

**Please ask for Democratic Services**

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Our Ref

Your Ref

Date: 21 July 2020

Dear Councillor,

**Audit-Sub Committee**

A Meeting of the **Audit-Sub Committee** will be a **Virtual Committee (Special)**, via Microsoft Teams on **Wednesday, 29 July 2020 at 16:00**. You are requested to attend.

Yours faithfully,



Chief Executive

**Conservative Group**

Councillor Atkin (Chairman), Councillor Churchill Vice-Chairman) and Councillor Mrs. Wheelton

**Labour Group**

Councillors Dunn and Shepherd

## **AGENDA**

### **Open to Public and Press**

- 1** Apologies and to note any Substitutes appointed for the Meeting.
- 2** To receive the Open Minutes of the following Meeting:  
  
11th December 2019 **4 - 7**
- 3** To note any declarations of interest arising from any items on the Agenda
- 4** To receive any questions by members of the public pursuant to Council Procedure Rule No.10.
- 5** To receive any questions by Members of the Council pursuant to Council procedure Rule No. 11.
- 6** INTERNAL AUDIT ANNUAL REPORT 2019-20 **8 - 28**
- 7** LOCAL CODE OF CORPORATE GOVERNANCE REVIEW **29 - 39**
- 8** ANNUAL GOVERNANCE STATEMENT 2019-20 **40 - 52**
- 9** COMMITTEE WORK PROGRAMME **53 - 57**

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

- 10** 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.
- 11** To receive any Exempt questions by Members of the Council pursuant to Council procedure Rule No. 11.



AUDIT SUB-COMMITTEE

11<sup>th</sup> December 2019

**PRESENT:-**

**Conservative Group**

Councillors Atkin (Vice-Chairman) and Churchill.

**Labour Group**

Councillor Dunn and Shepherd.

AS/36 **APOLOGIES**

Apologies received from Councillor Whittenham

AS/37 **DECLARATIONS OF INTEREST**

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

AS/38 **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/39 **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**

AS/40 **LOCAL CODE OF CORPORATE GOVERNANCE 2019/20**

The Head of Legal and Democratic Services presented the report informing Members of the update on the new system in place to demonstrate compliance with the Council's Governance arrangements and highlighting the 6 principles underpinning the arrangements.

Councillor Shepherd asked if the changes to the system meant that anything would be lost. The Strategic Director (Corporate Resources) assured Members that this was not the case as the principles were the same with the

evidence presented being more succinct and easier to follow. Councillor Dunn enquired whether there would be an on-going review in case we leave the EU without a deal. The Strategic Director (Corporate Resources) informed Members that this is being kept under review and there is the possibility of a slowdown of supplies coming into the District. In addition, it is understood that current investments in Money Market Funds domiciled in the EU would need to be recalled but as they were instant access, it was not anticipated it would cause any issues.

Councillor Churchill raised concern that there was no mention of GDPR in the assessment (Appendix 1) and that it was not explicit that the onus is on the Council. The Strategic Director (Corporate Resources) informed the Committee that GDPR is covered under the Data Quality and Security Frameworks but Appendix 1 can be amended to make reference to this.

Councillor Shepherd raised a concern regarding “openness” contained in 3.7 of the Core Principles and he wished to be noted that he felt that there was neither openness nor stakeholder involvement in relation to the Infinity Garden Village. Under Item 7 of the Scheme of Delegation, he considered that the Constitution was ignored by officers and therefore he could not vote for this motion.

**RESOLVED:-**

***Members considered and approved the updated Local Code of Corporate Governance for 2019/20 as detailed in Appendix 1 of the report.***

***Members approved the progress regarding on-going work to maintain good governance as detailed in the report.***

***Abstention: Councillor Shepherd.***

AS/41 **INTERNAL AUDIT PROGRESS REPORT**

The Audit Manager presented the report giving an overview of its content and the detailed recommendations contained in each Audit.

The Chairman enquired about when it comes to officer expenses would there be an audit against a green travel policy? The Audit Manager informed the Members that we make sure a travel policy is in place and ensure that the Council pays consideration to it regarding the travel by employees.

Councillor Dunn raised concerns regarding the fact that the ‘Right to Buy’ Valuer was unqualified and the significant risk of insufficient consideration of the potential fraud throughout the Right to Buy Process. The Head of Legal

and Democratic Services explained to Members that that Council had always used a qualified Valuer and since that person had left we have used an experienced officer who did not have the qualifications expected by the Auditor. In accordance with the Audit recommendation, this was being addressed.

The Head of Legal and Democratic Services explained that nationally fraud is most prevalent in the London Boroughs but in this District we do have a duty to check that applicants are eligible and do fulfil the criteria of Right to Buy and whilst these checks are carried out by officers they were not as robust as the Auditor would like. This was also being addressed.

The Chairman and Councillor Dunn requested that an update on the Park and Open Spaces recommendations be brought back to this committee following the 4 month extension requested to allow the Open Space and Facility Team the time to deal with capacity issues. The Cultural Services Manager informed Members that a report was due in early 2020 regarding resources to enable the Council to carry out the necessary checks etc. and put in place from September 2020 a rolling programme of checks.

The Chairman requested an update on the PCI compliance recommendation. The Strategic Director (Corporate Resources) informed Members that a new system to deal with card payments made over the telephone was being investigated to enable payments to be dealt with separately so the call handler will not be dealing with the payment details

The Chairman enquired why there was no update regarding the Orchard IT Application. The Head of Housing confirmed that there is now access to the system for all service users. There is also housekeeping being undertaken including the removal of stale accounts.

**RESOLVED:-**

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

AS/ 42 **LOCAL GOVERNMENT AUDIT COMMITTEE BRIEFING : QUARTER 3 SEPTEMBER 2019**

The Strategic Director (Corporate Resources) presented the report on behalf of the Auditor Jason Burgess who sent his apologies.

**RESOLVED:-**

***Committee considered the key questions highlighted by the Council's External Auditors as contained in their latest sector update.***

AS/43 **COMMITTEE WORK PROGRAMME**

**RESOLVED:-**

Members considered and approved the updated work programme.

AS/44 **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 pm.

COUNCILLOR ATKIN

VICE CHAIRMAN

<b>REPORT TO:</b>	<b>AUDIT SUB-COMMITTEE</b>	<b>AGENDA ITEM:6</b>
<b>DATE OF MEETING:</b>	<b>29<sup>th</sup> JULY 2020</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> (01332 643281)	<b>DOC:</b> u/ks/audit/internal audit/annual reports/summary
<b>SUBJECT:</b>	<b>INTERNAL AUDIT ANNUAL REPORT 2019/20</b>	<b>REF:</b>
<b>WARD(S) AFFECTED:</b>	<b>ALL</b>	<b>TERMS OF REFERENCE: AS 02</b>

## **1.0 Recommendations**

1.1 To consider and note the Annual Internal Audit Opinion for 2019/20.

## **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

## **6.0 Community Implications**

6.1 None directly

## **7.0 Background Papers**

7.1 The Accounts and Audit Regulation 2015 Public Sector Internal Auditing Standards.





# South Derbyshire DC – Internal Audit Annual Report 2019-20

Audit Sub-Committee: 29<sup>th</sup> July 2020



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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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 Governance, Risk, Internal Control** – Findings indicate significant 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 Governance, Risk, 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 Governance, Risk, Internal Control** - Findings indicate that on the whole, arrangements 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

As required, we have also undertaken a self-assessment against the Standards in January 2020 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 2019-20

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

In forming this opinion, I am satisfied that no conflicts of interest have occurred which would have any bearing on my independence or objectivity. Also, my 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.

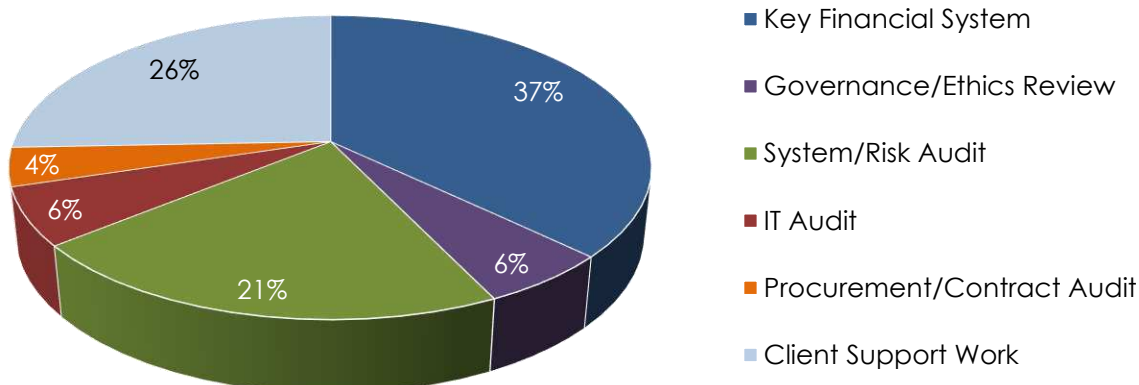
I have arrived at this opinion having regard to the following:

- The level of coverage provided by Internal Audit was considered adequate.  
*Note: The completion of the key areas of 2019-20 audit work was not disrupted by the COVID-19 pandemic. Those audit reviews that were an essential component to inform the annual opinion were either completed or sufficiently completed to enable the overall opinion to be determined.*
- 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.
- The changing risk environment within the Council has been taken into account during the 2019-20 financial year.

*Note: The impact of the COVID-19 pandemic is on the 2020-21 governance, risk and control environment. This will be reflected in the 2020-21 internal audit plan which will be reviewed on an on-going basis to reflect the risks faced by the Council. 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 2019-20.
- The 2019-20 Internal audit plan, approved by the Audit Sub-Committee, 20<sup>th</sup> March 2019, 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 2019-20 Audit Plan assignments and their outcomes as well as those assignments from the 2018-19 Audit Plan which were still ongoing in 2019-20.

## Audit Plan 2019-20 per Type of Audit



2019-20 Jobs	Status	% Complete	Assurance Rating
Management of Novus Contract	Final Report	100%	Comprehensive
Procurement of Rosliston Contract 2019-20	Draft Report	95%	Reasonable *
Main Accounting System 2019-20	Final Report	100%	Comprehensive
Treasury Management 2019-20	Final Report	100%	Reasonable
Banking Services 2019-20	Final Report	100%	Comprehensive
Payroll 2019-20	Fieldwork Complete	80%	
Officers Expenses & Allowances 2019-20	Final Report	100%	Comprehensive
Creditors 2019-20	Final Report	100%	Comprehensive
Fixed Assets 2019-20	Final Report	100%	Comprehensive
Revenues Systems 2019-20	In Progress	65%	
Cashiering 2019-20	Final Report	100%	Comprehensive
Housing Benefit & Council Tax Support 2019-20	In Progress	70%	
Anti-Fraud & Corruption 2019-20	In Progress	50%	
ICT Key Controls	Draft Report	95%	Reasonable*
Mobile Phones	Final Report	100%	Limited
Project Management	Cancelled †		
Business Change & Transformation	Fieldwork Complete	90%	Comprehensive*
Data Quality & Perf. Mgmt 2019-20	Final Report	100%	Reasonable
Rent Accounting 2019-20	Final Report	100%	Reasonable
Former Tenants Arrears 2019-20	Final Report	100%	Reasonable
Council House Sales - Right To Buy 2019-20	Final Report	100%	Limited
Grounds Maintenance	Draft Report	95%	Reasonable *
Improvement Grants	Final Report	100%	Reasonable
Bereavement Services 2019-20	Draft Report	95%	Reasonable *
Economic Development 2019-20	Cancelled †		

\* Assurance ratings yet to be finalised

† Not considered essential to form an Audit Opinion

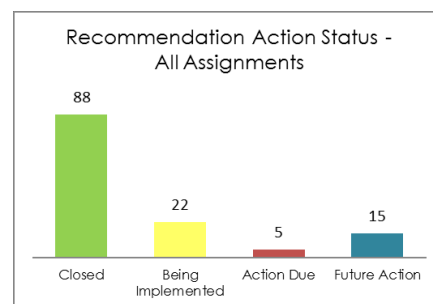
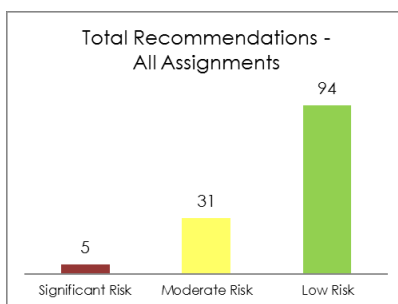
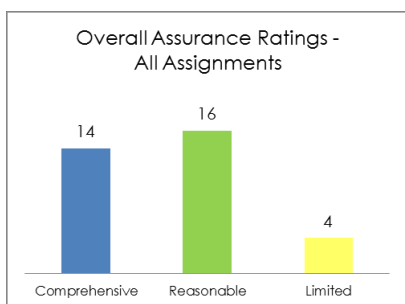
2018-19 Jobs B/fwd	Status	% Complete	Assurance Rating
Information Governance	Final Report	100%	Reasonable
Capital Programme	Final Report	100%	Comprehensive
Payroll 2018-19	Final Report	100%	Reasonable



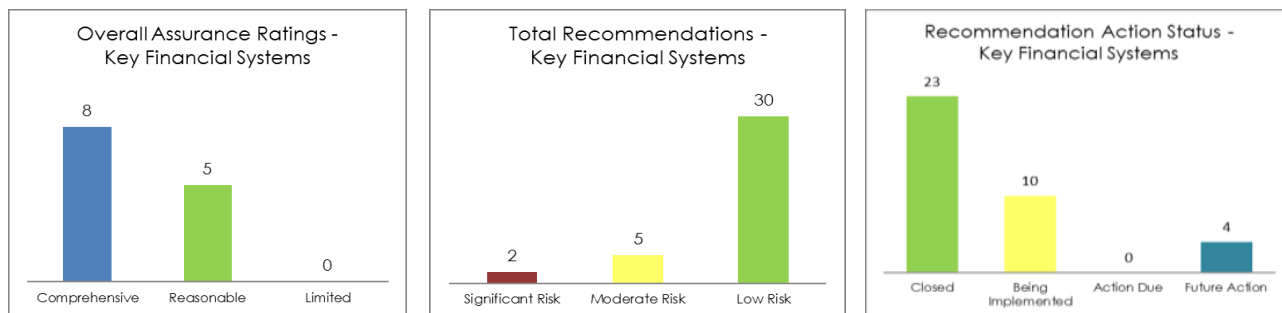
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Creditors 2018-19	Final Report	100%	Reasonable
Revenue Systems 2018-19	Final Report	100%	Comprehensive
Housing Benefit & Council Tax Support 2018-19	Final Report	100%	Comprehensive
File Server Security	Final Report	100%	Reasonable
Development Management	Final Report	100%	Reasonable
Food Safety 2018-19	Final Report	100%	Reasonable
Active Communities & Health	Final Report	100%	Comprehensive
Rosliston Forestry Centre	Final Report	100%	Comprehensive
Maintenance of Public Buildings	Final Report	100%	Limited
Housing Safety Inspections	Final Report	100%	Limited
Community Safety Partnership 2018-19	Final Report	100%	Comprehensive
Corporate Governance 2018-19	Final Report	100%	Reasonable

- Of the 34 substantially completed assignments, 30 attracted either a 'Comprehensive' or 'Reasonable' assurance rating. Four Audit assignments were given a 'Limited' assurance rating. From the completed assignments a total of 130 recommendations were made; 94 of these were considered to present a low risk; 31 were considered to present a moderate risk; with the remaining 5 presenting a significant risk; no critical risk recommendations were made.



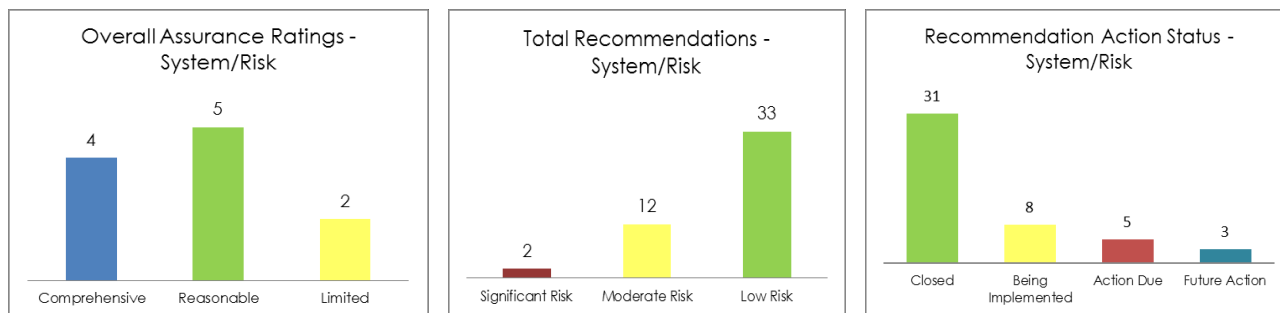
- Of the 16 **Key Financial System** audits undertaken in 2019-20, 13 were finalised and attracted either a Comprehensive or Reasonable overall assurance rating. The 3 remaining were not yet sufficiently complete to determine an overall assurance rating. These finalised audit assignments identified 37 recommendations, 30 of which were classified as low risk; 5 were a moderate risk and 2 were considered a significant risk. Both **significant risk** recommendations arising from the Payroll and Creditors audits were implemented to our satisfaction. Two of the 5 moderate risks, again relating to Payroll and Creditors, have also been implemented. Of the 3 remaining moderate risk recommendations one relates to Rent Accounting and it has passed its original action date and management have suggested another action date that has also recently passed. Another relates to Payroll and the original action date has passed and the revised action date has now been set for 1<sup>st</sup> April 2021 as the Council has made a decision to move its Payroll Service to a shared service arrangement. The remaining moderate risk recommendation relates to Treasury Management and an action date has been agreed that is in the future.



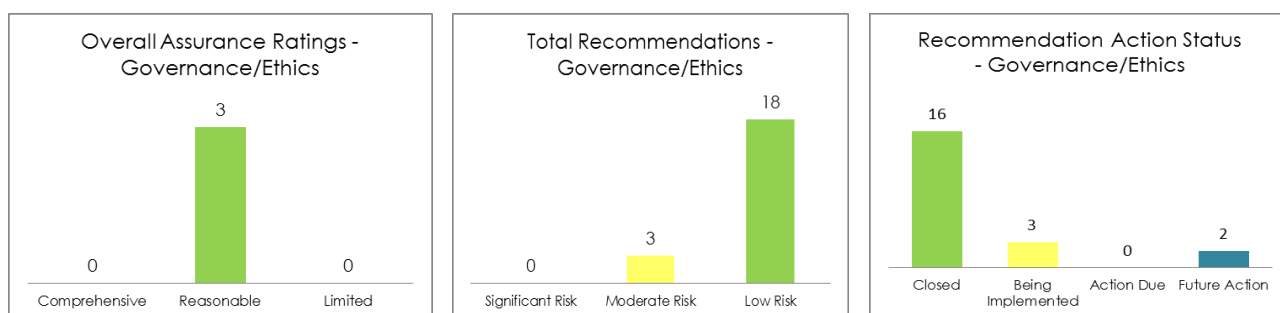
- Of the 11 **System/Risk** audits undertaken in 2019-20, 8 were finalised. Three of which attracted a Comprehensive assurance rating, another 3 a Reasonable overall assurance rating and following 2 audits attracted a '**Limited**' rating:
  - The **Council House Sales: Right To Buy** audit attracted a Limited rating due to the identification of 1 significant risk issue, 5 moderate risk issues and 1 low risk issue. The **significant risk** issue regarding the insufficient consideration of the potential for fraud throughout the Right To Buy process has since been addressed to our satisfaction, as have another 2 moderate risk issues and the low risk issue. The 3 remaining moderate risk recommendations have all been given revised target dates for implementation.
  - The **Housing Safety Inspections** audit attracted a Limited rating due to the identification of 1 significant risk issue, 5 moderate risk issues and 8 low risk issues. The **significant risk** issue regarding the implementation of action points identified in Fire Risk Assessments dating back to 2016 and 2017 have now been addressed to our satisfaction, as have another 4 moderate risk issues and 5 low risk issues. The remaining 4 outstanding recommendations have all been given revised target dates.

Of the remaining 5 audits, 3 were substantially completed; 2 of which have been provisionally given a Reasonable overall assurance rating and one a Comprehensive rating. Of the 2 remaining assignments, in light of the restrictions Covid-19 has placed on our operations, the decision has been taken to cancel both audits as they were insufficiently progressed to reach a conclusion and were not considered essential to my overall opinion.

From the 8 audits finalised, a total of 47 recommendations were made; 2 of which were considered to present a significant risk; 12 of which were considered to present a moderate risk; the remaining 33 were judged as low risk. As mentioned above both significant risk recommendations have since been implemented. Also, 7 of the 12 moderate risk recommendation have been implemented; of the 5 remaining, 4 relate to the limited assurance audits mentioned above and the other came from the Improvement Grants audit and has a future action date.

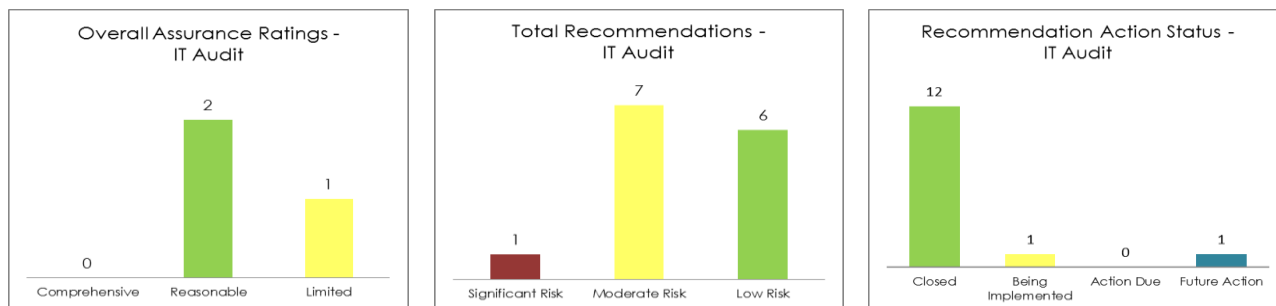


- All 3 **Governance/Ethics** audits undertaken during 2019-20 have been finalised and attracted an overall assurance rating of Reasonable. These 3 audits produced 21 recommendations; 3 of which were considered to represent a moderate risk, the rest being a low risk. All 3 of these moderate risk recommendations have now been implemented.

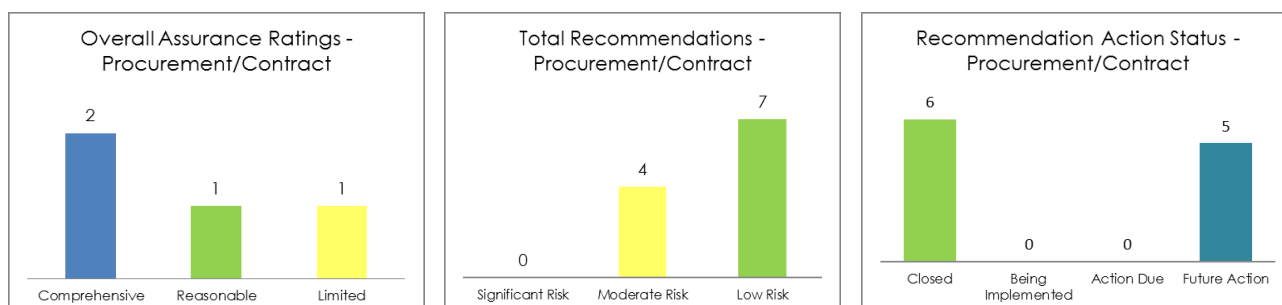


- Of the 3 **IT Audits**, 2 were completed during 2019-20. The Mobile Phone audit attracted an overall assurance rating of '**Limited**' as it contained 1 significant risk recommendation and 4 moderate risk recommendations. The File Server Security audit attracted a 'Reasonable' rating as it contained 3 moderate risk recommendations and 5 low risk issues. The ICT Key Controls audit is substantially completed and is likely to attract a 'Reasonable' assurance rating, but a moderate risk issue had already been raised in order to give management the opportunity to resolve the issue before the end of the audit, which has now happened.

In all, these audits raised 14 recommendations; 1 of which was considered a significant risk; 7 were considered a moderate risk and the remaining 6 were considered to represent a low risk. The **significant risk** was regarding contractual and technical safeguards not being in operation for mobile phone devices issued to employees, which has now been addressed to our satisfaction. Of the 7 moderate risks, 4 have now been resolved to our satisfaction, 1 has a future action date and 1 has passed its original action date and management have suggested another action date in the future. The moderate risk relating to the ICT Key Controls audit has passed its original action date, but as yet we have not been able to establish any progress information from management.



- Of the 4 **Procurement/Contract** audits, 3 were finalised and the ongoing Procurement of the Rosliston Contract assignment was substantially complete and was provisionally attracting a 'Reasonable' rating. The Capital Programme audit attracted an overall assurance rating of 'Comprehensive'; the Management of the Novus Contract was also considered 'Comprehensive', whereas the Maintenance of Public Buildings audit attracted an overall rating of '**Limited**' as it contained 4 moderate risk recommendations and another 5 considered a low risk. The 3 finalised audits resulted in 11 recommendations, 4 moderate risk and 7 low risk. Of the 4 moderate risks, 1 has been addressed to our satisfaction whereas the other 3 have future action dates. Only 2 of the low risk recommendations are still to be addressed.



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 2019-20 and the assurance ratings associated with each audit assignment.

Summary of Audit Plan 2019-20 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		4
Comprehensive	8	4				2	14
Reasonable	5	5	3	2		1	16
Limited		2		1		1	4
None							
N/A							
	<b>16</b>	<b>11</b>	<b>3</b>	<b>3</b>	<b>1</b>	<b>4</b>	<b>38</b>

### 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.

**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.

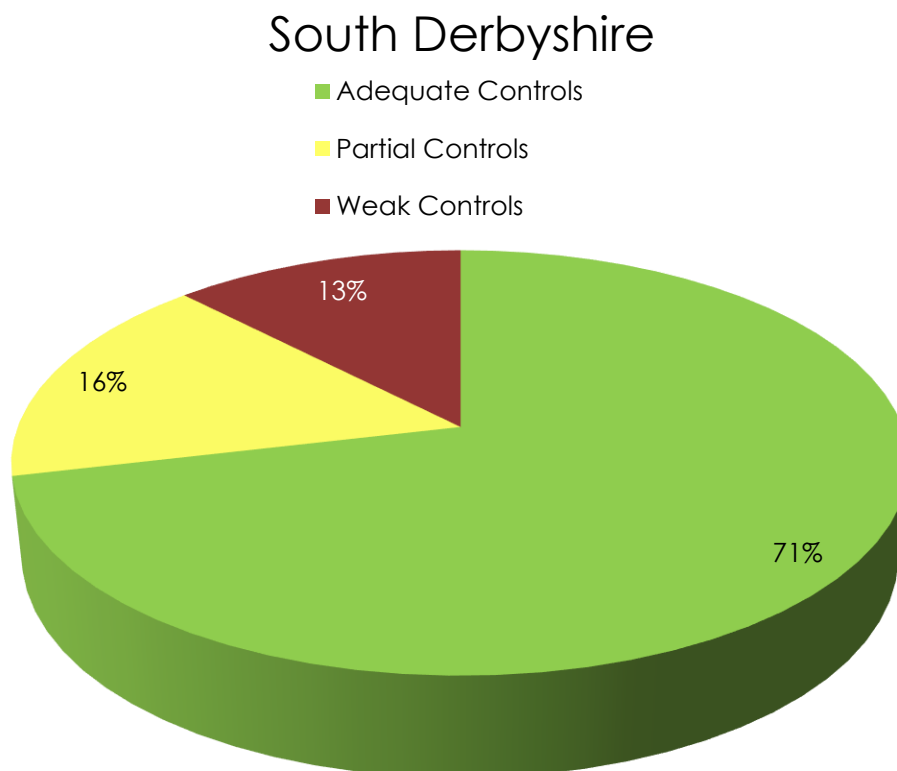
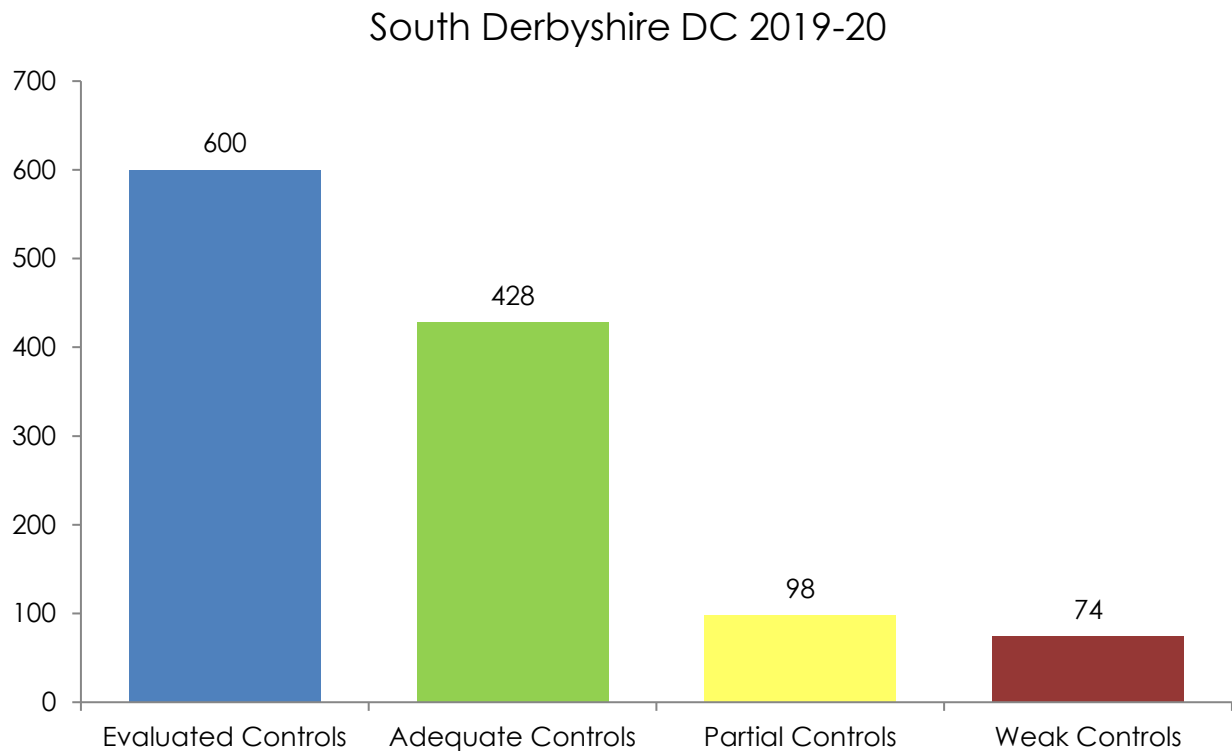
## Audit Plan Assignments 2019-20

Audit Assignments Completed in Period	Assurance Rating	Recommendations Made				% Recs Closed
		Critical Risk	Significant Risk	Moderate Risk	Low Risk	
Main Accounting System 2019-20	Comprehensive					n/a
Treasury Management 2019-20	Reasonable			1	3	50%
Banking Services 2019-20	Comprehensive				1	100%
Payroll 2019-20						n/a
Officers Expenses & Allowances 2019-20	Comprehensive				2	50%
Creditors 2019-20	Comprehensive				3	67%
Fixed Assets 2019-20	Comprehensive				1	0%
Revenues Systems 2019-20						n/a
Cashiering 2019-20	Comprehensive					n/a
Housing Benefit & Council Tax Support 2019-20						n/a
Rent Accounting 2019-20	Reasonable			1	3	100%
Former Tenants Arrears 2019-20	Reasonable				6	83%
Payroll 2018-19	Reasonable		1	2	1	75%
Creditors 2018-19	Reasonable		1	1	4	83%
Revenue Systems 2018-19	Comprehensive				4	25%
Housing Benefit & Council Tax Support 2018-19	Comprehensive				2	50%
Business Change & Transformation	Comprehensive*					n/a
Council House Sales - Right To Buy 2019-20	Limited		1	5	1	71%
Grounds Maintenance	Reasonable *					n/a
Improvement Grants 2019-20	Reasonable			1	8	22%
Bereavement Services 2019-20	Reasonable *					n/a
Development Management 2018-19	Reasonable				5	60%
Food Safety 2018-19	Reasonable			1	3	100%
Active Communities & Health	Comprehensive				1	0%
Rosliston Forestry Centre 2018-19	Comprehensive				3	100%
Housing Safety Inspections	Limited		1	5	8	79%
Community Safety Partnership 2018-19	Comprehensive				4	75%
Data Quality & Perf. Mgmt 2019-20	Reasonable			1	6	57%
Information Governance	Reasonable			1	7	88%
Corporate Governance 2018-19	Reasonable			1	5	83%
ICT Key Controls	Reasonable*			1		100%
Mobile Phones	Limited		1	4		60%
File Server Security	Reasonable			2	6	100%
Anti-Fraud & Corruption 2019-20						n/a
Management of Novus Contract	Comprehensive				1	100%
Procurement of Rosliston Contract 2019-20	Reasonable *					n/a
Capital Programme	Comprehensive				1	100%
Maintenance of Public Buildings	Limited			4	5	44%
<b>TOTALS</b>			<b>5</b>	<b>31</b>	<b>94</b>	<b>68%</b>

\* Assurance ratings yet to be finalised

## Internal Controls Examined

For those audits finalised during 2019-20, we established the following information about the controls examined:





## Recommendations Made

The control weaknesses identified above resulted in 130 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 relating to 2019-20:

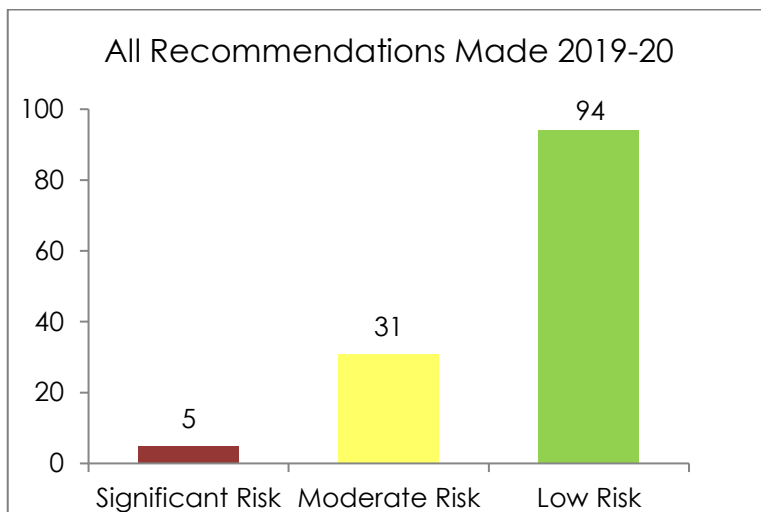
Audit Assignments	Type of Review	Recommendations Status			
		Total Closed	Action Due	Being Implemented	Future Action
Main Accounting System 2019-20	Key Financial System				
Treasury Management 2019-20	Key Financial System	2			2
Banking Services 2019-20	Key Financial System	1			
Payroll 2019-20	Key Financial System				
Officers Expenses & Allowances 2019-20	Key Financial System	1		1	
Creditors 2019-20	Key Financial System	2			1
Fixed Assets 2019-20	Key Financial System			1	
Revenues Systems 2019-20	Key Financial System				
Cashiering 2019-20	Key Financial System				
Housing Benefit & Council Tax Support 2019-20	Key Financial System				
Rent Accounting 2019-20	Key Financial System	2		2	
Former Tenants Arrears 2019-20	Key Financial System	5			1
Payroll 2018-19	Key Financial System	3		1	
Creditors 2018-19	Key Financial System	5		1	
Revenue Systems 2018-19	Key Financial System	1		3	
Housing Benefit & Council Tax Support 2018-19	Key Financial System	1		1	
Business Change & Transformation	System/Risk				
Council House Sales - Right To Buy 2019-20	System/Risk	5		2	
Grounds Maintenance	System/Risk				
Improvement Grants 2019-20	System/Risk	2	4	1	2
Bereavement Services 2019-20	System/Risk				
Development Management 2018-19	System/Risk	3		1	1
Food Safety 2018-19	System/Risk	4			
Active Communities & Health	System/Risk			1	
Rosliston Forestry Centre 2018-19	System/Risk	3			
Housing Safety Inspections	System/Risk	11		3	
Community Safety Partnership 2018-19	System/Risk	3	1		
Data Quality & Perf. Mgmt 2019-20	Governance/Ethics	4		3	
Information Governance	Governance/Ethics	7			1
Corporate Governance 2018-19	Governance/Ethics	5			1
ICT Key Controls	IT Audit	1			
Mobile Phones	IT Audit	3		1	1
File Server Security	IT Audit	8			
Anti-Fraud & Corruption 2019-20	Anti-Fraud				
Management of Novus Contract	Procurement/Contract	1			
Procurement of Rosliston Contract 2019-20	Procurement/Contract				
Capital Programme	Procurement/Contract	1			
Maintenance of Public Buildings	Procurement/Contract	4			5
<b>TOTALS</b>		<b>88</b>	<b>5</b>	<b>22</b>	<b>15</b>



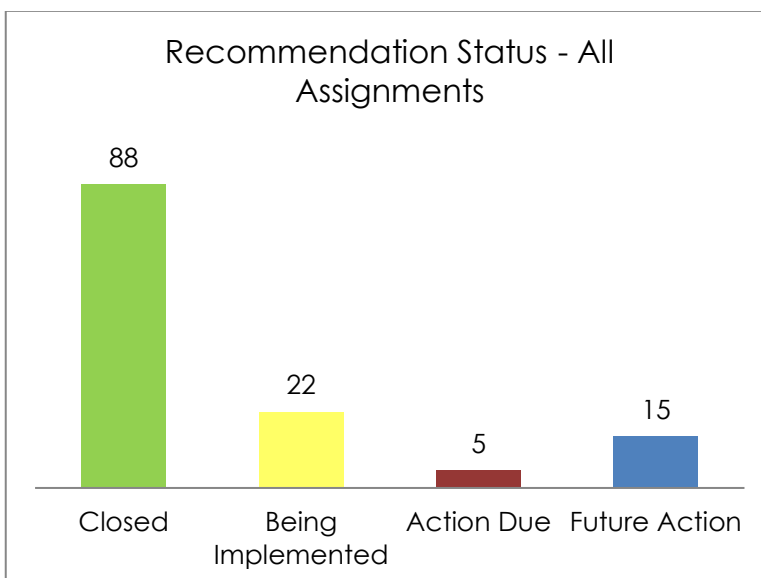
## Recommendations Summary

These 130 recommendations have resulted from the 29 audit assignments finalised either during 2019-20 or finalised in the time following the year-end.

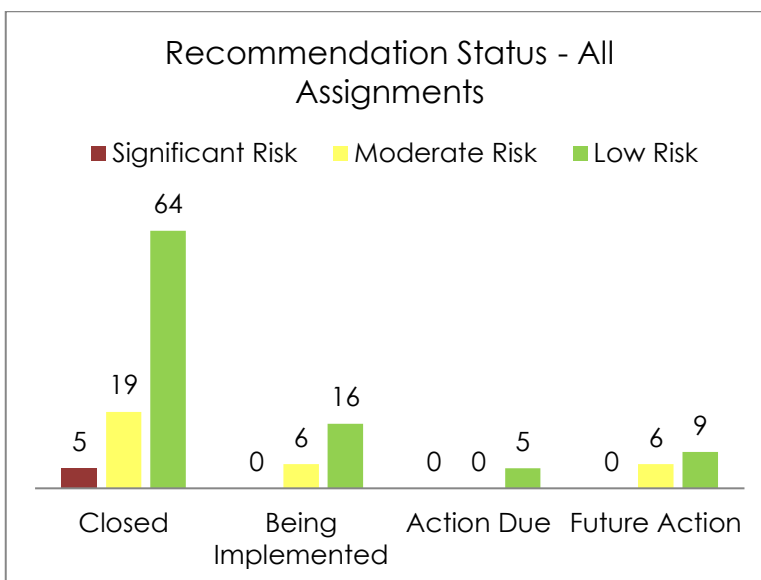
Approximately 72% of all recommendations made were considered to present a low risk, 24% a moderate risk and 4% a significant risk.



Of the 130 recommendations made, 68% have been closed, 17% have passed their original action date and a revised target has been set, 4% have passed their original action date but we have not yet received information regarding the status of management's action. The remaining 11% have an agreed original action date set in the future.



It is pleasing to note that all 5 of the significant risk recommendations raised have been addressed to our satisfaction, as have 19 of the moderate risk recommendations. We will continue to monitor all recommendations not yet addressed and will bring those moderate risk recommendations that remain outstanding to the attention of the Audit Sub-Committee throughout the coming year.

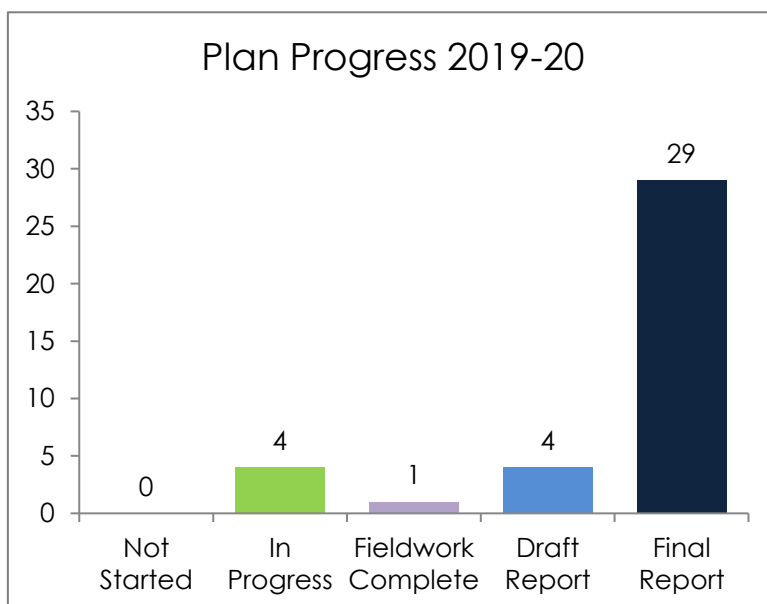


## Performance Measures

Of the 23 customer satisfaction surveys sent, only 43% have been returned. Surveys contain 11 questions regarding the audit service provided and asked managers to score each on a scale of 1-5 (1=Very Poor, 2=Poor, 3=Fair, 4=Good, 5=Excellent). From the 10 customer satisfaction returns received, the overall average score out of 55 was 53.



By the end of the 2019-20 we estimate that we had completed 89.5% of the revised Audit Plan against a target of 90%. Our progress with certain audit assignments has been significantly impacted by the Covid-19 situation from the middle of March 2020 onwards.



## QAIP – Improvement Plan

### ACTIONS

1. We could seek 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 or we could seek a formal endorsement from Audit Committee and Client Lead Officer of the Audit Plan and our Opinion when reporting to Committee.
2. We should 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 should re-iterate/ emphasise our rules and individual responsibilities to matters concerning the impairment of our professional judgement. As we have new members of the team, this could be discussed at a future Team Meeting.
4. Ethical use of information should be emphasised at a team meeting when discussing auditor responsibilities towards security and confidentiality of information in their possession.
5. We should 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. We should continue to promote a culture of continuous improvement which considers the needs of individuals by:
  - staff completing the AMS in respect of any training received,
  - undertaking GPCs in accordance with the hosts requirements and
  - producing a Training & Development Plan.
7. Our opinion statements should explicitly state whether there are any perceived conflicts of interest with any other assurance providers which the CAE is relying upon when forming an opinion.
8. We should ask staff to complete a Personal Development Plan and then produce a Training & Development Plan for the Team.
9. We should establish a robust process for engaging capable assistance when resource shortfalls exist (e.g. contracts for Co-sourcing, specialists service providers etc.)
10. To ensure that audit engagements are supported by appropriate tools, we should 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.
11. Complete this self-assessment and produce a revised QAIP and Action Plan for reporting to all necessary parties.
12. To demonstrate stakeholder engagement with the process, we should ensure that the QAIP Action Plan is a standard agenda item on both Operational Management group and at Audit Section meetings.
13. To demonstrate each work programme has been appropriately approved, we should 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 should continue to gather control/risk/test data from existing audits ready for import into the database. In the interim we could record the development and approval of the programme of work in the AMS.

14. The Audit Together Partnership has initiated a potential peer review opportunity for all Group members to participate in. We should enquire with members of the Group whether anyone would be prepared to undertake an external review of CMAP when it is next due.

15. We should produce a revised Business Plan that demonstrates how the internal audit activity intends to add value to each organisation.

16. We should continue to develop the process for incorporating other assurance 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.

17. We should ensure that our Audit Manual is complete, up-to-date, readily available and used by all audit staff.

18. To support the improvement of the organisation's governance framework, we should undertake consultancy work to facilitate the self-assessment of the effectiveness of the Audit Committee at all partner organisations.

19. We should consider how we could systematically evaluate the potential for the occurrence of fraud at each partner organisation and how each organisation manages fraud risk.

<b>REPORT TO:</b>	<b>AUDIT SUB-COMMITTEE</b>	<b>AGENDA ITEM: 7</b>
<b>DATE OF MEETING:</b>	<b>29<sup>th</sup> JULY 2020</b>	<b>CATEGORY: DELEGATED</b>
<b>REPORT FROM:</b>	<b>HEAD OF LEGAL and DEMOCRATIC SERVICES</b>	<b>OPEN</b>
<b>MEMBERS' CONTACT POINT:</b>	<b>ARDIP KAUR (01283 595715)</b> <a href="mailto:Ardip.kaur@southderbyshire.gov.uk">Ardip.kaur@southderbyshire.gov.uk</a>	<b>DOC:</b> u/KS/governance/local code/update report 2020
<b>SUBJECT:</b>	<b>LOCAL CODE OF CORPORATE GOVERNANCE REVIEW</b>	
<b>WARD (S) AFFECTED:</b>	<b>ALL</b>	<b>TERMS OF REFERENCE: AS 04</b>

## **1.0 Recommendation**

- 1.1 That the updated Local Code of Corporate Governance as detailed in **Appendix 1** is considered and approved for publication in the Annual Governance Statement.
- 1.2 That progress regarding on-going work to maintain good governance as detailed in the report is approved.

## **2.0 Purpose of the Report**

- 2.1 To review the Council's governance arrangements against the national framework which the Council has adopted.

## **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 a 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 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 National Framework**

- 3.4 The Framework is based on a set of core principles and is intended to assist authorities individually in reviewing and accounting for their own approach.
- 3.5 The overall aim of the Governance Framework 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 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 There are seven principles as follows:

- 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. Guidance with the Framework advocates a self-assessment against each of the sub-principles.

### **The Council's Assessment against the Framework**

- 3.9 **Appendix 1** details the Council's latest assessment.

- 3.10 The assessment itself does not necessarily measure the effectiveness of the Council's Governance arrangements. The effectiveness is assessed on an on-going basis and reported annually in the Annual Governance Statement, with the Local Code ensuring sound and robust arrangements (the core elements) are in place.

- 3.11 However, areas for improvement and work-in-progress reported in the Local Code generally arise from an on-going review of the effectiveness of the core elements of the Council's arrangements.

### **On-going Review**

- 3.12 Although core elements to demonstrate good governance may be in place, they will always be subject to review and update. This may be due to changing circumstances, stakeholder expectations and external influences, together with learning and development arising from audits and service reviews, etc.

3.13 In addition, an assessment of the governance framework and ultimately its effectiveness should be made considering the main risks and challenges facing the Council. Currently, these are:

- Continuing growth of the District and its increasing population.
- The general uncertainty regarding national funding beyond 2020/21.
- Delivering a new Corporate Plan which was adopted in October 2019.
- Coronavirus Pandemic (Covid-19)

### **Covid-19**

3.14 Clearly the impact of Covid-19 has had a significant impact on the Council. As an international crisis, this invoked the Council's business continuity arrangements, changed methods of working and operational practices, together with bringing to the fore the Council's wider leadership role in the community.

3.15 The main impact on the Council's governance arrangements has been the decision-making process. Section 78 of the Coronavirus Act 2020 has allowed Council meetings to be conducted remotely through audio or teleconference facilities. This provision in the Act remains in force until May 2021.

### **Improvements and On-Going Work**

3.16 **Appendix 1** details the improvements identified and on-going work to ensure that the Council's governance arrangements remain sound and robust. In summary these are:

- To review compliance with best practice standards recommended by the Government Committee on Standards in Public Life (**Principle 1**).
- To review outcomes from a staff survey to be conducted in October 2020 (**Principle 1**).
- To implement a new Equalities, Diversity and Inclusion Plan 2020 to 2024 (**Principle 2**).
- To deliver the work programme for Organisational Development (**Principle 5**).
- An audit of the effectiveness of the Council's Risk System (**Principle 6**).
- To develop customer contact points for reporting and escalating issues during an emergency or business continuity incident (**Principle 6**).

## **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 There are no direct priorities identified in the new Corporate Plan 2020 to 2024. However, “good governance” underpins everything that the Council carries out and ensuring a robust system of corporate governance is a key corporate indicator which demonstrates that the Council is operating on a sound basis.

## **Risk Impact**

5.4 None directly from the assessment itself.

## **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: LOCAL CODE OF CORPORATE GOVERNANCE: ASSESSMENT AGAINST THE NATIONAL FRAMEWORK

The Principles and the Council's systems and processes which comprise the Government Framework.	Improvements identified, future developments and on-going work, etc.
<p><b>1. <u>Behaving with integrity, upholding ethical values and respecting the rule of law</u></b></p> <p><b><i>Behaving with integrity</i></b></p> <ul style="list-style-type: none"> <li>• Codes of Conduct for Members and Officers.</li> <li>• Separate Standards Committee with Independent Persons.</li> <li>• Register of Interests for Gifts and Hospitality.</li> <li>• Process for declaration of personal interests.</li> <li>• Protocol on Member and Officer Relationships.</li> <li>• Member Codes of Practice for the Planning process, the use of ICT, Licensing Committee, and representation on outside bodies.</li> </ul> <p><b><i>Demonstrating a strong commitment to ethical values</i></b></p> <ul style="list-style-type: none"> <li>• Ethics Statement setting out Ethical Standards for Officers.</li> <li>• 3 Key Values contained in the Corporate Plan – <i>Pride, Respect and Excellence</i>.</li> </ul> <p><b><i>Respecting the rule of law</i></b></p> <ul style="list-style-type: none"> <li>• An overall Constitution which governs the Council</li> <li>• Regulatory Committees for Planning and Licensing.</li> <li>• Health and Safety Committee.</li> <li>• Statutory Section 151 (Finance) and Monitoring Officers (Legal) appointed to ensure compliance with the law, regulations, and procedures.</li> <li>• The Council complies with the Statement on the Role of the Section 151 in Local Government and this is demonstrated to the Council on an annual basis.</li> </ul>	<p>To demonstrate compliance with this Principle, the Council should work towards implementing the 15 best practice standards contained in the “Nolan” principles, as recommended by the Government Committee on Standards in Public Life.</p> <p>Although many of these principles are embedded in the Council's Governance arrangements, it is recommended that this is subject to a separate review.</p> <p>Staff training sessions were held in January 2020 to help embed the Council's 3 key values of Pride, Respect and Excellence. On-going training and dissemination are continuing to ensure values are well known and applied.</p> <p>A Staff survey will be undertaken in October 2020 for which views and feedback on ethics, values and culture will be sought.</p>

## 2. Ensuring openness and comprehensive stakeholder engagement

### **Openness**

- Published and transparent decision-making process through a Committee system accessible to the Public.
- Communications Plan which uses media campaigns to inform the Public.
- Corporate Equalities and Fairness Scheme to ensure that access to services is available to all.

### **Engaging with institutional stakeholders**

- Consultation Framework which includes Citizens Advice and CVS to undertake consultations and provide feedback.
- Representative groups established for major services such as Housing and Leisure.
- Parish Liaison Forum with Parish Council representatives.

### **Engaging with individuals and service users effectively**

- Quarterly Area Forums to provide the public with direct access to Members, Officers, and other agencies in the District.
- A publicised Comments, Compliments and Complaints Procedure which allows stakeholders to report feedback and raise issues.

**Equalities, Diversity, and Inclusion:** The Council is required every four years to review and publish a new Policy and demonstrate that it has due regard to the Equalities Act 2010 when delivering services. This review is in progress and a draft plan for consultation with stakeholders will be reported to the Finance and Management Committee in October 2020.

**Communication Channels:** Given the growing population that the Council serves and the global movement towards “Digital Services”, the Council needs to review how it engages with its communities.

In the new Corporate Plan that was adopted by the Council in October 2019, two priorities were approved under the theme “*Our People*”.

These priorities relate to ensuring consistency in approach using a customer service standard, together with making greater use of technology to engage with residents.

Indicators have been agreed to measure outcomes against these priorities and they will be monitored in performance reports to the Council.

A program of development is currently being implemented during 2020/21. This is being monitored through the corporate performance process and the Transformation Plan.

**3. Defining outcomes in terms of sustainable economic, social and environmental benefits**

***Defining outcomes***

- Sustainable Community Strategy for South Derbyshire coordinated by the Council and overseen by the South Derbyshire Partnership.
- Medium-term Corporate Plan setting out the Council's vision, values, and priorities.
- Medium Term Financial Plan (MTFP) to ensure resources are aligned to priorities and that the financial position remains sustainable.

***Sustainable economic, social and environmental benefits***

- Capital Investment Strategy to guide long term investment.
- Procurement Strategy to drive value for money in purchasing, together with securing environmental, economic, and social benefits where possible.
- Environmental Sustainability Group which is taking forward a range of initiatives to meet an aspiration to make the Council carbon neutral by 2030.

**Asset Management Planning:** The Council's Asset Management Plan has recently been reviewed and updated to align it with the new Corporate Plan 2020 to 2024.

The new Plan was due to be considered and approved by the Finance and Management Committee on 30 July 2020.

The Council's Procurement Strategy has also been updated and is due to be considered and approved by the Finance and Management Committee in August 2020.

**4. Determining the interventions (courses of action) necessary to optimise the achievement of the intended outcomes**

***Determining interventions***

- Terms of Reference and work programs set for Council Committees.
- Corporate and Service Planning framework to set targets and intended outcomes.
- Financial Regulations and Procedural Rules govern how public money is controlled and to ensure financial resources are deployed efficiently and effectively.

***Planning interventions***

- Change Management process to guide Organisational and structural change.
- Service and Financial Planning Working Group to evaluate new spending proposals.
- Business Change Framework to assess major process changes and system developments.

***Optimising achievement of intended outcomes***

- Annual Budget Round to review and focus resources.
- Transformation plan to prioritise major changes.
- VFM Statement is in place which sets out the principles of VFM and how it applies to the specific aims of the Council and the District. This acts as guidance to enable Officers to demonstrate how they deliver VFM.
- This is enhanced by the requirement for an explicit demonstration of VFM to be an integral part of proposals for service development and restructures, etc.
- A VFM test is included in the Capital Evaluation process.

**Financial Management Code**

During 2019 CIPFA consulted with local authorities on setting a set of standards that govern financial management and to ensure that local authorities can demonstrate their financial sustainability.

Consequently, a new Code of Practice was issued in October 2019 and this will apply for all local authorities from the financial year 2021/22.

In the preceding year, 2020/21, local authorities will be required to assess themselves against the Code, implement any improvements required and ensure that they are able to demonstrate compliance to all standards from April 2021.

This Committee considered an initial assessment against the Standards 13 July 2020.

The Finance and Management Committee approved a Transformation Plan 9 July 2020.

The Committee also approved a Transformation Steering Group to oversee delivery of the Plan.

A new Annual VFM will be reported to the Finance and Management Committee on 30 July 2020.

<p><b><u>5. Developing the entity's capacity, including the capability of its leadership and the individuals within it</u></b></p> <p><b><i>Developing Organisational capacity</i></b></p> <ul style="list-style-type: none"> <li>• An Organisational Development and Performance (ODP) Unit in place led by a Head of Service which focuses on Organisational and individual capacity.</li> <li>• Use of external organisations such as the LGA and the Housing Quality Network to review resources and make recommendations for improvement.</li> <li>• Peer Review undertaken in October 2019.</li> </ul> <p><b><i>Developing leadership and individual performance</i></b></p> <ul style="list-style-type: none"> <li>• Overarching Workforce Development Strategy.</li> <li>• A Personal Development process with annual reviews of training needs for all Officers.</li> <li>• Training and Development programs for Members and Officers which includes mandatory training courses, together with job specific and wider management training as appropriate.</li> </ul>	<p>A new post of Head of Organisational Development and Performance was filled in September 2019. Supported by a new post of Learning and Development Manager, their priorities for 2020/21 are:</p> <ul style="list-style-type: none"> <li>• Review and update the Council's values (completed) and ensure the workforce is fully engaged.</li> <li>• To identify capacity issues.</li> <li>• To review succession planning.</li> <li>• To provide training and development opportunities for senior managers.</li> <li>• To increase the use of Modern Apprentices in line with Government targets.</li> <li>• To review internal communication and feedback channels to ensure everyone is informed and feels inclusive.</li> <li>• To implement a new Personal Development process.</li> <li>• To update the Workforce Development Strategy.</li> </ul> <p>The outcome of these priorities is being measured in Corporate Plan targets.</p>
<p><b><u>6. Managing risks and performance through robust internal control and strong public financial management</u></b></p> <p><b><i>Managing risk</i></b></p> <ul style="list-style-type: none"> <li>• Risk Management Policy and Framework in place. This guides the identification and assessment of risk, together with the process for monitoring, updating and reporting.</li> <li>• Business Continuity arrangements in place in accordance with the Civil Contingencies Act</li> <li>• Fraud Service delivered through a Shared Service Agreement with a neighboring council.</li> <li>• Counter-fraud and Corruption Policy with an annual action plan.</li> </ul>	<p>Audit work has commenced on reviewing the effectiveness of the Council's Risk Management arrangements.</p>

<p><b>Managing performance</b></p> <ul style="list-style-type: none"> <li>• Performance management process with key performance indicators to measure outcomes and identify corrective action where needed.</li> <li>• An established Overview and Scrutiny Committee which reviews service delivery, policy and has powers to “call-in” decisions.</li> </ul> <p><b>Robust internal control</b></p> <ul style="list-style-type: none"> <li>• An established Audit Committee.</li> <li>• Independent Internal Audit function provided through partnership arrangements.</li> <li>• Publicised Whistleblowing Policy.</li> </ul> <p><b>Managing data (and ensuring compliance with the Data Protection Act 2018)</b></p> <ul style="list-style-type: none"> <li>• Appointed Data Protection Officer independent of senior management.</li> <li>• Records Management and Document Retention Policies.</li> <li>• Data Quality framework which sets out how data is collected, recorded and reported.</li> <li>• Compliance with the Public Services Network Standard for ICT data security.</li> </ul> <p><b>Strong financial management</b></p> <ul style="list-style-type: none"> <li>• Financial Strategy in place which sets out the management of financial resources and sets the overall financial target for the Council.</li> <li>• Financial monitoring and reporting process to review in year budget performance.</li> </ul>	<p>Data quality is a risk identified by the Council. The Council is responsible for a wide range of data which is required to provide and measure service delivery.</p> <p>If data is advertently being collected and recorded inaccurately, this could lead to performance not being properly recorded and ultimately, incorrect decisions are made.</p> <p>In September 2019, Internal Audit reviewed the Council’s system for collecting and recording data to ensure that performance reports were accurately presented.</p> <p>Although the Audit provided “reasonable assurance” of the system, it made several recommendations to improve processes.</p> <p>Actions are currently in progress with all recommendations due to be implemented by September 2020.</p> <p>Implementation is being monitored by Internal Audit and progress is being reported to the Audit Sub-Committee.</p>
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<p><b>7. <u>Implementing good practice in transparency, reporting and audit to deliver effective accountability</u></b></p> <p><b><i>Implementing good practice in transparency</i></b></p> <ul style="list-style-type: none"> <li>• Open Data reporting under the Government's Transparency Code.</li> <li>• Freedom of Information Publication Scheme.</li> </ul> <p><b><i>Implementing good practice in reporting</i></b></p> <ul style="list-style-type: none"> <li>• Annual Report produced and publicised.</li> <li>• Annual Statement of Accounts detailing how public funds have been utilised.</li> <li>• Annual Pay Policy Statement published.</li> <li>• Equality and Diversity Annual Report.</li> </ul> <p><b><i>Assurance and effective accountability</i></b></p> <ul style="list-style-type: none"> <li>• Scheme of Delegation in place from Full Council, down to Policy Committees and down to Officers.</li> <li>• Senior Leadership Team and Heads of Service accountable to Members through the Committee system.</li> <li>• Service planning process in place which assigns responsibilities at an individual level.</li> <li>• All service-related action plans and recommendations from Audit have a designated responsible officer.</li> </ul>	<p>Section 78 of the Coronavirus Act 2020 has allowed Council meetings to be conducted remotely through audio or tele conference facilities. This provision in the Act remains in force until May 2021.</p>
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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> JULY 2020</b>	<b>CATEGORY: RECOMMENDED</b>
<b>REPORT FROM:</b>	<b>HEAD OF LEGAL and DEMOCRATIC SERVICES</b>	<b>OPEN</b>
<b>MEMBERS' CONTACT POINT:</b>	<b>ARDIP KAUR (01283 595715)</b> <a href="mailto:ardip.kaur@southderbyshire.gov.uk">ardip.kaur@southderbyshire.gov.uk</a>	<b>DOC:</b>
<b>SUBJECT:</b>	<b>ANNUAL GOVERNANCE STATEMENT 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 To recommend to Finance and Management Committee the Annual Governance Statement (AGS) for the year ended 31 March 2020.
- 1.2 To authorise the Leader of the Council and Chief Executive Officer to sign the Annual Governance Statement following Audit.

## **2.0 Purpose of Report**

- 2.1 To submit the Council's Annual Governance Statement (AGS) for 2019/20 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 2019/20 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

### **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.

### **Style and Format**

- 3.12 The Statement for 2019/20, has been redesigned to make it more streamlined, readable and user friendly for stakeholders. It has been explicitly aligned to the Council's Local Code of Corporate Governance which is based on 7 key principles as detailed in the AGS.

- 3.13 In addition, the Statement will not be directly included within the Financial Statements but will be published as a stand-alone document with the aim of making it more readily available and accessible.

### **Work Plans**

- 3.14 A work plan, considered and approved by the Audit Sub-Committee in May 2019, was progressed during 2019/20 to address matters identified to maintain and strengthen the governance environment. These are detailed within the AGS.
- 3.15 The proposed work plan for 2020/21 is also 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:
- To review compliance with best practice standards recommended by the Government Committee on Standards in Public Life.
  - To review outcomes from a staff survey to be conducted in October 2020.
  - To implement a new Equalities, Diversity and Inclusion Plan 2020 to 2024.
  - To deliver the work programme for Organisational Development.
  - An audit of the effectiveness of the Council's Risk System.
  - To develop customer contact points for reporting and escalating issues during an emergency or business continuity incident.

## **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.
- 5.2 Maintaining good governance underpins delivery of the priorities contained in the Corporate Plan.
- 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.

# GOVERNANCE STATEMENT 2019/2020

## Good Governance

Ethics and Values

Engagement

Development

Decision Making

Leadership

Risk Management

Reporting



Our Environment | Our People | Our Future

[www.southderbyshire.gov.uk](http://www.southderbyshire.gov.uk)

## INTRODUCTION

Welcome to the Council's Annual Governance Statement for 2019/2020.

As a public authority, the Council is responsible for ensuring that its business:

- ✓ Is conducted in accordance with the law.
- ✓ Operates to the highest standards in public life.
- ✓ Accounts for public resources in an open and transparent manner.

The Council also has a duty to secure continuous improvement in the way in which its functions and services are delivered and to achieve value for money for the Taxpayer.

To meet these objectives, the Council is expected to have the highest possible governance arrangements in place.

Governance is about how the Council runs its business and underpins everything that the Council achieves; without robust arrangements, there is a greater risk that failures will occur.

Good corporate governance is essential in demonstrating that there is credibility and confidence in public services. Sound arrangements should be founded on:

- Openness
- Integrity
- Accountability
- Leadership

## The Council's Governance Framework

The Council adopts a Local Code of Corporate Governance. This sets out the System, which details the associated policies, processes and regulations, etc. which make up the Governance Framework at the Council.

The Governance System is based on established national guidance and is formed on **seven principles**.

The Principles	What this means
<b>Principle 1:</b> Behaving with integrity	Elected Members and Council Officers acting in accordance with national standards regarding Public Office.
<b>Principle 2:</b> Engaging with stakeholders	Keeping residents, businesses and other interested parties, etc. informed and seeking feedback through consultation.
<b>Principle 3:</b> Setting clear objectives	Having medium term business and financial strategies in place that provide for the sustainability and development of services.
<b>Principle 4:</b> Having positive interventions	The detailed plans and procedures, such as terms of reference for decision-making, a change management process and an annual budget, etc. which ensure that objectives are met.
<b>Principle 5:</b> Leadership and capacity	Clear direction from senior management and that adequate, trained and empowered staff are in place to deliver services.
<b>Principle 6:</b> Managing risks and performance	Having robust internal control and strong financial management to ensure that risk is mitigated, data is secure, and performance is regularly monitored.
<b>Principle 7:</b> Good reporting and transparency	Assigning clear accountability and reporting lines, allowing access to information and reporting performance on a regular basis.



## Update and Review

The detailed System which demonstrates compliance with these principles, is reported to and reviewed by the Council's Audit Sub Committee half yearly. The reports for 2019/20 [December 2019](#) and [July 2020](#) provide a regular update on changes and actions, which ensure the Council's Governance Framework remains fit for purpose.

***The detailed Framework and how the Council complies is detailed in Appendix 1.***

***This Framework was in place from 1 April 2019 and up to and including when this Statement was published in July 2020.***

## A Changing Environment

Although the basic principles will remain unchanged, ensuring compliance always requires regular review. The Council operates in a changing environment where external factors can affect how it operates. In turn, this can usually affect its Governance System.

## Risks and Challenges

Governance must also be reviewed in the light of strategic risks and challenges facing the Council. The following key risks have been identified which have an impact on the Council's Governance Framework.

Risk	Challenge	Effect on Governance
<b>Continuing growth of the District and an increasing population</b>	The Council is a designated growth area with a Local Plan target of 13,000 new homes between 2010 and 2028. This is increasing the local population and changing the demographics of the District.	<b>Principle 2</b>  As more people contact the Council, it is providing opportunities for developing more efficient interaction with customers through digital channels, where this is needed.
<b>Government Funding</b>	The continuing uncertainty of the Local Government Funding System from 2021. The Council is at risk arising from changes to the current distribution of the New Homes Bonus and Retained Business Rates.	<b>Principle 3</b>  The Council will need to maintain a sustainable financial position through its Medium-Term Financial Plan (MTFP) if it is to deliver the outcomes in the Corporate Plan.
<b>New Corporate Plan adopted in November 2019</b>	An ambitious plan to achieve targets regarding the Environment, Transformation and the local economy.	<b>Principle 4</b>  This has brought the Transformation Agenda to the fore to enable change to be delivered.  <b>Principle 5</b>  It has also focused the Council towards Organisational Development to ensure sufficient capacity is available.
<b>Coronavirus Pandemic (Covid-19)</b>	Business Continuity arrangements have and continue to bring about changes to working practices and the democratic decision-making process. There is also the potential longer-term effect on the Council's finances.	<b>Principle 2</b>  Decision-making through the democratic process is now being undertaken remotely using virtual technology.  <b>Principle 6</b>  The crisis invoked the Council's Business Continuity arrangements



## Developments in the Year

The challenges specifically identified above brought about a series of developments during 2019/20, in addition to other matters that arose. Resulting actions and on-going work are all designed to strengthen the Council's Governance System.

### Principle 1: Ethical Values

Following adoption of a new Corporate Plan in November 2019, 3 key values emerged to support the delivery of the Plan.

*Staff training sessions were held to embed the Council's 3 key values of Pride, Respect and Excellence. On-going training and dissemination continue to ensure values are well known and applied. A staff survey will be undertaken in 2020 to test these values and to understand the culture within the organisation.*

### Principle 2: Engagement

During the year, work commenced on a new Equalities, Diversity and Inclusion Plan, together with a move to developing more communication channels.

*Given the growing population and the global move towards digitisation, the Council has reviewed how it engages with its communities. New priorities were approved in the Corporate Plan to set consistent service standards and make greater use of technology.*

*Indicators have been agreed to measure outcomes and they will be monitored in the Council's performance reporting system.*

### Principle 3: Sustainable Outcomes

Given pressures on the Council's financial position from increasing costs and a reduction in income from a pending Funding Review and Covid-19, this could put pressure to deliver outcomes in the Corporate Plan.

*With a Medium-term Financial Plan and Capital Investment Strategy in place, work was completed on two other plans to support outcomes.*

*These related to Asset Management and Procurement, the later with a greater focus on ensuring Value for Money. The adoption of both plans was delayed by the impact of Covid-19 but are due to be considered by the Council in July and August 2020.*

### Principle 4: Interventions

During the year, focus was on reviewing financial management, guidance on demonstrating and achieving value for money, together with a new Transformation Plan.

*The Council adopted CIPFA's new Financial Management Code which focuses on financial sustainability.*

*Following an internal assessment and consideration by the Audit Sub-Committee, the Council complied with 16 of the 17 standards, with consultation regarding financial planning to be reviewed in 2020/21.*

*The Council adopted a new Transformation Plan in June 2020 and convened a Steering Group to oversee its implementation.*





## Principle 5: Capacity and Leadership

The Council created and appointed to a new post of Head of Organisational Development and Performance specifically to develop the Council's capacity and capability.

*This was supplemented by the appointment into a new post of Learning and Development Manager in April 2020. Their programme of work in 2020/21 will focus on succession planning, senior management development, the personal development process and internal communications.*

## Principle 6: Risk Management

The risks regarding data security and data management in the digital age need to be managed robustly. There are greater expectations on public bodies who hold much personal and sensitive data. In addition, the quality of data and how it is used in decision-making is paramount.

*An Internal Audit review was undertaken to assess the Council's system for collecting and reporting data. The Audit provided reasonable assurance of the system but made several recommendations for improvement which have or are in the process of being implemented.*

## Principle 7: Reporting

The main impact arose from Covid-19 and the changes to decision-making through the Council's Committee system. However, the Covid-19 crisis has had a wider impact upon Governance arrangements as now highlighted.

## Coronavirus Pandemic (Covid-19)

The situation effectively tested the Council's **Business Continuity** arrangements, which worked well with all services which could continue, being delivered to the same standard, albeit, with a different operating model, and in particular for Waste Collection, to adhere to social distancing guidelines.

*Almost overnight, the impact of the Government's lockdown "forced" the Council to work differently, including almost all staff becoming homeworkers.*

## Technology

*Over the year, significant investment was made in IT to strengthen business continuity and to enable transformation. This included a migration away from desktop terminals to laptops, an upgrade to Office 365 and the transfer to a new remote working network.*

The Council deployed technology to aid remote working and communications

## Redeploying Skills and Capacity

Front-line services, such as Waste Collection and Street Cleansing were reconfigured to observe social distancing guidelines

Resources were redeployed to ensure essential services continued to be delivered.



## Customer Contact

Customer contact, face-to-face, reduced significantly with special measures put in place to observe safe distancing where contact (for example with vulnerable people) was unavoidable.

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*Consequently, there has been a greater interaction with residents by telephone and digital means, which is the method that the Council is encouraging to provide a more efficient way to make contact and transact with the Council.*

*This will be used as a learning point to shape future provision in this area.*

*Upgrading appropriate technology (the use of softphones for example) is already being developed to provide a more efficient and flexible service for residents.*

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## Decision Making

Section 78 of the Coronavirus Act 2020 enabled Committee meetings to be conducted remotely. The Council has used the TEAMS functionality in Microsoft 365.

This enabled meetings to be held for which the Public could also view live whilst functionality allowed any “exempt” reports to be considered confidentially in a secure environment.

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*The system allowed the Council to maintain transparency in the decision-making process and enabled fully inclusive meetings as if they were being held in the usual debating chamber.*

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## The Financial Implications of Covid-19.

The impact of the crisis has affected the Council's finances through additional expenditure and loss of expected income compared to that budgeted. Although this affects the position post 2019/20, the exceptional nature of the crisis warrants an update in this year's Statement.

The short-term impact has been softened by additional Government funding of £1.1 million. It is expected that this will protect the short-term position in 2020/21 without any adverse impact.

However, the longer-term impact is still emerging, and it is considered that this will depend on key two factors.

The longer-term impact of people's ability to pay Council Tax and Business Rates.	The knock-on effects of the national and local economies and how this may then affect future local government financial settlements.
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***However, the Council's medium-term financial position and resilience is relatively strong and sustainable with a projected level of reserves, after allowing for commitments, staying well above its safe minimum level by 2025, based on current forecasts.***

**Dealing with the crisis remains a challenge for the Council. Changes highlighted above will need to be assessed from an internal control view and the Governance System amended accordingly. The financial implications are being regularly monitored by the Council's Leadership Team and the Finance and Management Committee.**





## Propriety in the Conduct of Council Business

An indication of how well the Council is performing, is to review any propriety matters that arose in the year, i.e. how well does the Council, its Members and Officers behave compared to accepted standards, values and the rule of law.

An overview for 2019/20 is provided below.

- ✓ **Codes of Conduct:** no reported breaches
- ✓ **Register of Interests:** no issues raised
- ✓ **Whistleblowing:** no matters arose
- ✓ **ICT Security:** no major incidents reported
- ✓ **Data Protection:** no reported incidents to the Information Commissioner
- ✓ **Litigation:** none and no issues pending

<b>Complaints to the Local Government and Social Care Ombudsman</b>	<p>The Ombudsman's most recent <a href="#">report</a> highlighted seven complaints about the Council in 2018/19, of which one was upheld.</p> <p><i>In this case, the investigator found that the Council had misfiled information causing a delay regarding Council Tax collection, which was fault, but that the complainant was not significantly affected or suffered injustice to warrant further investigation.</i></p>
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<b>Health and Safety (H&amp;S)</b>	<p>There were six reportable incidents under H&amp;S Regulations in the year. However, none of them required any further investigation by the HSE.</p> <p><b><i>The HSE did undertake a programmed inspection of the Council's arrangements for dealing with Asbestos. They made several recommendations for improvement which were all implemented by the Council.</i></b></p>
<b>Incidences of Fraud and Other Matters</b>	<p>An isolated incident occurred regarding the misuse of a Council mobile phone over a period of 6 months by a former Council employee. This cost the Council approximately £13,000 in additional charges.</p> <p>Internal Audit conducted a systems weakness audit and made 6 recommendations to improve internal control, of which 4 have been implemented and the remaining 2 are in the process of being implemented.</p> <p>The Police also brought a criminal prosecution for fraud.</p>



## Business Continuity

Being able to maintain public services is vital in an emergency.

Under the Civil Contingencies Act 2004, the Council is required to have updated plans in place and to regularly review and test these plans alongside other agencies.

During 2019/20, the Council was affected by three emergency incidents which called on its Emergency and Business Continuity Plans.

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*In November 2019 and January 2020, there were two separate incidents of **flooding** in the District, where the Council had a supporting role in the community and to other agencies. The third incident related to **Covid-19**.*

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Debriefing sessions followed the flooding incidents and some learning points were updated in the Plans in accordance with usual practice.

***It became clear from all incidents that the Council places too much reliance on its “out of hours” service to act as a central contact point in an emergency.***

***A review is being conducted on extending technology and processes in the Contact Centre to allow greater resilience in these circumstances.***

## Internal Audit

From its work, Internal Audit provide a form of assurance regarding the Council's internal control environment.

During the year, Internal Audit completed and reported on 34 audit assignments of which 4 attracted a **Limited Assurance Rating**. This indicates an overall level of risk in a system or a service which is, or has the potential, to materially weaken the control environment.

### Limited Assurance Ratings 2019/20

- ✚ Mobile Phones
- ✚ Council House Sales
- ✚ Maintenance of Public Buildings
- ✚ Housing Safety Inspections

The outcome of these audits, together with the implementation and tracking of recommended actions, are monitored by the Audit Sub-Committee.

### Opinion of the Internal Audit Manager

As reported to the Audit Sub-Committee on 29 July 2020.

*“Based on the work undertaken during the year, I have reached the overall opinion that there is a Satisfactory System of Governance, Risk, internal Control – Findings indicate that on the whole, arrangements are satisfactory, although some enhancements may have been recommended.*

### External Audit Opinion

***To be inserted following publication of the Audit Results Report***



## Is Current Governance Effective

The Council considers that its System is effective and fit for purpose but is not complacent and continues to face challenges as highlighted in this Statement.

### Test of Effectiveness

<b>The Local Code</b>	✓ Up-to-date and regularly reviewed.
<b>Work Plan</b>	✓ Completed during the year to strengthen Governance in response to risks and challenges.
<b>Financial Management</b>	✓ The Council complied with CIPFA's Financial Management Code and the Statement on the Role of the Section 151 Officer in Local Government during 2019/20, as reported to the Audit Sub-Committee.
<b>Internal Audit</b>	✓ The Chief Audit Executive reached an overall opinion in 2019/20, that there is a satisfactory system of Governance, Risk and Internal Control. ✓ The Internal Audit Service generally conformed to the Public Sector Internal Auditing Standards.
<b>External Audit (Opinions)</b>	✓ To be confirmed following Audit.
<b>On-going Development</b>	✓ An approved plan for 2020/21 to maintain good Governance.
<b>Propriety</b>	✓ No major issues and recommended actions arising from external reviews were implemented.

✚ Although the matter regarding mobile phones was in isolation a serious issue, it was not considered to have had a material impact on overall Governance.

## Action Plan 2020/21

The Council operates within a changing environment with constant development in ICT, together with demand on its services due to the significant growth of the District. In addition, the impact of Covid-19 has itself brought about change.

### The Action Plan

Principle	Action
<b>Behaving with Integrity (P1)</b>	To review compliance with the best practice standards recommended by the Government Committee on Standards in Public Life.
<b>Demonstrating Ethical Values (P1)</b>	To review outcomes from a staff survey to be conducted in October 2020.
<b>Openness (P2)</b>	To implement a new Equalities, Diversity and Inclusion Plan in consultation with stakeholders.
<b>Organisational Capacity (P5)</b>	To deliver the work programme for Organisational Development.
<b>Risk Management (P6)</b>	An audit review of the effectiveness of the Council's arrangements.
<b>Business Continuity (P6)</b>	To develop customer contact points for reporting and escalating issues during an emergency or business continuity incident.



## And Finally, Council Sign-off

On behalf of the Council, we are satisfied that our current Governance arrangements remain effective and fit for purpose and that appropriate actions are in place to maintain good Governance at the Council.

We commend the good practice highlighted in this Statement but do not remain complacent given issues and challenges also highlighted. Based on the information reported to us, we therefore approve the Governance Statement for 2019/20.

..... Dated: .....

**Frank McArdle (Chief Executive)**

..... Dated: .....

**Martyn Ford (Leader of the Council)**



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<b>REPORT TO:</b>	<b>AUDIT SUB-COMMITTEE</b>	<b>AGENDA ITEM: 9</b>
<b>DATE OF MEETING:</b>	<b>29<sup>th</sup> July 2020</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 29<sup>th</sup> July 2020/21

Work Programme Area	Date of Committee meetings	Contact Officer (Contact details)
Reports Previously Considered By Committee		
External Audit Planning Report for the year ending 31 <sup>st</sup> March 2020	13 <sup>th</sup> July 2020	Jason Burgess (Assistant Manager) EY <a href="mailto:Jburgess3@uk.ey.co">Jburgess3@uk.ey.co</a>
Internal Audit Progress Report	13 <sup>th</sup> July 2020	Adrian Manifold (Audit Manager) <a href="mailto:Adrian.manifold@centralmidlandsaudit.co.uk">Adrian.manifold@centralmidlandsaudit.co.uk</a>
Proposed Internal Audit Plan 2020/21	13 <sup>th</sup> July 2020	Adrian Manifold (Audit Manager) <a href="mailto:Adrian.manifold@centralmidlandsaudit.co.uk">Adrian.manifold@centralmidlandsaudit.co.uk</a>
The Role And Responsibilities of The Chief Finance Officer in Local Government	13 <sup>th</sup> July 2020	Kevin Stackhouse (Strategic Director Corporate Resources) <a href="mailto:Kevin.stackhouse@southderbyshire.gov.uk">Kevin.stackhouse@southderbyshire.gov.uk</a>
The CIPFA Financial Management Code	13 <sup>th</sup> July 2020	Kevin Stackhouse (Strategic Director Corporate Resources) <a href="mailto:Kevin.stackhouse@southderbyshire.gov.uk">Kevin.stackhouse@southderbyshire.gov.uk</a>

Annual Report of Agreed Procedures 2018/19	13 <sup>th</sup> July 2020	Kevin Stackhouse (Strategic Director Corporate Resources) <a href="mailto:Kevin.stackhouse@southderbyshire.gov.uk">Kevin.stackhouse@southderbyshire.gov.uk</a>
Proposed External Audit Fee 2019/20	13 <sup>th</sup> July 2020	Jason Burgess (Assistant Manager) EY <a href="mailto:Jburgess3@uk.ey.co">Jburgess3@uk.ey.co</a>
Local Government Audit Briefing	13 <sup>th</sup> July 2020	Jason Burgess (Assistant Manager) EY <a href="mailto:Jburgess3@uk.ey.co">Jburgess3@uk.ey.co</a>
Internal Audit Annual Report	29 July 2020	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 July 2020	Ardip Kaur (Head of Legal and Democratic Services) <a href="mailto:Ardip.kaur@southderbyshire.gov.uk">Ardip.kaur@southderbyshire.gov.uk</a>
Annual Governance Statement 2019/20	29 July 2020	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	16 September 2020	Jason Burgess (Assistant Manager) EY <a href="mailto:Jburgess3@uk.ey.co">Jburgess3@uk.ey.co</a>
Anti-Fraud and Corruption Annual Report 2019/20	16 September 2020	Lizzie Barton (Head of Customer Services) <a href="mailto:Kevin.stackhouse@southderbyshire.gov.uk">Kevin.stackhouse@southderbyshire.gov.uk</a>



Internal Audit Progress Report	16 September 2020	Adrian Manifold (Audit Manager) <a href="mailto:Adrian.manifold@centralmidlandsaudit.co.uk">Adrian.manifold@centralmidlandsaudit.co.uk</a>
Audit Results Report for the Year Ending 31 March 2020	21 October 2020	Jason Burgess (Assistant Manager) EY <a href="mailto:Jburgess3@uk.ey.co">Jburgess3@uk.ey.co</a>
Local Government Audit Committee Briefing	9 December 2020	Jason Burgess (Assistant Manager) EY <a href="mailto:Jburgess3@uk.ey.co">Jburgess3@uk.ey.co</a>
Internal Audit Progress Report	9 December 2020	Adrian Manifold (Audit Manager) <a href="mailto:Adrian.manifold@centralmidlandsaudit.co.uk">Adrian.manifold@centralmidlandsaudit.co.uk</a>
Local Code of Corporate Governance Review 2020/21	9 December 2020	Ardip Kaur (Head of Legal and Democratic Services) <a href="mailto:Ardip.kaur@southderbyshire.gov.uk">Ardip.kaur@southderbyshire.gov.uk</a>
External Audit Planning Report for the Year Ending 31 March 2021	24 March 2021	Jason Burgess (Assistant Manager) EY <a href="mailto:Jburgess3@uk.ey.co">Jburgess3@uk.ey.co</a>
Proposed Internal Audit Plan 2021/22	24 March 2021	Adrian Manifold (Audit Manager) <a href="mailto:Adrian.manifold@centralmidlandsaudit.co.uk">Adrian.manifold@centralmidlandsaudit.co.uk</a>
Internal Audit Progress Report	24 March 2021	Adrian Manifold (Audit Manager) <a href="mailto:Adrian.manifold@centralmidlandsaudit.co.uk">Adrian.manifold@centralmidlandsaudit.co.uk</a>

Local Government Audit Committee Briefing	24 March 2021	Jason Burgess (Assistant Manager) EY <a href="mailto:Jburgess3@uk.ey.co">Jburgess3@uk.ey.co</a>
Annual Report of the Agreed Upon Procedures 2019/20	24 March 2021	Jason Burgess (Assistant Manager) EY <a href="mailto:Jburgess3@uk.ey.co">Jburgess3@uk.ey.co</a>
The CIPFA Financial Management Code	24 March 2021	Kevin Stackhouse (Strategic Director) <a href="mailto:Kevin.stackhouse@southderbyshire.gov.uk">Kevin.stackhouse@southderbyshire.gov.uk</a>