate Plan target for 2018/19 was for this to be completed during the fourth quarter of the year, by March 2019.</p> <p>During the year, the Local Government Association reviewed the Council's Management Structure.</p> <p>Based on the outcomes of this review, which included developing capacity, the Council implemented a new Senior Management structure on 1 April 2019. This delayed action to address this issue.</p> <p>Therefore, it is now planned to undertake a peer/independent assessment in 2019/20.</p>	<p>March 2019</p> <p><i>Proposed to defer to 2019/20</i></p>



## **Progress on actions in 2018/19**

- 3.14 The approved work plan is detailed in **Appendix 2**. The one remaining action is the completion of an independent peer review/assessment as detailed in the above table.

### **4.0 Financial Implications**

- 4.1 None

### **5.0 Corporate Implications**

#### **Employment Implications**

- 5.1 None

#### **Legal Implications**

- 5.2 None

#### **Corporate Plan Implications**

- 5.3 Maintaining proper Corporate Governance is a key aim in the Corporate Plan.

#### **Risk Impact**

- 5.4 None

### **6.0 Community Implications**

#### **Consultation**

- 6.1 None required.

#### **Equality and Diversity Impact**

- 6.2 None

#### **Social Value Impact**

- 6.3 Not applicable

#### **Environmental Sustainability**

- 6.4 Not applicable

### **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"> <li>• There are Member and Officer Codes of Conduct, together with an Ethics Statement which are detailed in the Council's Constitution.</li> <li>• Members and Officers sign-up to the Codes when appointed.</li> <li>• Standards and behavior expected are part of the induction processes.</li> <li>• Standards and behavior are part of the PDR process for Officers and are included in the job competency framework.</li> <li>• There is an established process for Members to declare any interests at Committee meetings and these are recorded in official Minutes.</li> <li>• There is an established procedure governing conduct at Committee meetings, including the use of social media.</li> <li>• The Council has an established Standards Committee with independent persons appointed.</li> <li>• There are anti-fraud and corruption policies in place which are regularly reviewed and audited.</li> <li>• 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.</li> <li>• There is a procedure for declaring gifts and hospitality and these declarations are registered with and held centrally by the Monitoring Officer.</li> <li>• The Council has an established Whistleblowing Policy which protects individuals and is communicated to all stakeholders, including contractors.</li> <li>• An established Complaints Procedure which includes provision for raising issues regarding standards and the behavior of Officers.</li> <li>• This Procedure makes provision to identify improvements and changes to procedures if required; these are reported to the Council.</li> </ul>	5	

## 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"> <li>• The Council's Ethical Framework is set out in its Constitution. Specific references are detailed below. <ul style="list-style-type: none"> <li>➤ The Code of Conduct for both Members and Officers sets out the standards of conduct that Members are required to adhere to.</li> <li>➤ The Protocol for Member and Officer Relations defines respective roles and stresses the principles of mutual courtesy and respect.</li> <li>➤ An Ethics Statement has been adopted by the Council</li> <li>➤ The Planning Code of Good Practice is designed to assist and protect Members involved in the planning process.</li> <li>➤ The ICT Protocol is designed to assist and protect Members when using computer equipment and social media.</li> <li>➤ The Licensing Protocol sets out procedures so that Members act in a fair and proper manner and are seen to do so.</li> <li>➤ The Code of Conduct for Representation on Outside Bodies provides support and guidance to Members when representing the Council on funded bodies and partnerships.</li> <li>➤ Ethical values are an element of the Council's Procurement framework and feature in the tendering/contract process.</li> </ul> </li> </ul>	<p><b>4</b></p> <p><i>Given the actions undertaken in 2018/19, it is proposed to increase this score to a 5.</i></p>	<p>An action for 2018/19 was to undertake a staff survey and hold briefing sessions to promote the Council's Culture and Ethics Framework.</p> <p>Briefing sessions were held and promotional material circulated in 2018/19 regarding the ethical standards expected of Council Officers.</p>
<p>Respecting the rule of law</p>	<ul style="list-style-type: none"> <li>• The role of the Monitoring Officer and associated Protocol is designed to ensure that the Council operates within the law.</li> <li>• 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.</li> <li>• All Council Committees operate under a Terms of Reference.</li> <li>• An established Scheme of Delegation from Full Council to Committees and to Senior Officers is in place.</li> <li>• All Committees are supported by Committee Clerks.</li> <li>• The Monitoring Officer attends all meetings of Full Council.</li> <li>• 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.</li> </ul>	<p><b>5</b></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"> <li>• An established Freedom of Information Publication Scheme is in place which informs how and where information is available.</li> <li>• The Corporate Plan and Annual Report set out what the Council wants to achieve and how it has performed.</li> <li>• The Council adheres to the Government's Transparency Code of Practice and publishes information accordingly.</li> <li>• Records of decisions at Committee meetings are published.</li> <li>• Committee reports are published in a standard form.</li> <li>• Committee reports include financial, legal and HR implications where required, together with an assessment of the Corporate and Community implications of proposals.</li> <li>• The Council adheres to a Committee timetable which is reported and approved ahead of every Civic Year; dates of meetings are publicised in advance.</li> <li>• A Committee work programme is updated and reviewed at each Committee which publishes forthcoming business and reports.</li> <li>• Committee agendas are published 5 working days prior to a meeting in accordance with the Access to Information Regulations.</li> <li>• All meetings are open to the press, media and public and each Agenda allows questions to be raised by the Public.</li> </ul>	5	
Engaging comprehensively with institutional stakeholders	<ul style="list-style-type: none"> <li>• The Council has an established Communications Strategy with an annual action plan subject to quarterly review.</li> <li>• The Council engages the support of other agencies and the voluntary sector to undertake consultations as appropriate.</li> <li>• Where the Council works in Partnership, protocols and procedures allow for views to be shared and challenge to take place.</li> </ul>	5	
Engaging with individual citizens and service users effectively	<ul style="list-style-type: none"> <li>• An SLA is in place with the local CVS to undertake consultation on potential changes affecting specific groups.</li> <li>• The Council regularly consults with council house tenants and users of sport and leisure facilities through established groups.</li> <li>• Results of public consultation are reported to the Council and assessed as part of any new proposals or changes to service provision.</li> </ul>	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"> <li>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.</li> <li>This vision and the priorities are central to the Corporate Plan which is set for a 5-year period.</li> <li>The achievement of the priorities is measured in terms of a set of performance indicators for defined outcomes.</li> <li>The Corporate Plan is published and advertised extensively both internally and externally.</li> <li>It is approved and adopted by Full Council.</li> <li>Operational targets are cascaded down into Service Plans.</li> <li>The Council’s Performance Management Framework monitors and reviews performance against the priorities; this includes comparisons and trends which are reported quarterly.</li> <li>Identified risks to the achievement of defined outcomes are integral to this process. Risk registers are reviewed on a quarterly basis.</li> <li>The Corporate Plan also aligns to the Sustainable Community Strategy for the District.</li> </ul>	5	
Sustainable economic, social and environmental benefits	<ul style="list-style-type: none"> <li>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.</li> <li>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.</li> <li>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.</li> <li>Current financial constraints are factored into strategic plans for Housing, Economic and Environmental Services.</li> <li>A corporate Equalities Working Group ensures that there is fair access to all services and this is demonstrated in an Annual Report.</li> </ul>	5	

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

	<ul style="list-style-type: none"> <li>The Communications Strategy sets out guidelines on how and when stakeholders are engaged.</li> </ul>		
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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"> <li>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.</li> <li>The process directs that all major procurements are subject to a prior options appraisal which is recorded and signed off corporately; this includes soft market testing where appropriate.</li> <li>The framework determines that proposals are discussed at senior officer level, with senior Members and are then subject to the Committee process.</li> <li>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).</li> <li>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.</li> </ul>	5	
Planning interventions	<ul style="list-style-type: none"> <li>Established quarterly performance and budget monitoring reports with key indicators which report performance results and highlight corrective action where necessary.</li> <li>Annual budgets are based on current and future service provision and in accordance with the Medium-Term Financial Plan (MTFP).</li> <li>The key aim of the Financial Strategy is sustainability and the MTFP factors in potential funding constraints in which services plan accordingly.</li> </ul>	5	

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

Optimising achievement of intended outcomes	<ul style="list-style-type: none"> <li>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.</li> <li>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.</li> <li>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.</li> </ul>	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"> <li>The Council uses comparative data where this is appropriate 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.</li> <li>The Council uses representative groups, for example council house tenants and leisure centre users, to help formulate service provision.</li> <li>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.</li> <li>The Council has several partnership/collaborative working arrangements.</li> <li>An established Workforce Strategy is in place which includes an annual work plan setting out training and development activities.</li> </ul>	<p>4</p> <p>No Change proposed at this stage</p>	<p>The guidelines recommend that organisations should be subject to an external peer review from time-to-time.</p> <p>Following the implementation of a new Senior management structure on 1 April 2019, a peer/independent assessment is planned for 2019/20.</p>



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

	<ul style="list-style-type: none"> <li>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 issues such as limiting resources.</li> </ul>		
Developing the capability of the entity's leadership and other individuals	<ul style="list-style-type: none"> <li>Regular meetings take place between senior managers and leading Members to ensure regular and effective communication.</li> <li>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.</li> <li>The Council also operates within a set of Financial Regulations and Procedural Rules.</li> <li>A weekly meeting takes place between the Leader and Chief Executive to ensure a continuing and effective relationship.</li> <li>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.</li> <li>Members have access to training and seminars through the District Council's Network and the East Midlands Regional Council.</li> <li>Development plans for Officers are linked to a competency framework and where appropriate to the leadership programme.</li> <li>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.</li> <li>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.</li> <li>All employees, including the CEO and Directors are subject to annual appraisals.</li> <li>Certain training courses are mandatory for specific groups of employees or for all Officers, regarding health and safety, equality and absence management, etc.</li> <li>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.</li> </ul>	<p>4</p> <p><i>Given the actions undertaken in 2018/19, it is proposed to increase this score to a 5</i></p>	<p>During 2018/19, the Council commissioned the Local Government Association to undertake a review of the Council's management structure.</p> <p>Based on the outcomes of this review, which included developing capacity, the Council approved a new Senior Management Structure which was implemented on 1 April 2019.</p> <p>This structure introduced key Heads of Service posts to support the Leadership Team and in doing sought to empower these individuals to lead their service area.</p> <p>The review also aggregated pockets of expertise from across the Council into central teams for the greater corporate good. In particular, this aims to enhance service provision in Organisational Development and Business Transformation.</p>

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

## **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"> <li>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.</li> <li>Responsibility for managing risks is assigned to service managers in Service Plans. Strategic risks are owned by the Leadership Team. These risks are regularly reviewed and reported quarterly.</li> </ul>	5	
Managing performance	<ul style="list-style-type: none"> <li>The Council has an established performance framework with comprehensive performance reports considered by policy committees on a quarterly basis.</li> <li>All key activities in the Corporate Plan are subject to performance measures which assesses progress against intended outcomes.</li> <li>Consultation takes place between Members and Officers in the planning process to establish what and the format that information is required for decision making.</li> <li>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.</li> <li>This Committee operates under a terms of reference set out in the Constitution and sets its own work programme. It focuses on a 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.</li> </ul>	5	

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

	<ul style="list-style-type: none"> <li>The Council's outcomes in terms of finance are reported from base budget stage through to the publication of the annual financial statements.</li> </ul>		
Robust internal control	<ul style="list-style-type: none"> <li>The Council has an established Audit Committee.</li> <li>The Committee has its own terms of reference which includes overseeing good governance, internal control and risk management, etc.</li> <li>The effectiveness of the Committee is regularly reviewed and Members receive training and briefings.</li> <li>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.</li> <li>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.</li> <li>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.</li> <li>The Council reports its Governance Framework and its effectiveness are assessed through an Annual Governance Statement which is reported in the Financial Statements.</li> <li>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.</li> <li>Internal Audit meets the requirements of the nationally recognised Public Sector Internal Auditing Standards.</li> </ul>	5	
Managing data	<ul style="list-style-type: none"> <li>The Council has an established Data Quality framework in place which is subject to annual review and audit.</li> <li>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.</li> <li>The Council's ICT and Business Change Manager is the designated Data Protection Officer.</li> <li>The Council has established policies regarding the security of data, and data protection, etc.</li> <li>Arrangements for managing and storing data are subject to audit.</li> <li>Information asset owners assigned to data folders and systems.</li> </ul>	5	

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

	<ul style="list-style-type: none"> <li>• The Council shares data with other agencies in accordance with data sharing protocols. These currently exist with the DWP, the Police and Fire authorities</li> <li>• From time-to-time, other agreements are established with for example, credit rating agencies for specifically defined purposes.</li> <li>• Where high volumes of data are processed, the Council undertakes independent quality checking, for example in the processing of housing benefits.</li> </ul>		
Strong public financial management	<ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> <li>• 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).</li> <li>• 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.</li> </ul>	<b>5</b>	

## 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"> <li>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.</li> <li>The Council publishes an Annual Report which helps to explain what the Council does, its achievements, etc. in a more easily understandable style.</li> <li>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.</li> <li>Social media is also being used as a tool for engaging with residents and other stakeholders.</li> </ul>	5	
Implementing good practice in reporting	<ul style="list-style-type: none"> <li>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.</li> </ul>	5	
Assurance and effective accountability	<ul style="list-style-type: none"> <li>All key indicators and projects in the Corporate Plan have a named responsible officer.</li> <li>These responsible officers are accountable to the relevant Policy Committee.</li> <li>Any recommendations made by External Audit in their annual report, are assigned a responsible Council Officer and actions are monitored by the appropriate Committee.</li> <li>Recommendations made by Internal Audit are designed to strengthen the Council's internal control environment.</li> <li>Recommendations made by Internal Audit are also assigned a responsible Council Officer to implement agreed actions.</li> <li>Internal Audit provides quarterly updates on outstanding recommendations and there have been no cases where the Audit Committee has requested specific reports from responsible officers where agreed actions are still to be implemented.</li> </ul>	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	Reviews to be held in December 2018 and May 2018.  <b><u>Progress</u></b> Completed as detailed in this report and Appendix 1.
Undertake a staff survey and hold briefing sessions to promote the Council's Culture and Ethics Framework	November 2018	Legal and Democratic Services Manager	To ensure that staff are fully aware of the Framework and their responsibilities in order to comply.	<b>Completed</b>  Briefing sessions were held and promotional material circulated in 2018/19 regarding the ethical standards expected of Council Officers.
Undertake an external Peer Assessment	March 2019	Chief Executive Officer	Review and develop the Council's organisational capacity.	To commence in the final quarter of 2018/19.  <b><u>Progress</u></b>  During the year, the Local Government Association reviewed the Council's Management Structure.  Based on the outcomes of this review, the Council implemented a new Senior Management structure on 1 April 2019. This delayed action to address this issue.  Therefore, it is now planned to undertake a peer/independent assessment in 2019/20.

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REPORT TO:	AUDIT SUB-COMMITTEE (SPECIAL)	AGENDA ITEM: 10
DATE OF MEETING:	29 <sup>th</sup> MAY 2019	CATEGORY: RECOMMENDED
REPORT FROM:	HEAD OF LEGAL and DEMOCRATIC SERVICES	OPEN
MEMBERS' CONTACT POINT:	ARDIP KAUR (01283 595715) <a href="mailto:ardip.kaur@southderbyshire.gov.uk">ardip.kaur@southderbyshire.gov.uk</a>	DOC:
SUBJECT:	ANNUAL GOVERNANCE STATEMENT 2018/19	REF:
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE: AS 04

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## 1.0 Recommendations

- 1.1 To recommend to Finance and Management Committee the Annual Governance Statement (AGS) for the year ended 31 March 2019 and its publication within the Statement of Accounts for 2018/19.
- 1.2 To authorise the Leader of the Council and Chief Executive Officer to sign the Annual Governance Statement.

## 2.0 Purpose of Report

- 2.1 To submit the Council's Annual Governance Statement (AGS) for 2018/19 in accordance with the Accounts and Audit Regulations 2003 (as amended).

## 3.0 Detail

### **Background**

- 3.1 Governance is about how South Derbyshire District Council ensures that it does the right things, in the right way, for the right people in a timely, inclusive, open and accountable manner. As such, it comprises the systems, processes, culture and values by which the Council is directed and controlled and through which it accounts to, engages and leads its local community.

### **Annual Governance Statement (AGS)**

- 3.2 The AGS is the formal statement that records and publishes a council's governance arrangements; it is a statutory requirement to publish an AGS on an annual basis.



- 3.3 Guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) states that the production and publication of the AGS, are the final stages of an on-going review of governance and not activities that can be planned and viewed in isolation. Compilation of the AGS involves the Council in:
- reviewing the adequacy of its governance arrangements
  - knowing where it needs to improve these arrangements
  - communicating to stakeholders how better governance leads to best quality public services
- 3.4 The proposed AGS for 2018/19 is attached. It is overseen by the Council's Monitoring Officer in consultation with the Council's Leadership Team. The AGS has been produced in accordance with the CIPFA guidelines and includes commentary on:
- the governance environment and how this is reviewed to determine its effectiveness; and
  - issues of significance that require addressing as part of the review of effectiveness
- 3.5 **Section D** of the Statement highlights those issues and matters dealt with under the Governance framework. This includes a summary of any complaints made against the Council by the Local Government Ombudsman and other Government agencies, together with any significant issues raised by Auditors and failures to operate within expected standards.

### **Compiling the AGS**

- 3.6 The aim of the AGS is to set out established processes and to reflect on any matters arising during the year. Much of the content of the AGS will already be known and may have been reported and noted elsewhere in other Council forums.
- 3.7 As the governance framework at the Council is relatively well established, the existing AGS is used as the basis of the annual review. The lead officers in compiling and reviewing the AGS are the Council's Monitoring and Chief Finance Officers.
- 3.8 In monitoring the AGS, these officers review policy committee reports and decisions, together with Leadership Team minutes to ensure that any relevant matters are included in the AGS.
- 3.9 Work in other forums such as the Health and Safety Committee, Licensing and Appeals Committee and the Joint Negotiating Group, where potential matters affecting the AGS are reported, are also reviewed. These committees

and forums are usually attended by the Monitoring and Chief Finance Officers.

- 3.10 In addition, investigations that may have been undertaken by the Information Commissioner, Data Protection Registrar and Local Government Ombudsman are also reviewed. Any legal action brought against the Council is also reviewed to determine its impact on the Council's governance arrangements.
- 3.11 When the draft statement is complete, the Chief Executive, other corporate directors and Heads of Service are consulted and asked to highlight any other matters or to provide additional feedback.

### **Work Plans**

- 3.12 A work plan, considered and approved by the Audit Sub-Committee in May 2018, was progressed during 2018/19 to address matters identified to maintain and strengthen the governance environment. These are detailed within the AGS and summarised in Section E.
- 3.13 The proposed work plan for 2019/20 is detailed in the AGS. These actions have been identified to maintain robust governance and to ensure arrangements keep abreast of a changing environment. The work programme includes:
- Continue to review on a 6-monthly basis the Local Code of Corporate Governance.
  - Conducting an external Peer Review

## **4.0 Financial Implications**

- 4.1 None

## **5.0 Corporate Implications**

- 5.1 Corporate governance affects the whole authority and as part of the process, all members of senior management have been consulted and made aware of its contents. Generally, senior managers are briefed at corporate meetings in respect of governance generally, together with the AGS and its importance for the financial statements.
- 5.2 Maintaining good governance is a key outcome in the Corporate Plan adopted by the Council. This reflects that sound governance should underpin all services and activities of the Council.
- 5.3 The AGS itself will be signed by the Council's Leader and most senior officer, the Chief Executive. This also emphasises that corporate governance is at the centre of the leadership and management of the Council.

## **6.0 Community Implications**

- 6.1 The AGS is designed to act as a public assurance statement that the Council has a sound system of corporate governance, designed to help deliver services in a proper, inclusive, open and accountable manner.

## **7.0 Background Papers**

The Annual Governance Statement and Rough Guide published by the Chartered Institute of Public Finance and Accountancy.

# GOVERNANCE STATEMENT 2018/19

## A SCOPE OF RESPONSIBILITY

As a public authority, South Derbyshire District Council is responsible for ensuring that its business is conducted in accordance with the law, proper standards and that public money is safeguarded, properly accounted for and achieves value for money. The Council also has a duty to make arrangements to secure continuous improvement in the way in which its functions and services are delivered.

In discharging these responsibilities, the Council is required to put in place proper arrangements for the governance of its affairs, which includes arrangements for the management of risk.

### The Local Code of Corporate Governance

In order to ensure it meets its responsibilities, the Council adheres to a Local Code of Corporate Governance. This is based on a National Framework which assists local authorities to ensure that they are delivering “Good Governance” in exercising their functions.

The Local Code sets out a range of principles for which an authority can assess its individual governance arrangements. This helps to identify any areas that fall short of the required standards, together with issues that need to be reviewed and developed.

The Code is based on 7 core principles which embody “good governance”. These principles are:

- Behaving with integrity.
- Ensuring stakeholder engagement
- Establishing clear outcomes
- Establishing interventions to achieve outcomes
- Developing capacity and leadership in the organisation
- Managing risks and performance
- Upholding good practice in reporting and transparency

### The Annual Governance Statement (AGS)

The Local Code is published in a detailed report which documents how the Council achieves “Good Governance”. It is reviewed and updated every 6 months and is monitored by the Council’s Audit Committee.

The AGS is a formal statement which summarises a council’s governance arrangements for its stakeholders. It also provides an overview on how effective those arrangements have been, based on independent assessments and other evidence. In addition, it highlights any issues that have been identified which need to be strengthened.

The AGS and the Local Code are complimentary documents.

# GOVERNANCE STATEMENT 2018/19

## **B THE PURPOSE OF THE GOVERNANCE FRAMEWORK**

The Governance Framework is diverse and comprises:

- The systems and processes, culture and values, by which the Council is directed and controlled.
- The activities through which it accounts to, engages with and leads the local community.
- The management of risk to an acceptable and reasonable level through Internal Control

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.

## **C THE GOVERNANCE FRAMEWORK AT SOUTH DERBYSHIRE**

The Governance Framework detailed in this Statement has been in place at South Derbyshire District Council for the year ended 31 March 2019. The key elements of the systems and processes that comprise South Derbyshire District Council's Governance Framework are set out in the following sections.

### **Decision Making**

The Council operates under a Constitution ([the Constitution](#)). This sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people.

The Constitution sets out the individual roles and responsibilities of Members and the Council's 3 statutory officers who are as follows:

- The Chief Executive in their role as the Head of Paid Service.
- The Strategic Director of Corporate Resources in their role as the Chief Finance Officer.
- The Head of Legal and Democratic Services in their role as Monitoring Officer.

The Full Council makes decisions on key policies and sets the budget and levels of local taxation for the Council's services. The Constitution includes the delegation from Full Council down to the Policy Committees and provides a Scheme of Delegation to Officers.

### **The Council's Leadership Team**

This consists of a Chief Executive, two Strategic Directors and the Monitoring Officer. They work closely with Elected Members to deliver the Council's services.

### **Policy Making**

This is facilitated through 3 Policy Committees which are responsible for the main service areas of the Council and are:

- Environmental and Development Services
- Housing and Community Services
- Finance and Management

# GOVERNANCE STATEMENT 2018/19

Each Committee is governed by its own Terms of Reference, as laid down in the Constitution. Meetings of these committees are open to the public, except where issues of an exempt nature are being disclosed in accordance with Access to information Regulations.

An Overview and Scrutiny Committee has 'call-in' powers to consider the appropriateness of Policy Committee decisions. It also shadows the policy committees, supports policy development and review, together with carrying out external reviews on issues that affect South Derbyshire.

Six Area Forums, a Parish Liaison Meeting and a Flood Liaison Meeting are well established and these meet throughout the year. These forums are designed to improve community involvement in policy making and provide a continuous link with local residents, parish councils, the voluntary sector and other public bodies.

## Compliance

It is the function of the Monitoring Officer to ensure compliance with established policies, procedures, laws and regulations. After consulting with the other Statutory Officers, they have the power to report to Full Council if they consider that any proposal, decision or omission would give rise to unlawfulness or maladministration.

Such a report would prevent the proposal or decision being implemented until the report has been considered.

The Council operates 2 regulatory committees; a Planning Committee focusing on development control (planning applications and enforcement) and a Licensing and Appeals Committee which deals with licensing applications and appeals.

In addition, a Standards Committee, which contains independent (of the Council) members, oversees the conduct of Elected Members in their respective roles.

Accountability for the use of public funds and service provision is largely undertaken through the annual publication of a Statement of Accounts and an Annual Report.

## Health and Safety

The Council has a Health and Safety Policy that sets out the Council's commitment to health and safety and identifies those positions with responsibility to ensure that the Council complies with Health and Safety legislation.

Compliance is monitored by a Health and Safety Committee, where employee representatives meet with service managers and Elected Members. The Committee monitors policies, working practices and reviews accident statistics for its own employees and members of the public using Council services.

## Standards of Financial Conduct

Financial management is conducted in accordance with financial regulations and procedural rules, as set out in Part 4 of the Constitution. The Council has designated the Strategic Director of Corporate Resources as its Chief Finance Officer (CFO) in accordance with Section 151 of the Local Government Act 1972.

The Council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).

# GOVERNANCE STATEMENT 2018/19

The CFO is responsible for making arrangements for the proper administration of the Council's financial affairs in accordance with best professional practice. This includes medium-term financial planning and regular monitoring of income and expenditure, all of which is reported quarterly to Policy Committees.

In addition, under a national Code of Audit Practice, the Council has a responsibility to ensure that its affairs are managed in accordance with proper standards and to prevent and detect fraud and corruption. The Council has adopted a Counter Fraud and Corruption Policy in order to achieve this and works to an annual programme which is monitored by the Council's Audit Sub-Committee ([Anti-Fraud and Corruption Plan 2018/19](#)).

## Standards of Overall Conduct

Members and Officers of the Council operate under Codes of Conduct. These codes provide a set of standards of conduct expected of employees at work and for councillors in performing their public duties.

The Codes take into account the requirements of the law and the provisions of official conduct in the appropriate National Conditions of Service (for employees). Members and Officers are required to disclose any potential conflicts of interest in public registers. These are available for inspection from the Monitoring Officer.

In addition, the Council has adopted an Ethics Statement in its Constitution which sets out the behaviour requirements expected of Officers.

The Council Leader and the Chief Executive are the Corporate Governance Champions for Members and Officers respectively, designed to create a climate of openness, support and respect, promoting a strong ethical culture and upholding the values of good governance.

The Standards Committee hears Members' Code of Conduct complaints referred by the Monitoring Officer in line with the procedure for considering such complaints. These are complaints against Elected Members of the District Council and elected or co-opted Members of the Parishes of South Derbyshire.

The Standards Committee is also informed of complaints not referred to them for consideration and dealt with by the Monitoring Officer, with a summary of the outcome in relation to each matter.

## Development of Members and Officers

Members and officers receive a formal induction tailored to their role in the Council, including when they take on new roles. The Council has adopted an e-induction system for Officers and induction training is undertaken by Members at the beginning of each four year term of office. Members' role profiles exist under Section 6 of the Constitution.

Members also have access to regional training courses and seminars organised through the forum of East Midlands Regional Councils.

In addition, on an annual basis, existing and new Members of the Planning and Licensing & Appeals Committees must attend training sessions to enable them to continue to sit on these Committees, to ensure that they are fully briefed on all new developments in these areas.

The Council provides a full range of development opportunities for Members with ad-hoc training and briefing sessions.



# GOVERNANCE STATEMENT 2018/19

Personal Development Reviews provide Employees with a clear understanding of how their work is enabling the Council to deliver its services, together with identifying their own individual training needs.

## Establishing Council Objectives

These are set out in the Council's **Corporate Plan** ([The Corporate Plan](#)). This is effectively the Council's business/forward plan, set for five years and reviewed on an annual basis. This plan sets out the Council's vision for South Derbyshire, its values and the priorities for delivering services for local communities.

**Service Plans** are the cornerstone of the operating framework and demonstrate how each section of the Council will deliver improvements in line with priorities detailed in the Corporate Plan.

**The Sustainable Community Strategy for South Derbyshire (2009-2029)** is co-ordinated by The South Derbyshire Partnership ([The Partnership and Strategy](#)).

This sets out the District wide priorities across a range of public service providers that include the District Council, County Council, Police, Health Authority and the Voluntary Sector.

This plan aims to improve the overall economic, social and environmental wellbeing of South Derbyshire by addressing issues that are important to the local community, businesses and service providers.

## Consultation and Communication

What the Council does is informed through consultation and communication. The Council has strategies and work programmes in place to ensure that the views of stakeholders are gathered and fed into the decision-making process.

Through regular and targeted communication, the Council strives to enhance its reputation and profile as a community leader and to ensure that stakeholders are aware of what the Council is achieving and the issues and challenges that it faces.

## Assessing and Reviewing Performance

The Council has in place a range of Key Performance Indicators (KPIs) which it uses to measure performance. Indicators are developed for each of the Council's main priorities in the Corporate Plan, alongside specific indicators in service plans.

During the year, the Policy Committees receive quarterly performance monitoring reports. A "traffic light" monitoring system is used to highlight areas at risk of not being achieved and agreed remedial measures in action plans are approved where these were necessary.

In addition, the Finance and Management Committee receive quarterly financial monitoring reports. Performance reporting includes a review of both service and corporate risks.

## Data Quality

A key element of reporting performance is the information that underpins it, i.e. data quality. This is to ensure that the Council's arrangements for recording and collecting information are robust so that the evidence and management information is reliable. The Council has adopted a Strategy to govern data quality and its arrangements are subject to regular review, including an annual audit.

# GOVERNANCE STATEMENT 2018/19

## Compliments and Complaints

The Council has a Corporate Compliments and Complaints Procedure ([Complaints Procedure](#)). This is used to help identify service improvements from compliments, complaints and other comments received regarding the Council's services. Information is collated centrally and reported half yearly to the Finance and Management Committee, where performance can be challenged and areas for improvement identified.

Arrangements are also in place for dealing with and monitoring Ombudsman's complaints and reporting annually to Full Council.

The Council also has arrangements in place for whistleblowing to which staff and all those contacting the Council have access. A confidential reporting code is reviewed regularly and publicised.

## Information Communication Technology (ICT)

The Council is responsible for gathering, processing and managing large amounts of personal data and also maintains sensitive and confidential information.

The Council would not be able to operate without an effective ICT infrastructure in place. The Council's ICT and Digital Strategy ([ICT Strategy](#)) is designed to ensure that the appropriate infrastructure is in place to enable the Council to deliver its services efficiently and effectively, together with ensuring that data is secure and processed in accordance with Data Protection legislation.

Appropriate safeguards are in place to ensure the integrity of the Council's ICT infrastructure and this is subject to an annual audit and independent health check. In addition, the Council complies with national best practise for security as contained within the Public Services Network (PSN) Code. Under this Code, the Council's ICT security arrangements are tested and reviewed each year by an independent organisation approved for such work.

## Data Management

The Council has Records Management and Document Retention Policies that direct how the Council manages personal and other data that it holds and processes in accordance with the Data Protection Act 2018.

The Council has appointed its Business Change and ICT Manager as its Data Protection Officer. This Officer reports to the Leadership Team on a quarterly basis, including details of any data breaches or other data management issues.

## Transparency in the Publication of Information

Besides producing an Annual Statement of Accounts, to demonstrate accountability, the Council publishes a wide range of information on its use of resources. This includes an Annual Pay Policy Statement which details how the pay and remuneration of Officers is determined. The Council also complies with regulations regarding the "Gender Pay Gap" and publishes its figures each year.

In addition, the Council publishes various data sets and information in accordance with the Government's Transparency Code. This includes details of all payments (excluding those to employees) in excess of £250, details of procurement card transactions, together with remuneration and expenses paid to Members. There are also details regarding assets owned and all contracts for goods and services awarded externally in a Contracts Register.

# GOVERNANCE STATEMENT 2018/19

This information is available on the Council's web-site in the "*Open Data and Transparency*" section ([Open Data](#)).

## Service Review

To support service delivery, the Council has Procurement and Business Change functions. These sections identify and co-ordinate projects to improve efficiency and effectiveness in the use of Council resources.

## Partnership Working

The Council works in partnership with many other public agencies, including the voluntary sector, together with private organisations to deliver its services ([List of Partnerships](#)).

The Council's most significant partnerships are the South Derbyshire Partnership and the Safer South Derbyshire Partnership for Derbyshire. These partnerships are properly constituted and Committees are established (comprising representatives of the Council) who monitor and review progress.

The governance arrangements include a constitution and terms of reference. They have annual action plans which are monitored and reported quarterly to the relevant Strategic Boards. The Council receives annual reports on their performance which identifies the outcomes of partnership work and the financial implications of their work undertaken.

## Risk Management

The Council has adopted a Risk Management Policy Statement ([RM Policy and Guidance](#)) which sets out the principles, responsibilities and commitment to dealing with risk. Backed-up by detailed guidance, it is effectively the process for the management of risk throughout the Council.

The Council, through its service planning process, has a system for identifying and evaluating significant risks. Each Service maintains an operational risk register and this is developed and maintained by Officers involved in planning and delivering services.

In addition, the Council's Corporate and Financial Plans identify and evaluate risk at a more strategic level. Furthermore, evaluation of proposals for new spending and capital investment includes a risk assessment analysis. The Council's risk management process provides a framework to embed risk within services. It also includes guidance for managers in assessing and treating risk.

## Business Continuity

The Council's arrangements are set out in a Business Continuity Plan in accordance with Civil Contingencies legislation. The Council is supported by Derbyshire County Council's Emergency Planning Unit and subscribes to the Government's Resilience Direct network.

## Internal Audit

Under the Account and Audit Regulations 2015, the Council maintains an internal audit function to evaluate the effectiveness of the Council's risk management, internal control and overall governance processes. This is based on public sector internal auditing standards.

Internal audit is the means by which the Council obtains assurances that systems are operating effectively. Internal Audit is required to issue an Assurance Statement (Annual Report) each year that provides an assessment of the Council's internal control system.

# GOVERNANCE STATEMENT 2018/19

The Council employs the services of the Central Midlands Audit Partnership (CMAP) to provide its Internal Audit function.

They work to an annual plan, agreed with and monitored by Members and Senior Officers ([Internal Audit Plan and Charter 2018/19](#)). Internal Audit provides opinions on internal controls in place to manage risks across the Council's activities. Its plans and outputs are monitored and challenged by the Council's Audit Sub-Committee.

Audit review all fundamental financial systems each year and other systems over a five yearly cyclical period. This is based on a risk assessment of each service area.

The reporting process requires a report of each audit to be submitted to the relevant service manager.

Audit reports include recommendations for improvements that are included within an action plan and require agreement or rejection by Council managers. The process includes reviews of recommendations by the auditors through a tracking system, to ensure that they are acted upon.

Under Auditing Standards, CMAP is subject to an independent quality assessment of their operational effectiveness at least once in every 5 years.

## **The Council's Audit Sub-Committee**

Under its terms of reference, the Committee independently oversees the Council's corporate governance, together with reviewing the adequacy of the risk management framework and internal control environment.

Internal Audit reports to the Council's Audit Sub-Committee on a quarterly basis. Reports to the Committee provide an overall assurance rating of each system or service area subject to audit. This includes a statement as to whether there are any possible implications for the Annual Governance Statement ([illustrative Reports](#)).

The Committee receive details of any issues that are found to have a potentially "high-risk" impact on the Council's control environment. These are subject to on-going monitoring until all recommended actions have been implemented

## **External Scrutiny**

Ernst & Young LLP (EY) is the Council's appointed external auditor. Besides auditing the accounts and financial statements of the Council, they also focus on more strategic performance and financial management arrangements.

Each year, the Council's External Auditors are required to consider whether the Council has put in place "proper arrangements" to secure economy, efficiency and effectiveness on its use of resources. This is known as the "value for money conclusion".

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise the Council's arrangements to:

- Take informed decisions
- Deploy resources in a sustainable manner
- Work with partners and other third parties

In drawing their conclusion, the Auditors consider the financial resilience of the Council and its past record of delivering financial management.

# GOVERNANCE STATEMENT 2018/19

The Audit Sub-Committee and Officers of the Council meet regularly with the external auditors to discuss planned and on-going external audit activity through the Annual Audit Plan. The Annual Audit Letter, which is considered by a meeting of the Full Council, summarises the conclusions and significant issues arising out of their audit.

## D REVIEWING THE EFFECTIVENESS OF THE GOVERNANCE FRAMEWORK

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its Governance Framework, including the system of internal control.

As part of an on-going review, the overall framework was strengthened in 2018/19 following a work programme arising out the Governance Statement for the previous year, 2017/18. Actions are detailed in **Section E**.

Evidence on which to base how effective the Council's governance and internal control framework (as detailed in Section C) has been during 2018/19 is provided in the following sections.

### The Local Code of Corporate Governance

The Council's Local Code was kept under review during and considered by the Audit Sub-Committee in December 2018 ([Local Code Dec 2018](#)) and May 2019 ([Local Code May 2019](#)).

Compared to the 21 individual requirements in the Code, it was considered that the Council was performing satisfactorily in 20 as at May 2019, with 1 area identified for review and development, i.e. organisational development and capacity.

The Council's plan to strengthen this area is included in the Action Plan in **Section E**.

### Internal Audits Undertaken in 2018/19

All audits completed and reported to the Audit Sub-Committee during 2018/19 found no material weaknesses which could affect the Council's Governance framework. All audits provided some assurance regarding the internal control environment.

Out of 33 individual audit assignments, only 2 attracted a Limited Assurance Rating with all others attracting either a Comprehensive or Reasonable Rating.

No critical risks were identified to those systems and processes audited during the year, From 142 individual recommendations made to maintain or strengthen control, 121 were considered to be low risk with 3 being considered significant; these significant risks have or are being addressed.

### Annual Internal Audit Report on the Council's System of Internal Control

Under the Code of Practice for Internal Audit in Local Government in the United Kingdom (2006) the Head of Internal Audit (HIA) provided their annual report regarding their overall opinion on the Council's system of Internal Control.

The report for 2018/19 was considered by the Audit Sub-Committee on 29 May 2019 ([Audit Committee 29 May 2019](#)).

The report concluded that:

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

# GOVERNANCE STATEMENT 2018/19

This report also provides further details of the work of Internal Audit during the year as outlined above.

## Value for Money (VFM)

***At the date of the publication of this Draft Statement, the External Auditor had not reported their conclusion on the Council's arrangements for securing VFM in 2018/19. When this has been issued, the Governance Statement will be updated alongside the publication of the Audited Accounts and Financial Statements later in the year.***

## The Effectiveness of Internal Audit

No independent review was undertaken in 2018/19 following that completed in 2017/18. The review in 2017/18 assessed Internal Audit as generally conforming to all approved standards.

## Communication

Besides the normal publication of events and activities, the Council undertook specific media campaigns aimed at raising awareness of key issues in the Council's Corporate Plan. These were:

- **"We're Watching You Campaign"** aimed at reducing dog fouling and encouraging reporting.
- **Fly Tipping:** Publicising successful prosecutions and enforcement actions.
- **Recycling:** Targeting campaigns to reach new audiences and educate residents, particularly those on new housing developments on the importance of recycling,
- **The National Forest:** Focusing on South Derbyshire's unique position at the heart of the Forest with the leisure and economic development opportunities that it presents.

## Consultation

During 2018/19, there was a wide-ranging series of consultation in order to inform service provision. The main areas of consultation focused on:

- **April 2018:** Views were sought on proposals to clamp down on fly-tipping at a well-known fly-tipping and anti-social behaviour hot-spot in the District.
- **May 2018** – During the National Forest Walking Festival, participants on every walk were asked to complete an evaluation form and to provide feedback on the event.
- **June 2018** – Council tenants were given the opportunity to have their say on how satisfied they are with their homes and services provided. The Survey of Tenants and Residents (STAR) Survey explored areas such as the quality of homes and communities, the effectiveness of repairs and maintenance work and whether tenants think they are getting value for their money.
- **August 2018** - Tenants were invited to comment on methods of communication used by the Council via text message.



# GOVERNANCE STATEMENT 2018/19

- **February 2019** – a six-week consultation on the Council’s proposed submission on the Local Green Spaces Plan.

## Changes to the Constitution

The Monitoring Officer reported some cosmetic changes to the Constitution during the year. The only substantive change was the adoption of an Ethics Statement under Part 5 which was approved by the Council in May 2018.

## Work of the Overview and Scrutiny Committee

The Committee did not “call-in” any decision during 2018/19 and was not required to undertake any special investigations.

The Committee presented its Annual Report to Full Council on 16 May 2019. This detailed the areas scrutinised in the year and included:

- *The Council’s use of its powers under the Regulation of Investigatory Powers Act 2000*
- *The Council’s Budget proposals for 2019/20*
- *Provision of rural play facilities*
- *The impact of Universal Credit*
- *Customer engagement in the Digital Age*
- *Allocations to Council housing*
- *Litter collection following the publication of the Government’s Litter Strategy for England.*
- *The use of Safer Neighbourhood grants*

In addition, the Committee scrutinised two issues of an external nature, i.e. the use of Section 106 Health Service contributions across the District, together with the provision of Broadband in rural areas.

Outcomes from these reviews and recommendations for service improvements were detailed in the Annual Report ([Item 11 Annual Report](#)).

## Propriety in the Conduct of Council Business

In respect of 2018/19, the following matters are noted.

## Ombudsman Complaints

There were no cases of maladministration found against the Council. The Local Government and Social Care Ombudsman issue their Annual Report in September each year.

Their latest report to the Council in September 2018 ([Ombudsman Annual Report](#)) highlighted that they had investigated 8 complaints against the Council in the most recent reporting period between April 2017 and March 2018. Of these, only one complaint was upheld and this was subsequently resolved.

## Code of Conduct

There were no breaches of either the Member or Employee Code of Conduct during 2018/19.

## Register Of interests

There were no issues raised in the year regarding the register of interests and declarations of gifts/hospitality which required investigation.



# GOVERNANCE STATEMENT 2018/19

## Whistleblowing

There were no matters raised under the Council's Whistleblowing Policy in 2018/19.

## Data Protection

The Data Protection Officer reported 10 separate data incidents/breaches during 2018/19. They were all classed as minor and subsequently resolved. No incidents occurred which warranted separate notification to the Information Commissioners Office under the Data Protection Act 2018.

## ICT Security

There was no major IT security incidents reported during 2018/19.

## Health and Safety

There were 5 reportable accidents under Health & Safety Regulations during 2018/19 (4 in 2017/18) involving Council Employees. Following investigation of each accident, risk assessments were reviewed and updated where necessary. There were no major incidents which required reporting to the Health and Safety Inspectorate.

During the year, the Council received a suspect package through the post. The incident was dealt with by the relevant agencies. A subsequent debrief of the incident led to further training and procedural changes for dealing with incoming post.

The Council once again achieved a Gold Award from the Royal Society for the Prevention of Accidents (RoSPA) in 2018/19 for its commitment to preventative Health and Safety ([ROSPA Gold Award](#)).

## Litigation

During 2018/19, the Council was the subject of a case in the Employment Tribunal, but this was struck out and there were no implications for the Council. In April 2019, a further case was brought against the Council for which a hearing has provisionally been set-aside in the Employment Tribunal for August 2019.

## Business Continuity

There were no major incidents during 2018/19 which necessitated the Council invoking its Business Continuity procedures. However, the Council was part of a multi-agency working group regarding the potential consequences on the Council's services of "Brexit" and in particular the scenario of the UK leaving the EU without a deal. At the time of the publication of this Statement, this issue was being kept under review.

## A Review of the Local Code and Governance Statement

During the year, Internal Audit undertook a review of the Council's Local Code and Governance Statement. The Audit focused on the format and usefulness of these documents and how key messages were communicated to stakeholders. The review did not focus on the Governance Framework itself per se.

At the time of the publication of this Statement, the Audit report was in draft and subject to consultation with Senior Officers to finalise the recommendations. However, no major issues

# GOVERNANCE STATEMENT 2018/19

were identified and the recommendations arising from the Audit will be included in the preparation of the Governance Statement for 2019/20.

## Assessment of the Overall Effectiveness of the Council's Governance Arrangements

Pending the External Auditor's report on the Council's arrangements for securing Value for Money, it is considered that the Council's overall Governance Framework continues to be effective. This is based on the Framework itself (as detailed in **Section C**) together with the evidence detailed in **Section D** above.

## E KEY GOVERNANCE MATTERS FOR SOUTH DERBYSHIRE

The Council operates within a changing environment with constant development in electronic communications and increasing public expectations, together with additional demand on its services due to substantial residential growth in the District.

Consequently, Governance needs to be subject to constant review to take account of changing circumstances. Good governance is a key outcome underpinning the Council's Corporate Plan.

Some areas for review were identified in the Governance Statement for 2017/18 to strengthen the Council's arrangements. In particular, these related to the promotion of the Council's Culture and Ethical Standards amongst employees to ensure the expected standards of behaviour were communicated, implemented and maintained throughout the Council.

Subsequent actions were completed in 2018/19 as reported to the Audit Sub-Committee in the Local Code on 29 May 2019 ([Local Code Report](#)).

### Work Plan 2019/20

The main area identified for development during 2019/20 as detailed in the Local code is:

- To commission an External Peer Review to benchmark the Council's capacity to deliver services in a period of significant change and identify any areas for improvement based on good practice at other local authorities.

**Note:** *This has been identified in the Local Code of Corporate Governance as good practice and was originally planned to be undertaken during 2018/19. However, a restructure of the Council's Senior Management during 2018/19 delayed this work being undertaken.*

This development is set out and included in a Governance Work Plan for 2019/20 as detailed in the following table.

# GOVERNANCE STATEMENT 2018/19

## GOVERNANCE WORK PLAN 2019/20

Work Area	Timescale	Lead Officers	Corporate Plan Priority
Continue to review the Local Code of Corporate Governance and to monitor the Governance Work Plan for the year.	½ yearly reviews reported to the Audit Sub-Committee in December 2019 and May 2020.	Head of Legal and Democratic Services	Maintain Proper Corporate Governance
Undertake an External Peer Assessment	<ul style="list-style-type: none"><li>• Outline approved and assessment commissioned (October 2019)</li><li>• Report and findings submitted to the Council (December 2019)</li><li>• Action Plan approved (February 2020)</li></ul>	Chief Executive	Maintain a skilled workforce

### Council Sign Off

We propose that over the coming year to take steps to address the issues identified in the Work Plan to further enhance our governance arrangements.

We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

This Annual Governance Statement is signed by the Leader of the Council and the Chief Executive on behalf of South Derbyshire District Council.

Signed:

Martyn Ford: Leader of the Council

Date:

Signed:

Frank McArdle: Chief Executive

Date:

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<b>REPORT TO:</b>	<b>AUDIT SUB-COMMITTEE (SPECIAL)</b>	<b>AGENDA ITEM: 11</b>
<b>DATE OF MEETING:</b>	<b>29<sup>th</sup> MAY 2019</b>	<b>CATEGORY: DELEGATED</b>
<b>REPORT FROM:</b>	<b>STRATEGIC DIRECTOR (CORPOARTE RESOURCES)</b>	<b>OPEN</b>
<b>MEMBERS' CONTACT POINT:</b>	<b>KEVIN STACKHOUSE (01283 595811)</b> <a href="mailto:Kevin.stackhouse@southderbyshire.gov.uk">Kevin.stackhouse@southderbyshire.gov.uk</a>	<b>DOC:</b> u/ks/revenues and benefits/fraud/fraud committee report 19 20
<b>SUBJECT:</b>	<b>ANTI-FRAUD and CORRUPTION PLAN 2019/20</b>	<b>REF:</b>
<b>WARD(S) AFFECTED:</b>	<b>ALL</b>	<b>TERMS OF REFERENCE: AS 04</b>

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## **1.0 Recommendations**

- 1.1 That the proposed Anti-Fraud and Corruption Plan attached to this report is approved.

## **2.0 Purpose of Report**

- 2.1 To consider an updated Anti-Fraud and Corruption Plan. This sets out how the Council aims to prevent and detect fraud, together with action the Council will take when dealing with identified cases of fraudulent activity.

## **3.0 Detail**

- 3.1 The Plan is aimed at directing the Council's Fraud Service to achieve its targets. These targets are to:
- Embed fraud awareness as part of the competency framework for employees.
  - Instil routine fraud checking as part of the Council's operational processes across all services.
  - Further develop Fraud Partnership arrangements to include sanction targets.
  - Maximise recovery of fraudulent payments and return of Council Assets to exceed in value the in-year budgeted costs of the Fraud Service to the Council.
  - Report the results of Team activities on a monthly basis to the Head of Customer Services and the Strategic Director (Corporate Services).
  - Continue joint working arrangements with the Department for Work and Pensions.

- Minimise the potential for misuse of supported accommodation claim arrangements and funding by providers and related financial organisations.

#### **4.0 Financial Implications**

- 4.1 The Council's Fraud Service is delivered in Partnership with Derby City Council. The Council is also part of a wider Derbyshire Partnership which has attracted Government funding to develop the use of ICT and which has funded the implementation of a joint software package.
- 4.2 The Corporate Resources Service Plan includes a performance target for the value of fraud identified to exceed the cost of the Council contributing to the Partnership.
- 4.3 This performance target was introduced for 2017/18 and is reported to the Finance and Management Committee. Performance for the past two years is shown in the following table.

	<b>2017/18 £</b>	<b>2018/19 £</b>
Cost of Partnership	36,867	40,764
Fraud Identified	88,000	96,000

- 4.4 The Partnership focuses on the prevention of fraud by ensuring that robust controls and processes are in place which makes it difficult for a potential fraudster to commit a fraud. This includes close working and sharing of information with other agencies.
- 4.5 The value of fraud identified may not necessarily lead to cash or capital assets being recovered. A large part of the value represents the savings to the public purse due to a fraud being detected before it occurs, for example, additional discount being awarded in a fraudulent "right to buy" application. In these cases, the value represents the potential loss of public resources had that fraud been committed.
- 4.6 In other cases, for example discounts being awarded for Council Tax, the value will represent the amount of cash recovered which has been over claimed due to fraud.

#### **5.0 Corporate Implications**

##### **Employment Implications**

- 5.1 None

##### **Legal Implications**

- 5.2 None directly from the Plan itself.

## **Corporate Plan Implications**

5.3 None directly.

### **Risk Impact**

5.4 Fraudulent activity is a key risk in the Corporate Services' Risk Register. The adoption of an anti-fraud and corruption plan is designed to mitigate the risk through the prevention and detection of fraud.

## **6.0 Community Impact**

### **Consultation**

6.1 None required

### **Equality and Diversity Impact**

6.2 It is considered that the Plan does not discriminate against any of the protected characteristics in the Equality Act 2010. The focus is on whether a fraud is or has been committed rather than the type of person or the group of individuals that may be committing fraud.

### **Social Value Impact**

6.3 The prevention and detection of fraud helps to safeguard the "public purse".

### **Environmental Sustainability**

6.4 Not applicable in the context of the report

## **7.0 Background Papers**

7.1 None

# Anti-Fraud and Corruption Plan 2019/20

Corporate  
Resources  
May 2019



## 1.0 Introduction

This document sets out the Council's Fraud Plan for the 2019/2020 financial year.

South Derbyshire District Council works in partnership with Derby City Council to provide a team of dedicated counter fraud professionals and utilises management reporting software provided to that Service. This team works to prevent fraud from entering the system by providing a visible presence within the Council and across the area to raise public awareness of the types and sources of fraud that may occur.

The team carries out investigations of corporate, benefit and tenancy related fraud including 'right to buy' and works to identify losses to be recovered either directly or in accordance with the Proceeds of Crime Act.

The team also carries out the annual regulatory data matching checks as required by the National Fraud Initiative (NFI) that results from information uploaded in respect of the following areas of work by officers of South Derbyshire Council.

- Payroll
- Creditors
- Housing Waiting List
- Right to Buy
- Licences
- Electoral Registration/ Council Tax
- Single Persons Discount - Council Tax

## 2.0 Objectives and Targets

The main objectives are to:

- Embed fraud awareness as a part of competency framework for employees.
- Instil routine fraud checking as part of SDDC operational processes across all services.
- Further develop Fraud Partnership arrangements to include sanction targets.
- Maximise recovery of fraudulent payments and return of Council Assets to exceed in value the in-year budgeted costs of the partnership arrangement.
- Report the results of Team activities on a monthly basis to the Head of Customer Services and Strategic Director (Corporate Resources)

- Continue joint working arrangements with DWP.
- Minimise the potential for misuse of supported accommodation claim arrangements and funding by providers and related financial organisations.

### 3.0 Work Programme

The Fraud Plan will follow a three strand approach which will inherently have links with the internal audit plan.

<b>Acknowledge</b>	<b>Prevent</b>	<b>Pursue</b>
Recognising the fraud risks	Prevention and detection	Sanctions and recovery
Assessing and understanding	Use of technology and information including external data and data matching	Prioritising recovery and use of sanctions
Support and resources	Better controls and procedures	Capacity to punish offenders
Anti-fraud response	Improved anti- fraud culture	Collaborating with others

### Acknowledge

<b>Activity</b>	<b>Detail</b>	<b>Outcomes</b>
<b>Council Tax</b>	<p>Council Tax remains one of the major sources of potential fraud given the wide range of discounts exemptions and relief.</p> <p>Continue to work with NFI. Call Credit and the Derbyshire Partnership.</p>	<p>To give assurance that the current processes are sufficiently robust to mitigate fraud risks and that validation exercises are carried out periodically.</p> <p>Random property inspections will help raise the service profile. Use of the newly appointed Property Inspector will provide increased capacity.</p> <p>To apply penalties where required.</p>

<b>Business Rates</b>	With the move to 100% business rate retention it is vital that relief and exemptions are accurately awarded, particularly where cross boundary eligibility may occur by developing use tracing facilities (LOCTA) for validation purposes.	<p>To give assurance that the current processes are sufficiently robust to mitigate fraud risks and are carried out periodically.</p> <p>Random inspections will help raise the service profile; use of the newly appointed Property Inspector will provide increased capacity.</p>
<b>Housing Benefit and Council Tax Reduction Support</b>	<p>Continue to work with NFI.</p> <p>Develop HBMS processes and routines within the Integrity and Compliance Team.</p>	<p>Identification of cases from HBMS for investigation by trained investigation staff.</p> <p>To Identify fraud and apply sanctions.</p>
<b>Right to Buy</b>	<p>Further develop checks into applications from tenants to buy their homes.</p> <p>Routinely assess all new applications for veracity of deposit and application.</p>	To identify instances of fraud and give assurance that processes are mitigating risks.
<b>Social Housing</b>	Further develop arrangements to identify tenants no longer living in rented SDDC accommodation and subletting or leaving empty for lengthy periods.	To release accommodation back to stock; carry out prosecutions where appropriate; prevent and detect.

## Prevent

Activity	Detail	Outcome
Continue to develop fraud awareness training for all staff.	Introduce competency for new staff.	Managers and staff aware of fraud risks.
Extend training and awareness to include bribery and money laundering.	Introduce refresher training for all staff.	Fraud mitigation processes embedded in operational procedures.
	Roll out key messages and examples of actual events from local casework and NFI bulletins.	Means to staff to report suspicion of misconduct. Publication of results to encourage other reports.
Raise awareness of fraud team's capabilities to identify new areas of activity.	Allow updating of fraud risk register.	Development of fraud activity plans.
		Promote controls and focus internal audits.

## Pursue

Activity	Detail	Outcomes
Deal with reports from NFI received as sets of data for matching purposes and allocate staff to these reports.	Work is carried out in priority order based on those reports most likely to generate a financial reward to the Council.	To identify errors and overpayments and seek recovery and prosecution in suitable cases.
	Work will involve other departments of the Council.	

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<b>REPORT TO:</b>	<b>AUDIT SUB-COMMITTEE (SPECIAL)</b>	<b>AGENDA ITEM: 12</b>
<b>DATE OF MEETING:</b>	<b>29<sup>th</sup> MAY 2019</b>	<b>CATEGORY: DELEGATED</b>
<b>REPORT FROM:</b>	<b>STRATEGIC DIRECTOR (CORPORATE RESOURCES)</b>	<b>OPEN</b>
<b>MEMBERS' CONTACT POINT:</b>	<b>KEVIN STACKHOUSE (01283 595811)</b> <a href="mailto:Kevin.Stackhouse@southderbyshire.gov.uk">Kevin.Stackhouse@southderbyshire.gov.uk</a>	<b>DOC:</b>
<b>SUBJECT:</b>	<b>COMMITTEE WORK PROGRAMME</b>	<b>REF:</b>
<b>WARD(S) AFFECTED:</b>	<b>ALL</b>	<b>TERMS OF REFERENCE: G</b>

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## **1.0 Recommendations**

1.1 That the Committee considers and approves the updated work programme.

## **2.0 Purpose of Report**

2.1 The Committee is asked to consider the updated work programme.

## **3.0 Detail**

3.1 Attached at Annexe 'A' is an updated work programme document. The Committee is asked to consider and review the content of this document.

## **4.0 Financial Implications**

4.1 None arising directly from this report.

## **5.0 Background Papers**

5.1 Work Programme.

## Audit Sub-Committee: Work Programme 2019/20

Work Programme Area	Date of Committee meetings	Contact Officer (Contact details)
Local Government Audit Committee Briefing	29 May 2019	Jason Burgess (Assistant Manager) EY <a href="mailto:Jburgess3@uk.ey.co">Jburgess3@uk.ey.co</a>
Internal Audit Progress Report	29 May 2019	Adrian Manifold (Audit Manager) <a href="mailto:Adrian.manifold@centralmidlandsaudit.co.uk">Adrian.manifold@centralmidlandsaudit.co.uk</a>
Internal Audit Annual Report 2018/19	29 May 2019	Adrian Manifold (Audit Manager) <a href="mailto:Adrian.manifold@centralmidlandsaudit.co.uk">Adrian.manifold@centralmidlandsaudit.co.uk</a>
Local Code of Corporate Governance Review 2019/20	29 May 2019	Ardip Kaur (Head of Legal and Democratic Services) <a href="mailto:Ardip.kaur@south-derbys.gov.uk">Ardip.kaur@south-derbys.gov.uk</a>
Annual Governance Statement 2018/19	29 May 2019	Ardip Kaur (Head of Legal and Democratic Services) <a href="mailto:Ardip.kaur@southderbyshire.gov.uk">Ardip.kaur@southderbyshire.gov.uk</a>
Anti-Fraud and Corruption Plan 2019/20	29 May 2019	Kevin Stackhouse (Strategic Director Corporate Resources) <a href="mailto:Kevin.stackhouse@southderbyshire.gov.uk">Kevin.stackhouse@southderbyshire.gov.uk</a>
Audit Results Report (ISA 260) for the year ending 31 <sup>st</sup> March 2019 ( <b>Note: This report has been deferred to later in the year as notified to the Committee on 29 May 2019</b> )	24 July 2019	Jason Burgess (Assistant Manager) EY <a href="mailto:Jburgess3@uk.ey.co">Jburgess3@uk.ey.co</a>

Internal Audit Progress Report	24 July 2019	Adrian Manifold (Audit Manager) <a href="mailto:Adrian.manifold@centralmidlandsaudit.co.uk">Adrian.manifold@centralmidlandsaudit.co.uk</a>
Local Government Audit Committee Briefing	24 July 2019	Jason Burgess (Assistant Manager) EY <a href="mailto:Jburgess3@uk.ey.co">Jburgess3@uk.ey.co</a>
Internal Audit Progress Report	18 September 2019	Adrian Manifold (Audit Manager) <a href="mailto:Adrian.manifold@centralmidlandsaudit.co.uk">Adrian.manifold@centralmidlandsaudit.co.uk</a>
Local Government Audit Committee Briefing	11 December 2019	Jason Burgess (Assistant Manager) EY <a href="mailto:Jburgess3@uk.ey.co">Jburgess3@uk.ey.co</a>
Internal Audit Progress Report	11 December 2019	Adrian Manifold (Audit Manager) <a href="mailto:Adrian.manifold@centralmidlandsaudit.co.uk">Adrian.manifold@centralmidlandsaudit.co.uk</a>
Local Code of Corporate Governance Review 2019/20	11 December 2019	Ardip Kaur (Head of Legal and Democratic Services) <a href="mailto:Ardip.kaur@southderbyshire.gov.uk">Ardip.kaur@southderbyshire.gov.uk</a>
Local Government Audit Committee Briefing	19 March 2020	Jason Burgess (Assistant Manager) EY <a href="mailto:Jburgess3@uk.ey.co">Jburgess3@uk.ey.co</a>
Internal Audit Progress Report	19 March 2020	Adrian Manifold (Audit Manager) <a href="mailto:Adrian.manifold@centralmidlandsaudit.co.uk">Adrian.manifold@centralmidlandsaudit.co.uk</a>



Certification of Claims and Returns Report 2018/19	19 March 2020	Jason Burgess (Assistant Manager) EY <a href="mailto:Jburgess3@uk.ey.co">Jburgess3@uk.ey.co</a>
External Audit Planning Report for the year ending 31 <sup>st</sup> March 2020	19 March 2020	Jason Burgess (Assistant Manager) EY <a href="mailto:Jburgess3@uk.ey.co">Jburgess3@uk.ey.co</a>
Internal Audit Plan 2019/20 and Audit Charter	19 March 2020	Adrian Manifold (Audit Manager) <a href="mailto:Adrian.manifold@centralmidlandsaudit.co.uk">Adrian.manifold@centralmidlandsaudit.co.uk</a>